

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON CONTRACTS
COMMITTEE ON TECHNOLOGY

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October 31, 2011
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HELD AT: Committee Room
250 Broadway, 14th Floor

B E F O R E:
DARLENE MEALY
FERNANDO CABRERA
Chairpersons

COUNCIL MEMBERS:
Darlene Mealy
Fernando Cabrera
Christine C. Quinn
Robert Jackson
Letitia James
Melissa Mark-Viverito
Michael C. Nelson
G. Oliver Koppell
Mark Weprin
Gale A. Brewer

A P P E A R A N C E S

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Deputy Mayor for Operations

Carole Post
Commissioner
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Leonie Haimson
Executive Director
Class Size Matters

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2 CHAIRPERSON CABRERA: Good morning
3 everyone. This meeting comes to order. I want to
4 welcome everyone this morning to this important
5 hearing regarding contracts, tech contracts and
6 best practices. I will be introducing my co-
7 chairs in a second, and Madame Speaker.

8 The list of city technology
9 contracts have had significant costs and time
10 overruns seems to have continuously grown in
11 recent years. While our current fiscal crisis has
12 resulted in the layoff of hundreds of city
13 employees and serious reductions in city, the city
14 has simultaneously given out millions of dollars
15 in contracts in the same breadth. IT contracts
16 are particularly complicated and dynamic and
17 therefore require the oversight and guidance of
18 specialists, who are invested in the project, are
19 held accountable and hold vendors accountable from
20 the project's inception to its completion.

21 As the chair of the technology
22 committee, I am interested in the steps recently
23 taken by the Department of Information Technology
24 and Telecommunications to provide a much needed
25 layer of technical expertise to the oversight of

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2 IT contracting. In Oct 2010, the Mayor signed
3 Executive Order #140, authorizing DoITT to
4 consolidate and manage IT infrastructures and
5 establish and enforce citywide IT policies,
6 including reviewing IT investments by agencies
7 prior to final approval of the Office of
8 Management and Budget. Within the last year,
9 DoITT created the Vendors Management Office to
10 improve vendor accountability and performance.

11 DoITT also asserted, in testimony
12 to the Council earlier this year, that the Project
13 Management Office has enhanced performance metrics
14 over the last year, thereby improving project
15 management and customer support to agencies.

16 The committees are interested in
17 learning if these new responsibilities have
18 resulted in concrete positive impact on city IT
19 contracts in the short period of time they have
20 been in place and what additional steps can be
21 taken by DoITT or other city entities to ensure
22 contracts are managed effectively. If there are
23 any measures that the city can take to save money,
24 we need to do everything possible to see that
25 through. With more difficult times ahead, now is

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the time to search for best practices when it comes to how we contract taxpayer money.

Let me turn it over now to the co-chair, Council Member Darlene Mealy.

CHAIRPERSON MEALY: Good morning everyone. I want to say our chairs is Mark-Viverito, Robert Jackson, Council Member Letitia James, Gale Brewer and our Madame Speaker, good morning. I thank our Chair Cabrera. I'm the chair of the Contracts Committee. It is my pleasure to be here to explore the city's management of its information technology contracts.

The city has long been haunted-- sorry--by cost overruns on its large IT contracts. The Council has done its best to conduct oversight hearings once the overruns come to light, but we are limited by two little information too late in the process.

So today, we stop merely reacting to these over budget projects. This morning, we are taking two steps that would allow the Council to act before cost overruns reach epic proportions. First, through today's oversight we

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2 hope to learn enough about the way that the city
3 manages its contracts, that we can begin to think
4 about ways to prevent overruns from happening at
5 all. Second, through today's legislation, the
6 Council will be able to improve the timeliness of
7 quality of its oversight when contracts go off
8 course.

9 In our questions, we are not trying
10 to dwell on the past scandals. Instead, we are
11 trying to gather as much information as possible
12 so that we can prevent future overruns.

13 So I will turn it over to our
14 Madame Speaker for today, and thank you for being
15 here.

16 SPEAKER QUINN: Thank you very
17 much. I want to thank--[off mic]--I also want to
18 thank the sponsor of today's legislation, our
19 former Contracts Chair Tish James. I want to
20 thank Deputy Mayor Cas Holloway, Carole Post and
21 Marla Simpson for being with us this morning.

22 I in particular want to thank the
23 members of the administration for the information
24 that you provided with us that we requested as
25 well as the conversations you've had with our

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2 legislative staff in preparation for today's
3 hearing. I think the cooperation speaks volumes
4 about the forward motion that will come out of
5 today's hearing as it relates to contracting
6 monitoring overall.

7 Let me also thank the staff on the
8 Council who have worked on today's hearing:
9 Shannon Manigault, Tim--

10 ROB NEWMAN: Matusov.

11 SPEAKER QUINN: Thank you very
12 much. Jeff Baker and Crystal Gold-Pond, as well
13 as Rob Newman for that pinch hitting effort right
14 there with the name. Thank you very much.

15 Today's hearing, both the oversight
16 of IT contracts and Tish James' legislation are
17 two important topics. As both Chair Mealy and
18 Chair Cabrera have indicated, we have seen the
19 Bloomberg Administration have a very significant
20 and good focus on information and technology and
21 how we can use information and technology and the
22 positives aspects of the 21st century to make
23 government more efficient, to make our work
24 better, make our work less costly and all of this
25 is an effort to make New Yorkers' lives better.

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We applaud that.

We have seen as part of this work, huge contracts that deal with implementing these goals and this vision. Some of those contracts have gone off seamlessly; others have not: CityTime, ECTP, NYCAPS.

Today's hearing is to really do two or three things. One, to see what we can learn from what didn't work. We've had those issues in the City Council, and although it is never fun, it is almost always productive to look at what didn't work, figure out why, figure out how you implement changes and you move forward.

Two, to look at legislation that will help us monitor big contracts, not just in IT, because what went wrong in these areas could have gone wrong somewhere else. There will be other big contracts in the city's future. How do we put in reporting markers, reporting landmarks, transparency markers, transparency landmarks that help people within administration, people within the City Council, people in the public get information earlier? By getting that information earlier, we would hopefully know sooner when a

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contract was going to bust its budget.

Then we collectively can ask ourselves questions: why is this happening, can we go back and address what is making the costs go up in a way that will get the contract back into line? Are the problems happening here somehow built inherently into our contracting structure and is larger reform needed? We could ask ourselves a question: this is costing more and it's not worth it, let's cut our losses now. It's costing more and there's nothing we could have done about that and we need it and we're going to have to pay for it, which means diverting resources from other places.

If we don't have the info early in a transparent way, then those questions don't get asked in a collective manner with the legislature, with the public and then at the end of the process there are obviously many, many more challenges and many, many more questions and much greater concern.

So the point of today's hearing is how do we learn from what didn't work? How do we put reforms in place so that we move forward in a

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2 more positive fashion? How do we make government
3 more transparent, particularly at a time when we
4 have options of using the private sector to our
5 advantage more effectively?

6 So I just want to thank, again, all
7 of my colleagues and staff who prepared for this
8 hearing. I want to thank the Administration for
9 being here to answer these questions. Thank you
10 very much for your cooperation in building towards
11 today's hearing so we can all move forward on a
12 positive note collectively.

13 CHAIRPERSON MEALY: Thank you.
14 We're going to have Council Member James.

15 COUNCIL MEMBER JAMES: First, I
16 want to thank the Speaker for her support of this
17 piece of legislation as well as the two chairs. I
18 have the following comments.

19 During my tenure as chair of the
20 Contracts Committee, which spanned from 2006 to
21 2009, the committee held hearings on the
22 outsourcing of public services to the private
23 sector, as well as two oversight hearings on the
24 Office of Payroll Administration CityTime
25 contract, a payroll system that I criticized as

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2 being overly costly and difficult to manage. I
3 believe the CEO of SAIC said it best. "The kind
4 of behavior we have seen in CityTime is criminal
5 and it is an affront to everything that SAIC
6 stands for as a company." I might add, to the
7 City of New York.

8 At that time, I had recommended to
9 Comptroller John Liu, in September 2010, when my
10 chairmanship ended, I stood along with Local 375,
11 DC37, the Civil Service technical guide to halt
12 any further rolling out of the CityTime project.
13 As part of the investigation, I wrote a letter to
14 the Department of Investigations asking for an
15 investigation. At the time when the Comptroller
16 John Liu was first elected, I asked John Liu to
17 immediately investigate CityTime, which was one of
18 his first responsibilities as the Comptroller of
19 the City of New York.

20 I commended Comptroller John Liu
21 for ending expansion of the project due to
22 ballooning costs and unmet deadline, as well as
23 his imposing hard deadlines on incomplete work. I
24 joined numerous elected officials in speaking out
25 against the \$80 million embezzlement of public

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2 funds by CityTime consultants. In December 2010,
3 I praised Mayor Bloomberg for rightfully, if not a
4 little bit late, demanding \$600 million from
5 Science Applications International Corporation,
6 which was the contractor for CityTime, for what
7 had become a public disaster for this
8 administration.

9 Let me go on to say at this time,
10 when we are cutting human services, I would urge
11 that the administration step up and try to
12 retrieve as much funds as possible from SAIC.

13 Although I support the
14 administration's developing technology that
15 simplifies and updates necessary functions, I do
16 not support this ongoing lack of oversight with
17 regards to contracted technology projects.

18 In March 2011, former deputy mayor
19 Stephen Goldsmith wrote an op-ed in the New York
20 Daily News on the outsourcing of technology
21 positions to private contractors. In the article,
22 Mr. Goldsmith asserted that the issue was not the
23 outsourcing itself but rather the administration's
24 need to place more attention towards employing
25 city workers to perform these IT duties. He also

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2 announced administrative efforts to increase
3 positions for municipal workers.

4 I have long said that the city
5 could save millions through training and employing
6 municipal workers to handle some technology
7 projects. I commended the administration for
8 taking these initial steps. However, I strongly
9 believe a lack of administrative oversight of
10 contracted companies leaves the city vulnerable.
11 I strongly believe a lack of administrative
12 oversight contracted companies leaves the city
13 vulnerable

14 Since 2010, I've asked the
15 Contracts Committee to investigate the Emergency
16 Communications Transformation Program, ECTP
17 project and what has, at that time, a proposed
18 \$268 million contract with the City of New York;
19 the administrative layoffs of the New York City
20 deputy sheriffs and the contracting out of their
21 collection duties; and more recently the rising
22 cost of NYCAPS program as well as chronic
23 mismanagement of the system and abandoned or
24 delayed project goals.

25 In addition, I just discovered that

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2 New York City unfortunately has a contract where
3 they contract with a private company to send out
4 text messages at \$28,000 per month. I just
5 learned that this morning. In addition, I learned
6 that DoITT has 521 consultants, 50 more since
7 Deputy Mayor Goldsmith announced that they would
8 be looking at in-sourcing.

9 The legislation that is before this
10 committee today would require city agencies to
11 report to the Council its cost overruns on large
12 contracts. Specifically, agencies would be
13 required to notify the Council within seven
14 business days when it authorizes a payment to
15 modify or extend an original contract worth more
16 than one million dollars, for an additional cost
17 of \$500,000 or more than 10 percent over the
18 original contract price.

19 It seems clear to me that the
20 Council must meet through legislation a need
21 caused by the administration's lack of oversight
22 and ongoing review of these contracts. It is my
23 hope that the Contracts Committee can play an
24 active role in ongoing oversight of these
25 contracts. I look forward to not only this

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2 hearing but other hearings on all of the contracts
3 that I have just mentioned. Thank you.

4 CHAIRPERSON MEALY: We will have
5 the panel to start. Thank you for being here.

6 CASWELL F. HOLLOWAY: Thank you,
7 Chairwoman Mealy. Thank you, Speaker Quinn.
8 Happy Halloween, everybody. Good morning
9 Chairperson Mealy and Cabrera and members of the
10 Council Committees on Contracts and Technology.
11 I'm Cas Holloway, Deputy Mayor for Operations.
12 I'm joined today by Carole Post, our Commissioner
13 for the Department of Information Technology and
14 Telecommunications and Marla Simpson, the Director
15 of the Mayor's Office of Contract Services.

16 Thanks for the opportunity to
17 testify about the role that IT plays in the
18 delivery of services to 8.4 million New Yorkers,
19 and the nearly 50 million people who visit New
20 York City every year. Cutting-edge IT projects
21 are a hallmark of the Bloomberg Administration,
22 and have fundamentally changed the way we do
23 business every day. Today, information technology
24 is an essential element of virtually every service
25 the City provides: public safety through 911 and

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2 other measures; public health and cleanliness;
3 basic communications through NYC.gov and 311;
4 human services; infrastructure development; and in
5 Mayor Bloomberg's effort to make New York City
6 government the most accessible, transparent, and
7 responsive in the country.

8 Speaker Quinn talked about some of
9 the reasons for this hearing today, and I will say
10 my testimony I think is roughly divided up into
11 those sections. First, I'm going to talk about
12 what does work. Then I'm going to talk about some
13 of the things that haven't worked. Finally, I'm
14 going to talk about what we're going to do about
15 the second category.

16 From the beginning, the Bloomberg
17 administration has invested in information
18 technology to better serve New Yorkers, and as a
19 general matter, these investments have been
20 successful. 311 is a paradigmatic example. It
21 has fundamentally changed the way New Yorkers
22 interact with City government. It was announced
23 by Mayor Bloomberg in 2002 and launched in 2003,
24 just a little more than a year later. And the 311
25 Customer Service Center is one of the

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2 Administration's most successful, enduring and
3 evolving IT accomplishments.

4 We have received more than 130
5 million calls since 311 started, an average of
6 more than 60,000 per day. Approximately 20
7 percent of all calls result in the creation of a
8 service request, because we've effectively tied
9 311 to the agencies and the underlying, of example
10 mosaics at DOT, Hansen at DEP, so that we actually
11 can convert these requests quickly into getting
12 work done.

13 Earlier this month, in fact,
14 results from the 311 customer satisfaction showed
15 that satisfaction with 311 improved three points
16 from 2008, despite a time of diminishing
17 resources. This is on par with the highest
18 performing private sector call centers, well above
19 other call center benchmarks.

20 One thing you may not know about
21 311, in terms of the number of call channels and
22 types that we've developed, there are thousands of
23 types of calls that we deal with. If you look at
24 even the best high volume companies that have call
25 centers, they usually deal with a couple of dozen.

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So 311 is truly unique in this respect.

We also use 311 for critical agency operations. In fact, just this weekend, in coordinating our response to the first October snowstorm in 140 years, we did a number of calls throughout the day on Saturday, tracking the number of 311 complaints and using that as a way to diver resources. First, we were getting heat complaints but then that quickly transitioned over to trees. We were able to stand up the tree removal task force quickly. So 311 is something that not only helps New Yorkers and helps service generate service requests, we actively use that data on a daily basis.

SPEAKER QUINN: Deputy Mayor, I just want to jump in and to share with you. All of my colleagues are mumbling that you were all very responsive over the weekend. So, thank you.

CASWELL F. HOLLOWAY: It wasn't an accident.

[Laughter]

SPEAKER QUINN: [off mic] It never is.

CASWELL F. HOLLOWAY: As an IT

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2 project, 311 also has to be considered a success.
3 It was launched within a year of being announced
4 and has become the way that most New Yorkers
5 experience City government. In fact, it was
6 customer service month last month, or maybe it was
7 this month, but I participated in the awards, the
8 customer service awards at 311. It was great to
9 give awards to some of the 311 service operators
10 who get callbacks, one as many as 15 times from
11 different constituents, complimenting them on the
12 way they handled service requests.

13 The first phase of the project
14 helped us design and execute the transition from
15 agency-based call taking to a centralized system.
16 And that initial budget was \$40 million. One of
17 the things we're going to talk a lot about today,
18 I have no doubt, is budget and when IT projects go
19 over budget. The final budget of that first phase
20 was \$108 million. So, on a percentage basis,
21 that's 170 percent.

22 However, if you look at the overall
23 delivery of the project, which happened in less
24 than 18 months, which is within industry standards
25 for kind of best in class IT project delivery. We

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2 literally saw that--like I noted before--those
3 customer channels, 6,000 types of requests. There
4 was an underestimate at the beginning of the
5 complexity and number of requests that had to be
6 dealt with. I think the bottom line is, though,
7 that it was all successfully handled so that 311
8 now addresses literally thousands of the kinds of
9 information requests that we deal with.

10 Now, 311 is not perfect. Our
11 service levels aren't perfect. But even with a
12 project that went over budget, I would submit that
13 from a project management perspective that was a
14 success.

15 Now, in addition to 311, we've had
16 some other notable IT successes include. I'm just
17 going to touch on these. I hope you'll look
18 through my entire testimony. I'm not going to
19 give you the details of every one. Some of them
20 could be enough for a hearing on their own.

21 Wireless Water Meter Reading just
22 to give you one example, is a \$90 million IT
23 component there. It's only gone 4 percent over
24 budget. We had to install 835,000 wireless meter
25 readers at 835,000 properties throughout the city.

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We're 90 percent done and we've really transformed the way people interact with and deal with their water bills.

We have the Citywide Performance Reporting tool, which tracks 500 critical performance indicators and has now revolutionized the way that we deal with real time performance management of city agencies.

We have NYCWiN, which is a \$500 million overall. The contract for IT was \$375 million, which has provided the vital ability to do public safety--use that network for public safety communications and others, over 300 square mile of New York City, we have 750,000 devices installed. That budget for that project was \$375 million and we did a very innovative procurement there, as somebody who participated in that, where we actually got to test pilot two of the services for free before we contracted with Northrop Grumman. They delivered the service on time and on budget.

Another important public communications safety project was the Citywide Radio Network, channel 16. It provides 95 percent

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2 on-street coverage for public safety agencies. It
3 has a direct link to the 800 megahertz network.
4 And it was delivered well within its \$64 million
5 budget.

6 More recently, we have HHS-Connect,
7 a project which is revolutionizing the way that we
8 deliver human services in New York City, giving
9 people the ability to apply online for many
10 different kinds of services that are both federal,
11 state and local. I think people on the committee
12 certainly know how complicated human services
13 delivery can be. We're really excited about the
14 possibilities of this system.

15 The initial budget was \$96 million.
16 We've rolled out Access NYC and Worker Connect.
17 The final budget of that contract we're estimating
18 at around \$124 million. But that's not really a
19 mismanagement issue. We've increased the scope of
20 that project as we've gone, but we've also gotten
21 solid deliverables along the way, another thing
22 that's critical to best management practices for
23 IT contracts.

24 Automated procurement tracking
25 which Marla would kill me if I didn't mention. I

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2 have to say, as the Deputy Mayor who probably uses
3 this system most often, as far as deputy mayors
4 go, I now approve all of the procurements--and I
5 used to do this on paper with Marla through a very
6 detailed system a few years ago where I would get
7 memos and those memos would be vetted and
8 reviewed. Now everything is online. I have a
9 login. I simply login. I can review everything,
10 make calls if I have questions and approve the
11 contracts. It is truly an end-to-end lifecycle
12 management system.

13 Now, it's not perfect, and in fact
14 we're working on ways to make it even faster. But
15 when I look at what could be a successful
16 enterprise management lifecycle IT project, APT is
17 one of the ones that I'm saying, well why can't we
18 get this to look like APT. So that's another one.

19 Now, if the story of 311 and the
20 projects I've just quickly summarized was a proxy
21 for the management of every IT project, we
22 probably would be here today. From my
23 perspective, and I'm not in any way trying to
24 speak for the Council, though your opening remarks
25 are telling, this hearing is motivated at least in

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2 part by the perception that IT projects and
3 particularly large projects that cut across
4 multiple agencies are not being sufficiently well
5 managed to ensure that New Yorkers are getting the
6 value they expect and deserve.

7 The projects that give rise to this
8 perception and have brought to light some clear
9 opportunities for improvements in the management
10 of IT projects are CityTime and the New York City
11 Automated Personnel System, also known as NYCAPS.
12 I'm going to spend a little time on each of these.
13 We're not at part two. What worked, what hasn't
14 worked and we'll get to part three.

15 SPEAKER QUINN: [off mic]
16 Transition.

17 CASWELL F. HOLLOWAY: You like
18 that? I just want to remind you. CityTime is a
19 large and complex automated timekeeping system
20 currently used by 67 agencies and more than
21 160,000 city employees. As you know, the
22 development and delivery of CityTime is the
23 subject of ongoing investigations by DOI and the
24 U.S. Attorney's Office for the Southern District
25 of New York. Several consultants who worked on

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2 the project, including the project manager for the
3 lead contractor, SAIC, have been indicted for
4 engaging in an elaborate scheme of fraud and
5 deception to rip off the city.

6 The contract with SAIC terminated
7 on June 30th, 2011 and the City does not have any
8 other SAIC contracts. As you also know, and was
9 noted, the Mayor has demanded that SAIC reimburse
10 the city for the \$600 million in payout, as well
11 as for the cost of the investigation and
12 remediation.

13 I do want to note one correction in
14 my testimony here. It says that approximately \$50
15 million of SAIC's assets have been frozen or
16 attached and an additional \$41 million in payments
17 withheld. Those assets are not actually SAIC
18 assets, they're subcontractor assets. I just want
19 to make sure as a factual matter that that's
20 corrected. If you have any questions about that,
21 you can touch base with me afterwards.

22 Because of the ongoing criminal
23 investigation, my comments will be limited to an
24 update on the system's current status and a bit of
25 a preview of what we've seen in terms of the

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2 assessment of the project overall. It's jointly
3 managed by the Mayor and the Comptroller. FISA
4 actually took over management of the project last
5 year. As of July 1st, FISA is responsible for the
6 day-to-day management, maintenance and operation
7 of CityTime, a responsibility that previously with
8 the Office of Payroll Administration, which is
9 also jointly managed by the Mayor and the
10 Comptroller.

11 Since FISA assumed responsibility
12 for CityTime, the number of consultants working on
13 the project has been reduced from 154 to 81, and
14 annual savings of approximately \$18 million, and
15 there are 62 city employees working fulltime on
16 CityTime.

17 Over the next several months, FISA
18 will continue to make functional improvements and
19 deploy it in other government offices, including
20 the City Council, the Public Advocate and the
21 Borough Presidents.

22 I presided over the completion of
23 the rollout as Commissioner of the Department of
24 Environmental Protection of CityTime at DEP, when
25 we completed a 32-month rollout for nearly 6,000

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2 employees, some who work in more than 100
3 locations and as far away as 125 miles from the
4 city. DEP field teams, wastewater treatment staff
5 and police operate 24/7 and the hand scanners
6 allow supervisors to verify actual employee
7 arrival and departure times across many different
8 schedules. CityTime eliminated an enormous amount
9 of paper from attendance sheets and leave and
10 overtime requests, as well as clerical errors
11 associated with manual payroll calculations.

12 Now putting aside the fraud that
13 was committed and for which the city expects to be
14 fully reimbursed, CityTime has taken well more
15 than a decade to implement and the cost of the
16 system far exceeded the \$63 million that was
17 originally estimated. That was back in 1998. A
18 project assessment commissioned by FISA is
19 currently underway, and the preliminary findings
20 suggest that the project was plagued by problems
21 common to large scale government IT investments.
22 As an initial matter, the assessment concludes
23 that the current CityTime product has successfully
24 put the attendance and timekeeping records for
25 160,000 employees across 67 mayoral agencies and

1
2 importantly, 127 collective bargaining units into
3 a digital format.

4 At the outset of the time covered
5 by the assessment, which was approximately 2003,
6 though the project started in 1998, a commercial
7 off-the-shelf or COTS product that could meet the
8 city's needs was not available. And that's
9 according to an independent assessment. So as an
10 initial matter, the decision to build a standalone
11 system was sound. I note here that the first
12 contract was signed in 1998.

13 This problem is not unique to New
14 York City. In his 25-point plan to reform federal
15 IT management issued last December, former US CIO
16 Vivek Kundra points out that the multi-year
17 development timeframe of many federal IT projects
18 and the siloed approach that led to an explosion
19 of federal data centers, just as an example, from
20 430 to nearly 3,000 within just 12 years helps to
21 explain why so many large-scale IT projects run
22 over budget and take much longer to complete than
23 anticipated.

24 In government, weak governance--and
25 I think it's fair to say that a robust governance

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2 structure was not established for CityTime at the
3 outset--in particular can be a particular problem
4 when agencies are not required, or a project
5 manager is not have authority or is empowered to
6 limit scope creep and establish business process
7 consistency across affected agencies.

8 This is not a comprehensive
9 assessment of CityTime by any means, but provides
10 some insight into the management challenges that
11 the project faced and that I'll speak to when I
12 get to part three.

13 NYCAPS is a single, integrated
14 human resources and health benefits system for
15 City employees. Like CityTime, it automates
16 formerly paper-intensive transactions and
17 increases employees' access to and control of
18 their own information. It provides agencies with
19 tools to analyze employee data and exchange it as
20 necessary, and it includes an automated interface
21 with the Payment Management System.

22 More than 358,000 city employees in
23 all 80 agencies and 57 community boards use
24 NYCAPS. We have more than 775,000 records in the
25 system and we get more than 4 million transactions

1
2 per year on it. I've also used NYCAPS quite a
3 bit, both before and as preparation for this
4 testimony. The project was housed at DCAS and
5 started back in 1999, so we're talking about
6 another project that has more than a decade under
7 its belt.

8 In 2004, FISA assumed
9 responsibility for a contract for \$22.3 million.
10 The project was governed by an Executive Steering
11 Committee and a Working Group Committee and we
12 also had a project management and quality
13 assurance vendor. When it was transitioned to
14 FISA, NYCAPS was estimate to cost about \$100
15 million. The total value of the final contract,
16 which ended last March was double that, about \$211
17 million.

18 Now, I'm not going to suggest that
19 there were not issues with the management of
20 NYCAPS in terms of scope creep and things like
21 that. Again, I'm not going to give a
22 comprehensive assessment of just this project.
23 But it's important to not that there was a lot of
24 functionality that was added that is, in fact,
25 useful and was not part of the original scope for

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NYCAPS.

First, we integrated DOE employees, another 105,000 users. We automated the PAR process, which anybody who is familiar with trying to get people onboarded in city government is well aware of. We've updated the HR system, PeopleSoft. We have a self-service portal for employee information, which from my perspective as a city employee is quite useful. We have e-benefits, which is also online. We have an auto step process which automates the salary step plan for uniform employees which is a particularly complicated functionality. And upcoming, we have e-hire and performance evaluations. I can tell you as we're looking at how to roll these additional functionalities out, we'll be employing some of the changes that I'm going to suggest in a minute.

Additional expenses associated with the build-out of NYCAPS go beyond the consultant contract and include DCAS and FISA. FISA is currently in the final transition from independent consultant resources to city employees for ongoing NYCAPS operations and maintenance. So far, 15 of

1
2 26 consultant positions have been converted to
3 fulltime city employee positions. As with
4 CityTime, the scope of NYCAPS appears to have
5 changed significantly over time, which contributed
6 to significant cost increases and delays in
7 delivering a working product.

8 Step three: making changes in IT
9 project management, or part three.

10 As CityTime and NYCAPS demonstrate,
11 that perception that I mentioned, that City IT
12 projects are not sufficiently well managed is
13 partly true. These particular projects have far
14 exceeded their initial budgets and schedules. But
15 the majority of significant IT projects undertaken
16 by the Bloomberg Administration have come in at or
17 under budget and have delivered significant
18 functionality that has improved not only the way
19 residents and New Yorkers deal with the city, but
20 also the way city agencies deal with each other.

21 To prepare for this hearing, we
22 gathered data on significant IT projects that have
23 been completed or are under way throughout the
24 city, excluding CityTime and NYCAPS, which I've
25 addressed separately. Of the 29 IT projects that

1
2 started with a budget of \$25 million or more since
3 FY 2003, 55 percent were or are on budget, 6,
4 that's 21 percent are projected to be under
5 budget, 2 were over budget by 10 percent or less,
6 and the remaining 6, 21 percent, were more than 10
7 percent over budget.

8 This data suggests that while there
9 may be management problems in individual cases, it
10 is not categorical. That is, large IT projects
11 undertaken by the City of New York are not
12 uniformly over budget. But we have come to the
13 conclusion that we can certainly improve the
14 management of large IT projects, from the way we
15 develop the rationale for an investment, to
16 project design and implementation.

17 And we believe there is a role for
18 the Council in this effort. While the
19 Administration thinks that the draft bill proposed
20 by Councilmember James is overly broad in what it
21 requires, we are committed to work with you on a
22 bill that would require reporting on the progress
23 of IT projects that exceed certain thresholds that
24 can be defined in terms of a project's initial
25 budget, timeline, and other indicators.

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2 Assuming we can come to terms on
3 mutually agreeable legislation, the fact is that
4 the majority of improvements to be made in this
5 area to ensure accountability, and that projects
6 are delivered on time and on budget, have to do
7 more with management at the project level than
8 legislation.

9 From one perspective, the
10 successful management of an information technology
11 project is just like any other capital investment.
12 It requires: the development of a rationale or
13 business case for the investment; assembling a
14 project team-with City agency resources, or a
15 combination of City employees and in the IT
16 technologists or other IT expertise; and ruthless
17 attention to scope, schedule, and budget of the
18 project as it moves from requirements gathering,
19 to design, development, and delivery to the City
20 as a finished product.

21 In this connection, contract terms
22 with a systems integrator or other
23 service/technology provider are as important as
24 the agency team managing the project on the
25 ground. And we are looking at improvements we can

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2 make in both areas. These kinds of improvements
3 apply to capital projects across the board-whether
4 bricks and mortar or fiber and code.

5 At DEP, which has a \$14 billion
6 construction program, I reorganized the capital
7 division to focus exclusively on project delivery
8 by hewing closely to the scope, schedule and
9 budget that had been promised. Change orders that
10 exceeded a low threshold required my personal
11 sign-off, and we instituted the development of a
12 rigorous business case for every capital project.

13 If a project could not be justified
14 in terms of advancing DEP's core strategic
15 priorities, which we also set, it did not move
16 forward. For example, I was presented with an \$8
17 million contract early in my tenure, for the
18 design of a new testing laboratory upstate. Now,
19 as a rule of thumb if it costs \$8 million to
20 design it, it's going to cost \$80 million to build
21 it. Design is general 10 percent of the project.

22 And I asked whether the testing we
23 needed to do could be consolidated the existing
24 \$40 million state-of-the-art laboratory that we
25 had already built in Kingston. In fact, I said

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2 until give me a plan that shows me why this second
3 new lab is required, we're just going to wait to
4 put that RFP out, it's going to stay on hold. I
5 checked this morning and I confirmed that they're
6 still holding.

7 At the same time, we developed new
8 standard operating procedures to deal with errors
9 and omissions by contractors to ensure that the
10 burden was on them to correct, and pay for their
11 own mistakes. We also sought to induce more
12 companies to bid on our work with better contract
13 provisions regarding compensation for delays
14 caused by the City, and expediting the resolution
15 of scope disputes during construction that left
16 unresolved could grind work to a halt.

17 The reason for that is simple. The
18 more good companies you have bidding on work, the
19 better prices you're going to get. The more
20 likely you're going to get work done quickly so
21 that they can get more work.

22 But IT projects and particularly
23 the execution of large-scale IT projects in the
24 government sector, present unique challenges, even
25 with a capable project team, clear project goals,

1
2 and appropriate oversight. These challenges are
3 not unique to New York City. I've mentioned some
4 of those earlier, and we are in the midst of a
5 thorough review that I initiated of the way the
6 City manages large, complicated IT projects,
7 particularly those that impact more than one
8 agency.

9 I should note that this review
10 builds on an assessment that Carole Post conducted
11 last year, and that resulted in the creation of a
12 Vendor Management Office at DoITT that will play
13 an important role in IT project management going
14 forward.

15 One of the results of that
16 assessment was Executive Order 140, which
17 established a new framework for IT policies and
18 investments. EO 140 has three key objectives.
19 One is consolidation of IT infrastructure across
20 data centers, the establishment of policies and
21 standards for certain IT functions that have
22 citywide implications; and the development of
23 governance bodies to manage the City's IT
24 investments, including a Technology Governance
25 Board and a Strategic Governance Board comprised

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2 of representatives from the Deputy Mayors offices,
3 the Mayor's Office of Operations, OMB and of
4 course MOCS.

5 While the steps I'm committing to
6 undertake today--and I'm about to catalogue for
7 you--are not exhaustive, they are a continuation
8 of our efforts, evidenced by governance and
9 management changes like EO 140 and the new Vendor
10 Management Office, to give New Yorkers confidence
11 that the IT investments we make will deliver real
12 value at a fair price and through a management
13 structure that incorporates best practices from
14 project conception to delivery.

15 So I'm going to go through six
16 things that we are committed to undertake to do.
17 And I'm going to come back to you in a few months
18 to update you on the full results of the review
19 and what we want to put in place, and I would also
20 welcome feedback on this as we go.

21 Number one: investigate off-the-
22 shelf solutions first. The first step in
23 improving the City's IT contracting processes
24 begins before our agencies even talk to a
25 contractor, when they are developing the

1
2 requirements for a new software solution. Until
3 recently, City agencies turned first, or in short
4 order, to developing an expensive, stand-alone
5 solution when a Commercial Off-the-Shelf product
6 could meet an agency's business needs at far less
7 time and expense.

8 A recent example of success in this
9 area is the NYC Development Hub that the
10 Department of Buildings launched with Mayor
11 Bloomberg just a few weeks ago. The Hub is a
12 state-of-the-art plan review center that will
13 accelerate the approval process for construction
14 projects throughout the City and speed up job
15 creation. Licensed architects and engineers can
16 submit digital construction plans to the DOB at
17 the Development Hub and resolve any issues with
18 City officials in a virtual environment, without
19 ever meeting in person.

20 Now, DOB was able to develop and
21 launch the Hub in only three months, primarily
22 because it relies on simple, commercially
23 available applications and technology. Plans are
24 reviewed in PDF format. Then the Department is
25 leveraging GO TO MEETING, a simple web application

1
2 to conduct the virtual Plan Examination Reviews
3 directly with architects and engineers.

4 But to recognize and accept the
5 potential value of an off the shelf solution,
6 agencies must do more than scour the market place.
7 Business owners and IT managers and staff have to
8 be willing to look at existing agency business
9 rules to determine whether simple changes make a
10 COTS solution feasible. Rather than rejecting
11 commercially available products because they don't
12 accommodate all existing agency practices, we'll
13 ask agencies to thoroughly investigate off the
14 shelf solutions, and the changes that would be
15 required to adopt them.

16 This does not mean the end of
17 specialized software development, or that stand-
18 alone applications can't be developed effectively
19 to get the job done. Another recent innovation
20 that the Mayor announced this month is to reduce
21 the impact of construction on city roads and
22 better coordinating utility and private
23 construction company work. The online program,
24 called the Street Works Manual, is the City's most
25 far-reaching effort to improve coordination among

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2 utility companies, contractors and agencies to
3 minimize the number of times streets are dug up,
4 reducing congestion and extending the life of
5 resurfacing projects.

6 DOT has already enhanced its permit
7 and inspection procedures and now can issue 90
8 percent of all permits electronically, with most
9 permits issued within just one or two days of an
10 application. In Fiscal Year 2011, the department
11 issued nearly 265,000 permits for work in city
12 streets and this new functionality was developed
13 largely in-house, and on-top of DOT's existing
14 data infrastructure, MOSAICS.

15 And I personally spent a couple of
16 hours with Janet Sadik-Kahn and her IT team
17 examining the functionality of this and going
18 through how it was developed. So there's
19 definitely a balance of off the shelf ways that we
20 can go about getting work done and in-house
21 development, none of which necessarily require the
22 mega-development of new systems. So that's number
23 one.

24 Number two: develop IT contract
25 negotiating expertise. The City will change the

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way it negotiates significant IT contracts through the development of protocols that will include, but not limited to a number of best practices in the industry.

Number one is modular contracting.

In the words of a--

SPEAKER QUINN: [interposing]

Deputy Mayor, I'm just going to apologize. I have to go to another appointment, but thank you all very much.

CASWELL F. HOLLOWAY: Oh, sorry

it's--

SPEAKER QUINN: [interposing] I'm

sure the questioning is in, and I say this with full confidence, great hands.

CASWELL F. HOLLOWAY: Okay.

SPEAKER QUINN: Take care. Thank

you.

CASWELL F. HOLLOWAY: Sorry. I'm

almost done.

SPEAKER QUINN: [off mic] It wasn't

meant to--

COUNCIL MEMBER JAMES: [off mic]

Nothing personal.

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2 CASWELL F. HOLLOWAY: I am going
3 fast. I've been cutting. Thank you, Speaker.

4 SPEAKER QUINN: Thank you.

5 CASWELL F. HOLLOWAY: So let's just
6 talk about these best practices that we are going
7 to implement. Number one is modular contracting.
8 In the words of the federal report that I had
9 mentioned earlier, quote, "Programs designed to
10 deliver initial functionality after several years
11 of planning are inevitably doomed."

12 Now, the dire warning
13 notwithstanding, the City agencies negotiating IT
14 contracts have already moved, thanks to some of
15 the things that Carole has put in place towards
16 what's called modular contracting, a practice that
17 aims to ensure that the contract provides a
18 deliverable at the end of each new phase and
19 within a defined time period rather than waiting
20 six months, a year or multiple years before you
21 actually see anything that's delivering value to
22 the agency.

23 Going forward, we will do even more
24 to request, in terms of make firm go/no-go
25 decisions, about future phases of a project based

1 on progress made within a completed phase.

2 Ensuring that useable functionality is delivered
3 early in the development cycle allows decisions on
4 future work to be firmly grounded on the promise
5 of additional functionality, because the City has
6 the ability to walk away with a useable asset.
7

8 Second is a preference for fixed
9 price contracts over time and materials contracts.

10 We've already begun this shift in recent years.

11 And under a fixed price contract, the city pays a
12 fixed price to receive certain deliverables within
13 a set timeframe. Under a time and materials
14 contract, the city pays the vendor based on how
15 much time the vendor's employees expend, and the
16 cost of any materials.

17 I think the reports of practices
18 clearly show that government in particular focuses
19 on inputs more than outputs, or has tended to in
20 these kind of projects: how many people are you
21 putting in, how many hours have they put in, can
22 you prove to me that those hours were actually
23 spent. Now, it's important to document payroll
24 and so forth, but we need to move to a more
25 outcomes-based focused when it comes to IT

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2 management. I think this is true of projects in
3 general.

4 With a fixed deliverable, I don't
5 really care how much time the contractor is
6 spending on delivering it. If they're not paid
7 unless they deliver the functionality, then I feel
8 confident that however much time it takes them,
9 I'm going to get that functionality before I write
10 a check. So preference is for fixed-price.

11 Now, there's no one size fits all
12 approach to these. It doesn't mean the end of
13 time and materials work. If you're familiar with
14 some of the complexity of some of these projects,
15 you know it's not kind of a one zero scenario.
16 But definitely starting with time and materials
17 and moving as quickly as possible in an IT project
18 development to time and materials deliverables,
19 which you can do as you put the requirements
20 together and decide on a firm scope, enables us to
21 ensure that we're going to get the product before
22 you get paid with you being any of the contractors
23 that you may be working.

24 A third element is standardizing
25 clauses in IT contracts. We're working with the

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2 Law Department, OMB and MOCS to ensure that we
3 have some standardized language about the way that
4 projects are delivered, the kinds of things, like
5 deliverables that are going to be needed. Now,
6 even though the content of those deliverables will
7 change from project to project, we can set up a
8 standard structure and harmonize some of the
9 provisions of these IT contracts so that we can
10 not only make it easier but also get better prices
11 by leveraging the city's negotiating power.

12 We're also going to make sure that
13 we have the right kind of multidisciplinary
14 contract negotiation team on these IT projects.
15 Now, many agencies have terrific IT staff. The
16 fact is that developing and delivering a
17 complicated IT project requires more than just IT
18 expertise. Remember, IT itself is just a way to
19 facilitate the delivery of a service. So I think
20 it would be a mistake to think about IT as an end
21 in and of itself.

22 What does that mean? That means
23 you need to have the business owners, the people
24 who run the divisions within city agencies
25 intimately involved in the development of the

1
2 contract. You need to have the legal team. It
3 also is good to engage Marla Simpson, MOCS, the
4 Law Department and OMB, who see across a much
5 broader array of IT contracts what is, you know,
6 being required and developed and will also have an
7 awareness, as Carole now does through the Vendor
8 Management Office, of what certain vendors are
9 doing across the city.

10 Now that's an effective way to
11 leverage not only all the work that a vendor may
12 be doing for the city but also to ensure that the
13 best of what we're getting from individual
14 contracts is replicated throughout the city. The
15 burden can't be entirely on IT departments within
16 agencies to figure that out in every case. That's
17 why there needs to be some more aggressive
18 oversight from the City Hall and Mayor's Office
19 level.

20 So, now this is not an exhaustive
21 list of the things that we're going to do in the
22 contract area, but it's an example.

23 Now, to be sure, adopting these
24 practices does not mean the end of large,
25 multiyear IT projects in the city. Some

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2 functions, like a new 911 system simply require
3 longer to develop and a modular approach, or the
4 use of a COTS solution may not be feasible. This
5 was the case with the ECTP program, which will
6 soon deliver a state-of-the art 911 system, but in
7 these cases, we must have project controls in
8 place that are flexible enough to allow for the
9 incorporation of technological advances, but
10 rigorous enough to prevent a project scope from
11 being completely undefined.

12 This is one of the most difficult
13 challenges, as somebody who has been intimately
14 involved with some of our biggest IT projects,
15 particular ECTP. We know, for example, that for
16 PSAC II, a backup 911 center which is absolutely
17 essential, according to Commissioner Kelly and
18 Commissioner Cassano, to the city--you can ask
19 questions after I'm finished--that it's going to
20 be several years before that building is delivered
21 with technology inside. It's just not going to
22 happen within six months or a year and a half.

23 What does that mean? That means we
24 have to have governance and project controls in
25 place that enable us not to miss what might be

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2 happening out there in terms of good technology
3 developments that could make the delivery more
4 efficient and the capabilities better. But we
5 also can't be in a position where your scope is
6 just subject to change at any given time. So
7 governance is incredibly important.

8 Third step is considering value
9 engineering for current significant IT projects.
10 Value engineering is a process where you take a
11 project after it's at a certain point of design or
12 maybe the design phase is complete. You bring in
13 experts from around the country, and OMB has been
14 very good at doing this. Some of our biggest
15 capital projects and IT projects. Then you
16 basically take a look at the project that you're
17 about to bid out and you say, all right, does this
18 make sense? Is there anything we can do to trim
19 the scope? Is there anything we can do to make it
20 more efficient? Have any changes come into our
21 thinking about this project so that before we go
22 to the marketplace and put a shovel in the ground,
23 we're sure that we're doing it in the most
24 efficient was possible.

25 This is a process that agencies

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2 don't necessarily like, especially if they're
3 engaged and invested in a particular project.
4 That's why it's important that that also be done
5 from a central perspective and in a sense
6 independently from the individual agency doing the
7 project.

8 Fourth, we're going to evaluate the
9 nature and scope of Project Management and Quality
10 Assurance engagements, the so-called PM/QA vendors
11 and management that we do. Now, it's important to
12 have some of this capacity in-house, but for large
13 IT projects, there is also some essential
14 expertise that it's important to bring onboard so
15 that--when we talk about defining deliverables for
16 IT projects, this can be extremely complicated to
17 assess and ensure that you're getting what you pay
18 for.

19 However, right now, if you ask a
20 PM/QA vendor--and we've had a lot of them in the
21 city--what do you do, what's the scope of work,
22 you're going to get a pretty broad answer. We
23 need to make sure that we refine in a specific way
24 exactly what these vendors are doing. We're going
25 to look at the possibility of having them report

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2 either to an independent--independently within an
3 agency to a different business unit or perhaps to
4 the procurement division, something that I did in
5 DEP on a couple of projects. Or even in certain
6 cases, independent of the agency that's doing the
7 project, perhaps through DoITT or the Vendor
8 Management Office, so that there isn't a conflict
9 between a project management vendor, who may be
10 trying to please their client, the agency. If the
11 project management and QA vendor has the same
12 client as the person delivering the project, you
13 just could have a situation where the ability to
14 surface and deal with problems and risks that
15 arise is not going to be as robust as it needs to
16 be. So we're going to be looking at that.

17 Fifth and I think this is one of
18 the most important things, and five and six really
19 go together here. We're going to be developing
20 and implementing best practices for IT project
21 management across city agencies. I've already
22 talked about a number of these things. Some of
23 them have, you know apply to IT and not IT:
24 focusing on scope, schedule and delivery; having
25 governance in place. When delivering real value

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2 in IT projects, as with any significant
3 infrastructure investment, we need strong project
4 management, standard operating procedures
5 governing IT projects and personnel to manage
6 internal and external IT professionals to deliver
7 a product.

8 As part of our review, we're
9 looking at the way IT projects are managed across
10 the board, from the definition of business needs
11 by business owners--and I just mean there agencies
12 as a whole or agencies' business units. And in
13 addition to modular contracting, we're looking at
14 basic project-management SOPs to maintain a
15 project's scope, and deliver it on time and on
16 budget.

17 Governance is critically important
18 here, as any IT solution that cuts across more
19 than one business unit, City agency, or unit of
20 City government must satisfy multiple business
21 owners, and absorb input from multiple agency and
22 IT heads. We have to strike the right balance
23 between the flexibility needed to account for
24 technological change and different requirements
25 and knowing when to freeze a scope and future

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enhancements until there's a future rollout.

Maybe one additional point to make here is I can't stress the importance of also looking at business rules and the extent to which business rules needs to be standardized across agencies if you're going to do a cross-agency deployment. If you set up a situation where every possible idiosyncrasy of a different agency's way of doing a certain process has to be embedded in the IT solution that you're delivering, you're essentially giving up the efficiencies from the get-go, both from a development perspective in the project and in terms of the way the function is carried out.

Now, you know, that requires work that has nothing to do with IT. That means looking at process. For example, how do we hire? You know, how do we take in plans? How do we approve permits? These are questions that have to do with the substance of service delivery, and they need to be translated into IT requirements that can be delivered across the board. That's hard work and it's something that we're committed to undertaking.

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2 As part of this in number six, and
3 then I'll be finished, we're going to revisit
4 Executive Order 140 and the need for additional IT
5 investment governance and accountability efforts.
6 And as much as Executive Order 140 does, I think
7 it's fair to ask, do we have in place a robust
8 enough structure that can do what I just
9 described? That can bring agencies together and
10 actually be empowered to say, look, if we're going
11 to deliver this functionality through an IT
12 solution, we need to change business rules so that
13 we can make it as adaptable to as many agencies as
14 possible.

15 We have to ask ourselves, before we
16 build a standalone product from scratch why are we
17 doing that? Is what the City of New York is
18 providing so unique that it cannot be purchased in
19 the marketplace. That itself should raise
20 questions that we want to make sure we address.
21 Sometimes the answer to that is going to be yes.

22 New York City's 911 system, for
23 example, is the most complicated in the country,
24 just to give you a sense. But you have to then
25 balance that if you're going to build a system

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2 from scratch with strong project management
3 governance. So, for example, we had a software
4 delivery problem with ECTP and we haven't made a
5 payment to that vendor in 18 months. Now, we are
6 on the precipice--things are testing well--to
7 actually move the Police Department into PSAC I
8 shortly, which is good news. But it is critically
9 important as you deliver that both to ensure that
10 vendors are giving you the value that they promise
11 and that city agencies are willing to compromise
12 and make the tough decisions to deliver IT that
13 can actually provide efficiency.

14 So, those are six things that we
15 are committed to doing. As I said, this
16 assessment is still underway and I'll look forward
17 to coming back to the committee in whatever forum
18 you think is appropriate to continue to
19 communicate with you about what we're finding and
20 what we're doing. As I said, we look forward to
21 your feedback in this process as well.

22 Thanks for the opportunity to
23 testify and I'll take any questions.

24 CHAIRPERSON CABRERA: Thank you so
25 much, Deputy Mayor. I'm very interested and

1
2 pleased to hear about your management structure.
3 Let me recognize Council Member Weprin, who has
4 just joined us. Glad to have you here. I'm very
5 happy to hear about your management structure. Do
6 you have a goal date when this structure is going
7 to be in full operation?

8 CASWELL F. HOLLOWAY: I would like
9 to see us in about three months have really
10 fleshed out what adjustments, changes, and
11 additions too. The good news is Carole and DoITT
12 have done a great job laying the groundwork for
13 this. So it's not reinventing the wheel. I think
14 if you look at federal government examples, state
15 government examples, some of the things that I've
16 talked about here are not new. They're not unique
17 to New York City. But, you know, New York City
18 should be leading the way in terms of best
19 practices, development and adoption and that's our
20 goal.

21 CHAIRPERSON CABRERA: I have a
22 couple of questions and then I'm going to turn it
23 over the co-chairs and to the other Council
24 Members because I know they have questions. In
25 regards to sole sourcing contracts, how many sole

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source contracts went out in the last 18 months?

CASWELL F. HOLLOWAY: You mean of any kind?

CHAIRPERSON CABRERA: IT.

CASWELL F. HOLLOWAY: In any area?

CHAIRPERSON CABRERA: Yes.

CASWELL F. HOLLOWAY: IT sole source contracts? Well, I'm going to turn it over to Marla in one second. Let me just say though that as a general matter, even for complicated IT projects, there is an RFP or a bidding process that happens. So there is a competitive process. Now, some vendors end up, for multiyear projects, being with the city as a contractor for a long time, but that doesn't mean it started as a sole source contract. Having said that, Marla?

MARLA SIMPSON: We can get you data, but it is very unusual that we sole source in this area. The examples are probably proprietary software. In certain cases where there really is only one software product out there, we would obtain the city's licenses through a sole source and do it as moving toward additional enterprise solutions. But in general,

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there's a competitive process even to find those.

CHAIRPERSON CABRERA: Would you say a number around close to 30 is an example number?

MARLA SIMPSON: I would rather get data, but given that we do 50,000 procurements per year, it is a very small number.

CHAIRPERSON CABRERA: According to the information, the research that we have done, we've been able to find at least 27 of them. We noticed that they tend to go to the same company. Is there any particular reason why?

CASWELL F. HOLLOWAY: Who's the company?

CHAIRPERSON CABRERA: Cisco.

CASWELL F. HOLLOWAY: Carole, do you have any insight into that?

CAROLE POST: So I think what you're seeing there is what Marla was referring to, is that in some of the infrastructure engagements where we have existing systems and that in order to ensure compatibility amongst what you're evolving or advancing, the selection process can be somewhat limited. You'll see that on a relatively small basis, but it certainly does

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exist. Most of that's in that back office sort of network, hardware and software supply side.

CHAIRPERSON CABRERA: You know, I was looking at this. I'm sure you're familiar with the Gartner Report, the one called "Debunking the Myth of the Single Vendor Network." Are you familiar with that one?

CAROLE POST: I'm not.

CHAIRPERSON CABRERA: I would be more than willing to give you a copy.

CASWELL F. HOLLOWAY: We'd be happy to look at it. One thing you should know, just in terms of my own personal disposition in this area, and this is something that at DEP in the capital program and this is IT projects and capital projects, the fact is, you know, nearly two years ago now, we had too few vendors who were doing our design consulting. And we had too many contracts where we were simply extending a contract over and over and over and over. So, the fact that essentially, even if you started with a competition sometime back in 2004, ends up being a sole source arrangement.

So we go in with--you know, the PPB

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2 rules, and I personally go into all this, even in
3 the IT area or the infrastructure normal bricks
4 and mortar, cement area, with a strong
5 predisposition in favor of bidding work out. If
6 you bid work out, you are in all likelihood going
7 to get a better price.

8 Now, there's no one size fits all.
9 There are certain reasons why a sole source might
10 be appropriate, in particular circumstances. For
11 example, and I'm going to use DEP again, there is
12 a specific technology for nitrogen removal that
13 we're currently doing a \$30 million investment in
14 at DEP. This is actually a hybrid IT/bricks and
15 mortar project that started out as a demonstration
16 project and ended up being a sole source contract
17 because this technology did not exist anywhere
18 else. After we tested it and found that it would
19 be effective in nitrogen removal, we decided that
20 it was worth doing.

21 Now, I can tell you in the IT area
22 and in many areas, it is not often the case that
23 there is just one single provider of a service.
24 Having said that, you know, there are going to be
25 some. As Marla noted, it's not a lot, and it's

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certainly not something we look to do.

CHAIRPERSON CABRERA: I mean, the reason why I'm bringing it up is for a couple of reasons. One, and I know they're in very specific instances we may have one company that pretty much has a monopoly but the real case, and I'm looking at this Gartner report, which I can't wait to pass it on to you, is that in talking to people in the field, the reality is that's not the case in most cases. You brought a great example, Deputy Mayor, in the beginning of the 311 system, which was bid out and we had, I'm assuming, a lower price. And by far, the research shows that we could save at least 25 percent when we bid it out. So I would encourage you to when at all possible, which I would think is 99.9999 percent of the time, to be bid out.

I'm also curious as to what's your process of recovering--you mentioned the SAIC that the Mayor is specifically targeting to get the money back. I'm curious as to other instances like Verizon, I believe this deal in August 19 as I recall, they stated themselves that they were going to pay it back. I'm curious as to whether

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they pay those back and what the latest in that investigation is.

CASWELL F. HOLLOWAY: Well, I'm not sure exactly what you're referring to on the Verizon side. That demand that the Mayor made is being made in the context of an ongoing criminal investigation by the Southern District in DOI. So on the investigation side, I'm not really in a position to--I don't know the exact status of it and I'm not in a position to comment on that, except to say that the city is demanding and fully expects to get restitution for the amounts that we were defrauded.

Now, I should point out, though, that putting the instance of fraud and the involvement of criminal justice agencies like the Southern District and the Manhattan DA or DOI, which do a great job policing contracts, let's just assume for a minute there is no fraud. As a project management matter, there are controls that you need to have in place with vendors. This is, again, something--whether it's on the construction side with errors and omissions in design, in the IT side in terms of does the functionality that

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2 you bought match up with what was delivered,--you
3 really need to have controls in place and standard
4 operating procedures and contract provisions where
5 the burden is on the contractor to deliver that or
6 else. Or else what? Or else they have to pay to
7 fix it or else the city would terminate the
8 contract.

9 So I think there is a point here,
10 outside of the context of these criminal
11 investigations which are critically important and
12 which are ongoing, as a management matter we need
13 to ensure that vendors are delivering what they
14 say they're going to deliver. If they don't, then
15 we have to figure out either to move to a new
16 vendor or get it fixed.

17 CHAIRPERSON CABRERA: So, Deputy
18 Mayor, is it the practice, the Administration's
19 practice to award contracts where the fraud has
20 taken place? I'm specifically talking about the
21 Verizon case that happened where the Department of
22 Education, there was a special investigator. I'm
23 sure you're familiar with this.

24 CASWELL F. HOLLOWAY: Well, let me
25 turn it over to Marla, who can give some comment

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2 on that particular case. As a general matter, if
3 there's a company that--most companies that have
4 to do business with the city, you have to fill out
5 a VENDEX form where they have to disclose issues
6 of any kind. And if they don't, they don't do
7 work. If they are deemed irresponsible, they
8 don't do work. That's the general framework. But
9 in terms of Verizon, Marla?

10 MARLA SIMPSON: Yes, you're
11 correct. There is a DOE investigation that
12 resulted in some relevant findings concerning
13 Verizon. This happens both on the IT side and on
14 the bricks and mortar side with vendors that the
15 city does business with. In each case, we work
16 very closely with the Department of Investigation
17 on what the next steps are. Every time a contract
18 is either underway or is newly awarded to a
19 company that has come up in an investigation, we
20 raise the question as part of vendor
21 responsibility what the appropriate next step is.
22 Whether that is in some cases to terminate a
23 business relationship or whether there is a way to
24 go forward in a business relationship with
25 appropriate controls and as appropriate

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restitution.

I can't speak directly to the Verizon situation because it's still being dealt with. But I promise you that one or all of those solutions is under discussion and that we will go forward only with a finding that a vendor is responsible for continued business and with appropriate controls.

CHAIRPERSON CABRERA: To be honest with you, I was very surprised that we went on in awarding a contract, matter of the fact, there were 40,000 people who were having a labor dispute with Verizon at that time. Number two, I was very surprised of the fact that we didn't postpone the contract.

I know the rebuttal is going to be the services had to be provided to the school. But that contract was already on a postponed situation. So it would have not affected. I can't imagine Verizon just not providing that service. I mean a company that made \$20 billion and we're having financial struggles. I'm surprised they haven't paid us back yet. I don't know what the issue is. And then we're still

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2 awarding contracts. So I just don't understand
3 the discrepancy here. I think whatever is
4 rewarded is repeated. So I don't know what kind
5 of message we're sending if we do this.

6 CASWELL F. HOLLOWAY: Well, we're
7 certainly look into the specifics of this example.
8 I know responsibility determination in the award
9 of contracts is made in the context of a specific
10 project, and having said that the VENDEX forms
11 have to disclose anything. So, all of those
12 things come into consideration, anything that a
13 company is doing and so forth.

14 The labor issue, I just have to say
15 two things about that. One is Verizon is a big
16 company with a lot of different business lines.
17 That labor issue, which is something the city was
18 very aware of and we made provisions with Verizon
19 to ensure that essential city services like 911
20 and 311 and everything were maintained during that
21 period. But, you know, essential Verizon is a
22 private company and that was a private labor
23 dispute and would not necessarily have a bearing
24 on a responsibility determination in the context
25 of a specific contract. In fact, to the contrary,

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2 we don't attempt to, as the city and in the
3 marketplace to procure services, attempt to use
4 the city's leverage in a way that would influence
5 those kind of outcomes. What we need to make sure
6 of is the services that New Yorkers need get
7 provided.

8 CHAIRPERSON CABRERA: I agree. I
9 agree with the last part that we do need to
10 continue providing the services. But at the same
11 time, I would hope that we send the right message
12 to this company that if you want to do business
13 with us that you have to meet your end of the
14 bargain, especially when there's a fraud. I mean
15 this was an obvious violation of the law. If I
16 was in the Verizon side, I would have been very
17 quick to write that check back, just good faith.

18 Again, the press conference I
19 believe was August 19th. Verizon themselves said
20 we're going to pay it back. I believe the Borough
21 President of Manhattan was there as well. So I'm
22 just surprised that tomorrow it's going to be
23 November and we still have not received a check
24 from them. So it's something to pursue.

25 I'm going to turn it over to

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2 Council Member Mealy, our co-chair. I don't want
3 to monopolize the time, but I'll definitely be
4 coming back with a few more questions. Thank you
5 so much.

6 CHAIRPERSON MEALY: Thank you. I
7 have three questions and one for Commissioner
8 Post. Could you walk us through the players of IT
9 contract and process from projects' initial
10 conception, whether at a particular agency or
11 citywide, to the time when the contract is
12 registered with the Comptroller?

13 CASWELL F. HOLLOWAY: Sure.

14 CHAIRPERSON MEALY: I can get a
15 clear understanding.

16 CASWELL F. HOLLOWAY: I'm going to
17 start with that and then we have Marla and Carole
18 here to fill in any of the details that I leave
19 out. Generally speaking, let's just take the case
20 of an agency. I will use the example of the need
21 for a customer information system at DEP to
22 process our bills. This is a DEP system for a DEP
23 service that is needed. You want that process to
24 be automated.

25 So you develop a business scope

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2 within the customer services revenue unit. That
3 scope then is turned into a solicitation for--
4 well, you consider can the system be built with
5 in-house resources, and in some cases the IT shop
6 has done that. For example, there's a whole
7 permitting process for asbestos related permitting
8 that we built entirely in-house with help from the
9 Mayor's Office of Operations.

10 But when you're looking at doing a
11 whole new customer information system to collect
12 \$3 billion of revenue, the decision was made that
13 while it would be managed internally and with some
14 help from DoITT that we would need to go out and
15 get some expertise to help us do that.

16 So you develop the requirements for
17 the contract and then you do some outreach with
18 industry. We look at what contract vehicles are
19 potentially available. It turned out in this case
20 that it made more sense to do a DoITT contract
21 where you would have the potential for other
22 agencies to be able to maybe down the road use the
23 similar vendor services if you want to try to
24 build an enterprise wide solution for revenue
25 collection. Then the requirements were developed

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and an RFP was put out.

That RFP goes into the marketplace and proposals come back. A committee is set up to evaluate it. I'll have to look back and see who was on it, but I'm guessing that somebody from DoITT and MOCS and the business unit, and maybe somebody from outside was actually on the evaluation committee. A vendor is chosen and then you enter into detailed contract negotiations. Then the final contract is developed and sent for registration to the Comptroller. After that the contract is registered. I can go on from there, but let me just stop there and ask Marla and Carole, did I miss any essential elements?

MARLA SIMPSON: You did good.

CASWELL F. HOLLOWAY: Thanks.

CHAIRPERSON MEALY: Then who is involved in the management of the oversight?

CASWELL F. HOLLOWAY: Well, as a general matter at the agency level for an IT project that is being developed within an agency, the primary project management happens at the agency level. There are many contracts where DoITT is serving a role where agencies can buy off

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2 a requirements contract or you can, you know,
3 leverage the ability to buy a general kind of
4 service like a consulting service. But if it's a
5 specific project, I can tell you, for example,
6 with the CIS system that was being managed by a
7 project manager within the IT division at DEP.

8 Now, one of the questions we are
9 looking at as part of this review of project
10 management, and I'll just tell you is, you know,
11 is there some additional level, particularly where
12 you're using a citywide requirements IT contract,
13 of oversight and for example budget management and
14 project deliverable accountability that we should
15 have, not just in the agency but also at DoITT, as
16 a general matter. Most of the vendors who do
17 these big projects are also doing other projects
18 with the city and you want to understand that
19 vendor's performance in the context of their
20 entire relationship with the city. So we are
21 looking at that.

22 The Vendor Management Office that
23 Carole has created does meet with vendors and look
24 at their whole portfolio of projects. One issue
25 that is not directly addressed even at this point

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2 in those meetings is for specific projects where
3 are we on the deliverables. That happens at the
4 agency level. So I think there does need to be
5 some adjustment of that. We're still looking at
6 that. That's what I said I'm going to--the things
7 I outlined today aren't exhaustive, but that is
8 generally the answer.

9 CHAIRPERSON MEALY: Thank you. I
10 understand that. Is there anyone in your office
11 whose job it is to track all major IT projects?

12 CASWELL F. HOLLOWAY: All citywide?
13 Well, the short answer in--

14 CHAIRPERSON MEALY: [interposing]
15 Or the major ones?

16 CASWELL F. HOLLOWAY: The major
17 ones, you know, my office, DoITT is an agency that
18 responds, you know that reports up through me to
19 the Mayor. So, you know, I as Deputy Mayor for
20 Operations have some responsibility for all major
21 IT project delivery. There are some major IT
22 projects that are happening, you know, within
23 specific agencies that may not be using DoITT
24 resources and depending on where those agencies
25 report.

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2 I can tell you now we are looking
3 across the board at IT projects, whether they're
4 in the human services portfolio or the public
5 safety portfolio or the economic development
6 portfolio, and I think this question that you're
7 asking: what is the level of oversight of all
8 projects and to what extent should the best
9 practices that I described today that we want to
10 make sure get implemented, are they going to get
11 implemented across the board, whether it's DoITT
12 or what have you. I think the maximum extent
13 possible we want to standardize what we can
14 standardize and establish standard operating
15 procedures and project management that would be
16 adopted across city agencies.

17 So that's a long answer, but I am
18 responsible for overseeing, as a general matter,
19 major IT projects with Carole and then the other
20 IT officers in certain agencies.

21 CHAIRPERSON MEALY: I have another
22 question or Ms. Carole also, but it's still with
23 you. It appears that you are monitoring a number
24 of projects. In this process, formalized to make
25 sure all large projects remain within a budget and

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on time. So are you saying the buck stops with you?

CASWELL F. HOLLOWAY: Well the buck stops with the Mayor. The Mayor's in charge. I am saying that--

CHAIRPERSON MEALY: [interposing]
But from an oversight, would you say that--

CASWELL F. HOLLOWAY: [interposing]
From an oversight perspective, I think--

CHAIRPERSON MEALY: --all major IT projects, your office--

CASWELL F. HOLLOWAY: [interposing]
Yes.

CHAIRPERSON MEALY: --of you, Marla and the Commissioner is the one in charge? That's why I asked all major projects. So we're just trying to find out who's minding the storehouse.

CASWELL F. HOLLOWAY: Yes.

CHAIRPERSON MEALY: Where do the buck stops? Is it with you?

CASWELL F. HOLLOWAY: Yes.

CHAIRPERSON MEALY: Now we will be able to say, if things do not happen, it will stop with you. Now, Miss Commissioner, are any

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2 problems created by granting DoITT's oversight
3 over peer agencies?

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CAROLE POST: You know, just to
5 back up one step, the notion that the Vendor
6 Management Office has created--in its development
7 has created a new lens through which we in the
8 administration across the board is examining IT
9 engagements. That is a lens that had not
10 previously existed.

11

So while there was certainly
12 scrutiny and oversight on a project by project
13 basis and a vendor engagement by project basis,
14 there had not necessarily been this broad
15 reaching, sort of broad based and overarching view
16 through which we could have transparency and more
17 importantly, accountability across vendor
18 engagements. So you were looking at them sort of
19 in silos and holding vendors accountable within
20 that silo, but not necessarily across the board.
21 The Vendor Management Office was created to enable
22 that new lens, that new aspect of transparency and
23 accountability.

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That being said, no two projects--
there's no one size fits all for a project and all

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2 agencies are different. So as the Deputy Mayor
3 spoke of, many agencies have very highly
4 sophisticated IT operations they're quite
5 responsible for and have a good track record at
6 managing their IT projects, whereas others have
7 less IT resources and rely more heavily on DoITT
8 and other talent to be able to produce their IT
9 results. What we're trying to do is sort of
10 manage that, not necessarily impose on an agency
11 that has good controls and good measures in place
12 but complement that where it is and have an
13 overall approach where there is sort of single
14 chain of accountability at the ultimate point of
15 control.

16 CHAIRPERSON MEALY: Then that is
17 good. Could I ask you another question? What
18 authority does DoITT have to reverse an agency's
19 decision?

20 CASWELL F. HOLLOWAY: Let me take
21 this one. There is, in terms of the management of
22 significant IT projects, I can assure you
23 Commissioner Post and her team can make a
24 recommendation and make recommendations about
25 projects that are moving in a way that we like or

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2 projects that present certain risks. So, in those
3 cases, we'll either go to the agency or if it's
4 being managed through DoITT, go and look and try
5 to identify.

6 There are some best management
7 practice, some of the things I talked about in my
8 testimony in terms of what we're going to do from
9 a project management perspective to tighten this
10 up. But as a general matter, we will say: look,
11 what are the decisions that are--what are we
12 trying to get delivered here and what are the
13 stumbling blocks to this project. Because, you
14 know, the budget--going over budget is just a
15 proxy for something happening. It could be good,
16 it could be bad.

17 On the good side, if you decide
18 legitimately on a multiyear project or any project
19 that there's some essential functionality that you
20 want to make sure that you have and as long as you
21 stop and have, in your project management
22 structure, an ability to take that up to whoever's
23 in charge, as you say, and say, okay, here's the
24 functionality we want to add. Here's what it mean
25 for the budget. Here's what it means for the

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2 schedule. You know, is it a significant enough
3 decision where it should go up to the deputy mayor
4 level? Is it something where we should consult,
5 for example, with DoITT or maybe DoITT's already
6 managing the project? As long as you can answer
7 those questions and document the answers to those
8 questions. Here's why we made the decision that
9 we made at the time that we did. Then the project
10 I think should move forward, whether it's going to
11 take longer or whether it could cost more money.

12 The issue is where you just kind
13 of--issues arise whether you just, if you are
14 looking at those questions--if you're asking those
15 questions and say can I live without this scope
16 adjustment and deliver the product and then make
17 sure that it works and then move on. You want to
18 do that where you can. I think those are hard
19 decisions. But I think we are going to tighten up
20 with the governance structure to ensure that
21 exactly that happens in all the significant cases.

22 CHAIRPERSON MEALY: Can I ask, has
23 there been a situation that DoITT came to you with
24 concerns that the agency managing a project was
25 overran?

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CASWELL F. HOLLOWAY: Overran? I'm

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sorry.

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CHAIRPERSON MEALY: Yes,

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mismanaging--

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CASWELL F. HOLLOWAY: [interposing]

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Oh, you mean cost overruns, mismanaged? Carole

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and I meet every week. So, specific issues with

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particular projects are raised all the time. This

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project is going to be off schedule. Why is that?

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You know, and then we'll engage the agency in

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that. So, yes, they do.

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CHAIRPERSON MEALY: How do you

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engage the agency?

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CASWELL F. HOLLOWAY: Call the

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commissioner.

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CHAIRPERSON MEALY: And then?

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CASWELL F. HOLLOWAY: And then meet

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with them, meet with the IT unit, go through--you

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know, meet with whoever the relevant managers are

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and sit down and go through the project. I mean

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there's an active engagement that I will do, on

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that or any other issue.

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CHAIRPERSON MEALY: But if it still

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go over budget, it's no way where we can stop it?

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2 CASWELL F. HOLLOWAY: Sure, we can
3 stop it. You know, we have the ability to stop
4 it.

5 CAROLE POST: Let me speak to this
6 one moment. I think focusing on whether we're
7 stopping a project or not is certainly of merit.
8 But I think where we've been able to have some
9 positive impacts--and I have some specific
10 examples of that--is by not necessarily stopping
11 the project but reexamining it under this new lens
12 and evaluating what direction its taking or not
13 taking and whether it should be taking a different
14 direction based on this enterprise approach versus
15 a single agency making decisions which might be--
16 they might be suitable for the agency within its
17 silo but maybe have implications citywide.

18 There are a couple of examples
19 where agencies, where we took specific approaches
20 in concert with the agency, to be able to come to
21 the table and say this project is not achieving
22 its end goal or its running over time or over
23 budget, what's the best approach to take. We've
24 had those discussions. In many cases, we have
25 severed engagements with consultants. We've

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2 brought work in-house. We've reset the baseline
3 on matters and then been able to deliver to sort
4 of a new set of goals, but been able to redirect,
5 as opposed to simply stopping something. Still
6 achieving the goal, but in a different approach.

7 CASWELL F. HOLLOWAY: You know,
8 just also, and the Vendor Management Office is an
9 important development and it kind of calls this
10 question explicitly in a systematic way, which is
11 good. But also within the management of
12 significant IT projects, I mean I can tell you any
13 significant capital investment that an agency
14 undertakes they are engaged in the successful
15 management of that project.

16 One of the processes that has been
17 going on for years that has helped in this area
18 for IT and regular garden variety infrastructure
19 is the VE, the value engineering process. In
20 fact, if you look at the ECTP project, that has
21 gone through at least two value engineering
22 exercises where the scope of certain elements of
23 that project have been dramatically reduced or
24 changed. That's something that you want to
25 continue to do for any project of a significant

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size.

So there are a bunch of different controls that are in place, but I think it should be clear from my testimony and what Carole has talked about that we are making some additional improvements in this area and we're not done yet.

CHAIRPERSON MEALY: Thank you. My last statement, and then I'm going to turn it over to Council Member Gale Brewer. In Virginia, in 2005, there was a \$2 billion contract, Northrop Grumman, and it kept going so over budget that they took it from the management company just like MOCS, DoITT, OMB, and turned it over to the governor or the comptroller. Have the city every thought about doing something like that? Once a--

CASWELL F. HOLLOWAY: [interposing]
Well there are certain cases where management changes have been made, if you look at CityTime. CityTime started out in the Office of Payroll Administration and now in FISA. Both of those are jointly Comptroller/Mayor managed entities, but they are different entities. So the management of the project is different. If you look at NYCAPS, it started in DCAS. That also ended up in FISA.

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2 So, there are changes that get made
3 as projects move along, for some reasons in terms
4 of tightening up project management or other in
5 terms of where a project actually belongs.
6 Nothing is off the table when it comes to trying
7 to bring a significant project to make sure that
8 we either get it delivered or make a decision that
9 we're going to change the scope or, if necessary,
10 move to a different solution.

11 CHAIRPERSON MEALY: I think we
12 would--just my statement, if something go over
13 that budget, that was \$2 billion, so imagine we're
14 just talking about CityTime, I think we would have
15 to take it out of hands and put it into maybe a
16 bigger governance. And that's maybe the Governor
17 and the Comptroller that they can oversight it,
18 but that's just my statement. I'm going to turn
19 it over to Council Member Gale Brewer. We have
20 been joined by Michael Nelson of Brooklyn. How
21 are you? Thank you.

22 COUNCIL MEMBER BREWER: Thank you
23 very much. I first want to say it's quite a team
24 in front of me, so I'm impressed. We're not all
25 going to be here forever, so I think some of these

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2 questions are for the future, but congratulations
3 on all three of you.

4 My first question is just a
5 governance issue, which you touched on. I think
6 from hundreds of emails, which I have about four
7 devices here, and they're all telling me
8 governance, governance. So my question is--you
9 mentioned it--how can you make sure that each
10 agency has that kind of governance that would
11 almost eliminate some of the discussion that we're
12 having here today?

13 CASWELL F. HOLLOWAY: Well, I would
14 say maybe one of the key issues that we're looking
15 at is not necessarily governance within agencies
16 but across agencies is where you can face
17 potentially the biggest challenges. That is
18 because agencies in the City of New York: DEP has
19 6,000 people, the NYPD has 34,000, FDNY has
20 13,000. Each of these in their own right, you
21 know some of them are multibillion dollar entities
22 and their budgets eclipse budgets of cities. So
23 they're very complicated and large organizations.

24 When you are trying to establish
25 common IT infrastructure, architecture, guidelines

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2 to ensure development, break down silos, make sure
3 you're not doing things that are redundant, it
4 presents a challenge but I think where we're
5 looking in terms of the governance is Executive
6 Order 140 and some of what's been established
7 there is a great and a very strong start to
8 address some issues in terms of common
9 architecture decisions, infrastructure decisions
10 that affect multiple agencies.

11 I would submit that we need to go
12 one step further in terms of governance and look
13 at project management and make sure that we have a
14 structure in place where decision making can
15 happen at a high level to say: well, you know, the
16 three or four things that are unique to the hiring
17 process in your agency but that if we keep them
18 are going to make the off the shelf solution maybe
19 not possible--just to use a simple example. Or if
20 we try to accommodate 50 different entities'
21 idiosyncrasies and use an off the shelf product or
22 try to deliver something within a reasonable
23 timeframe, you're not going to succeed.

24 So how do you deal with that
25 challenge? Well, number one, you have to be able

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2 to ensure that you keep the processes in place
3 that work. So identify best practices: who's
4 doing this project the best, can we implement
5 those across city agencies? Forget about the
6 technology, that's before you even ask the
7 question of how we get the application that will
8 actually do these things.

9 That's why I think it's important
10 to remember that technology is really just a
11 facilitator. I mean it's not an end in and of
12 itself. We need a governance structure that's
13 going to enable us to--and I think we're not quite
14 there yet, but we will get there--ask those
15 questions, get answers where people are going to
16 be empowered to say well actually we're bringing
17 this decision to a head where requirement A that
18 agency A needs isn't the same or is going to delay
19 the whole system or we find is not essential to
20 the delivery. So let's change the business
21 process.

22 I think that's one thing that we
23 need to do and we can strengthen in the way that
24 we manage projects. I would say, and Carole and I
25 have talked about this at length, that's probably

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2 an area where as strong as Executive Order 140 is,
3 it doesn't quite get us there. So that's one
4 area, in terms of governance, that we need to deal
5 with.

6 Then I think that, you know some of
7 the things that have been pointed out in the
8 legislation that Council Member James--the idea of
9 reporting, the idea of reporting on certain basic
10 elements, or certain thresholds is something that
11 we're not opposed to and we can work with you, I
12 think, to find something mutually acceptable.

13 I do think, though, that the budget
14 and some of these indicators are really just a
15 proxy for something happening in the project. You
16 know, are we trying to bring an additional
17 functionality or do we actually have a management
18 problem? And I think you're going to find that in
19 some cases it's the former and in some cases it's
20 the latter.

21 COUNCIL MEMBER BREWER: Thank you
22 very much. The timing on all of that, do you
23 think, in terms of putting in place, not the
24 legislation per se but the first aspect of what
25 you talked about? Is it changing the Executive

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2 Order?

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CASWELL F. HOLLOWAY: Well, I think if you see the sixth thing I said, we're going to be revisiting the--numbers five and six that I said, the project management best practices and then six, looking then at Executive Order 140 and saying is there anything we need to do here to memorialize this.

Two thoughts, well I think I said we'd like to see maybe--I'm not committing to a firm date, but we're looking at maybe three months here. We're not reinventing the wheel; we have a good foundation to work from. I also want to make sure that I'm not looking to--I don't want to rush something out, because I think that we're doing some good work to identify. I like examples. You know, I like to use examples, dig into data about specific projects and can you understand where--I think some of the things where we've had success and haven't had success have worked, you know, for different reasons. So we have to look at that. So we need a little bit of time to do it. I'm excited that I think we can get there.

COUNCIL MEMBER BREWER: Thank you.

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2 In terms of contracts, in the past I know you
3 worked with some of the state contracting process
4 and I didn't know if that's still ongoing or what
5 is the process in terms of the original? In other
6 words, working with the state and not working with
7 the state et cetera.

8 CASWELL F. HOLLOWAY: This is the
9 backdrop contracts?

10 COUNCIL MEMBER BREWER: Yes.

11 CASWELL F. HOLLOWAY: I think the
12 State Office of General Services is ending its
13 backdrop contract.

14 COUNCIL MEMBER BREWER: That's my
15 understanding. So, I'm just wondering how that
16 impacts if at all.

17 CASWELL F. HOLLOWAY: Well, there
18 are some impacts. Who wants to start, Marla,
19 Carole?

20 COUNCIL MEMBER BREWER: Marla knows
21 everything. I know it's true.

22 MARLA SIMPSON: Well, not at this
23 table.

24 CHAIRPERSON MEALY: I hope Miss
25 Marla will be brief because--

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2 MARLA SIMPSON: [interposing] Very
3 brief. We are doing a number of things.

4 CHAIRPERSON MEALY: --testimonies
5 to come.

6 MARLA SIMPSON: We are looking at
7 the OJS task orders that we have that are in the
8 field now and we're putting in place extensions
9 that will permit those projects to finish under
10 the backdrop contracts in consultation with OJS.

11 Second, obviously, we've been
12 moving in recent years to use of the GSA Schedules
13 which have some attractive provisions and so in
14 appropriate cases we will continue to use those.

15 Then, of course, we are working
16 with DoITT, which has already been engaged in a
17 substantial number of citywide enterprise
18 solutions to a number of these, in effect creating
19 our own backdrops and we will continue that
20 strategy as well.

21 CHAIRPERSON MEALY: Gracias.

22 COUNCIL MEMBER BREWER: Accela, I
23 want to get an update on this project. I think it
24 was related to Consumer Affairs and Health and I
25 wanted to know where we are in terms of the

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current status of Accela.

CASWELL F. HOLLOWAY: Sure. So the Accela, which is a proprietary product for a document management for lifecycle and certain processes like permitting processes. That's what the product does. Successfully implemented and I think it has over 500 implementations around the country. That obviously is something that can be very useful. It's not unique in that respect. If you look at automated procurement tracking and the underlying software there is Documentum. That's another example.

We have a contract that the Department of Consumer Affairs and the Department of Health, DOHMH are working with the Accela product and with Accenture as a systems integrator to develop the ability to do digital online licensing for the many licenses that DCA administers as well as a bunch of the stuff that Health does. They're still, I believe, in the requirements development process. The contract is funded at \$12 million, but we're looking very closely at what exactly is going to be delivered on what timeframe. But I think both of those are

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moving forward.

COUNCIL MEMBER BREWER: So they're not being halted? That was some information that we had. That's what you're saying? It's not being--

CASWELL F. HOLLOWAY: [interposing] It's not being halted, although there may have been some--we haven't made a decision, though, for example, and Accela is the product that we're going to use across the city in terms of an enterprise-wide across all city agencies. They are developing their products in accordance with contracts with Consumer Affairs and Health. I definitely want to see how that goes. If the delivery looks like it's going to be able to be basically exported to other city agencies and processes and we can leverage that technology, we will do it. But we're not going to do that before we have the delivery of a couple of these in hand. That's in line with project best management practices. You need deliverables within a 6 to 12 month to 18 month timeframe. I'm a believer in-- those are one of the things that we definitely want to make sure we have in place.

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2 CHAIRPERSON MEALY: This will be
3 your last question, Ms. Brewer. We only have the
4 room for about another hour.

5 COUNCIL MEMBER BREWER: Okay. One
6 more quick question. PSAC II, I know you
7 indicated that we're scaling back. Can you update
8 us on the capital issues there?

9 CASWELL F. HOLLOWAY: Sure. The
10 initial project for PSAC II, the building design,
11 which I think this was back in '08, came in at
12 about a billion dollars. That was a 14-story
13 building. We scaled that back. We did a value
14 engineering process where we were able to cut that
15 cost basically in half to about \$560 million.

16 Then we undertook, once the design
17 continued and obviously the economic situation out
18 there in the world is what it is, so we undertook
19 a second value engineering process. Then we
20 looked at, well, we have the possibility of
21 cutting this down now to--can we cut it down
22 further and get further savings. We basically
23 came to a hybrid decision. We think we'll be able
24 to get another \$50 million or so savings out of
25 the building, but we're going to keep the 10-story

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2 footprint so that we can ensure that the building
3 moves forward and that we deliver the
4 functionality.

5 I have been personally involved in
6 this process, both since before I went and spent
7 some time in LeFrack City and now that I'm back on
8 the project I've reconnected with Commissioner
9 Kelly, Commissioner Cassano, Carole and the new
10 OCEC and Bruce Gaskey, who is very good, as well
11 as the Mayor. Everybody agrees on two things.
12 One is that we need to deliver this functionality.
13 We need a backup 911 center, period.

14 Two is we need to try to do it in a
15 way that's as cost effective as possible. We
16 don't want to do it in a way that jeopardizes
17 delivering that functionality. So that's how
18 we're moving forward now.

19 COUNCIL MEMBER BREWER: And then
20 just--

21 CHAIRPERSON MEALY: [interposing]
22 Thank you, Gale.

23 COUNCIL MEMBER BREWER: Maybe
24 second round, I have more questions.

25 CHAIRPERSON MEALY: Okay. We may

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2 not have time because we have another hearing in
3 this room.

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CASWELL F. HOLLOWAY: I'd be happy
5 to follow-up though with answers. If you want to
6 do a meeting on that project, I'd be happy to meet
7 on that specifically. That would be fine.

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CHAIRPERSON MEALY: Thank you.
9 Thank you, Deputy Mayor. We've been joined by
10 Oliver Koppell from the Bronx. We turn it over to
11 Letitia James.

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COUNCIL MEMBER JAMES: So Madame
13 Chair, given the importance of this subject
14 matter, I would ask that we ask whoever is in
15 charge that we move to another room so that we can
16 continue this hearing. There are a number of
17 questions and there's a number of contracts and a
18 number of members have questions with respect to
19 the subject matter. An issue of this importance
20 obviously needs more than three hours. I thank
21 you for that consideration.

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Deputy Mayor, first let me just
23 commend you. Since you've been appointed deputy
24 mayor, you have taken on a wide range of
25 responsibilities and you've taken them on with

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2 great expertise and intelligence and deliberation.
3 I just want to thank you for how you've handled a
4 wide range of issues that I have been involved in,
5 including this issue. So I hope that you take my
6 questions not in any way personal, but obviously
7 as someone who is concerned about the rising cost
8 of these IT contracts.

9 My first question relates to the
10 bill. You expressed some concerns with regards to
11 the bill. You said that it was overly broad. You
12 indicated that you would look forward to working
13 with the City Council in a bill that would require
14 reporting on the progress of IT projects that
15 exceed certain thresholds.

16 Let me just say that the bill for
17 the most part I believe is pretty innocuous. It
18 is a reporting bill with some explanation. I
19 don't understand why the Administration would be
20 opposed to such a measure, particularly given the
21 fact that the City Council I like to view as a
22 partner in city government and as someone who
23 serves in the role of oversight and in holding
24 this Administration accountable to the residents
25 of New York City. So I don't understand why the

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Administration at this point in time is opposed to this bill.

How can we improve on the bill?

What can we do to get your support?

CASWELL F. HOLLOWAY: Sure. Well, first of all, we're not opposed to--and I want to be careful here--the specific language of the bill in terms of the million dollar reporting threshold and the \$500,000 in terms of if it goes over by that amount, I think what we would like to do is discuss with you our thoughts on at what levels the kind of reporting that you're asking for makes sense, maybe some of the things that we could add in terms of giving you additional transparency into projects. So we're not opposed to, you know, the bill. I wouldn't characterize the city's position as opposition.

COUNCIL MEMBER JAMES: Do you support it?

CASWELL F. HOLLOWAY: We support a version of reporting on these projects that would--with different criteria that I'm happy to go through with you specifically. I'd rather do that in the context of a more detailed discussion than

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here.

CHAIRPERSON MEALY: Thank you.

COUNCIL MEMBER JAMES: So my question, is it the thresholds or do you seek to strengthen the bill? I'm not quite sure where--

CASWELL F. HOLLOWAY: [interposing]
The thresholds are one issue. I think what I also would like to do though is, given what I've testified about here today and also having the opportunity to--I'm really reacting to the bill in the context of this hearing. I think you and I specifically and the administration in general have had very productive discussions on a lot of issues and more than anything I would just like to go through--

CHAIRPERSON MEALY: [interposing]
And you gave great steps, all six of them.

CASWELL F. HOLLOWAY: --the details of what our feedback is on the specific--you're right, it's not a complicated bill to understand. It's a simple thing. It's a reporting bill. A reporting bill is something that we can support. I wouldn't read too much into--I certainly wouldn't characterize it as opposition. I would

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2 like to invite you to get together immediately,
3 talk through our thoughts and see if we can clear
4 up any language issues and move forward.

5 COUNCIL MEMBER JAMES: Thank you.

6 CHAIRPERSON MEALY: Thank you.

7 COUNCIL MEMBER JAMES: So,
8 obviously, I thank you for that and I look forward
9 to working with you so that we could move forward
10 on a bill that both houses support. I like the
11 idea of value engineering. I like the idea of off
12 the shelf products. I like the idea of developing
13 expertise with respect to negotiation. I like the
14 idea of reforming governance practices. I like
15 the idea of putting forth best practices and also
16 revisiting Executive Order 140.

17 I also like the idea of you being
18 in charge of--you did not mention FISA. I would
19 assume that that agency is part of your portfolio
20 as well, including DoITT and MOCS and OMB. Is
21 FISA under your--

22 CASWELL F. HOLLOWAY: [interposing]
23 Well, FISA is jointly managed by the Mayor and the
24 Comptroller. So in part, and this is, you know,
25 OMB I would say--I actually haven't seen the

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2 latest org chart online. But certainly FISA is--I
3 can tell you I've been in--FISA, we work with them
4 closely and, you know, whether the line is solid
5 or dotted, I can assure you that they will be part
6 of the conversation and we will be--

7 COUNCIL MEMBER JAMES:

8 [interposing] For consistency purposes, I would
9 hope that FISA is in your portfolio and under your
10 jurisdiction. Because I do not want what OMB
11 Director Mark Page referenced in a hearing, a City
12 Council budget hearing, and he said the following:
13 generally the agencies are responsible for their
14 own business. That's unacceptable and obviously
15 it should all be under one house and should be
16 overseen by your office and subject to your
17 review.

18 CASWELL F. HOLLOWAY: So as a
19 technical, because I want to be clear,
20 organizationally and this is institutionally
21 important, between the Mayor and the Comptroller,
22 I think FISA is characterized as an independent
23 agency. But I can tell you that we work closely
24 with them and with the Comptroller's Office in
25 managing it. I am personally involved in it. I

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2 don't want to characterize what the budget
3 director said except to say I know the budget
4 director, who I briefed on all these matters,
5 supports this level of oversight and I don't think
6 he was intending to suggest that there's no
7 management outside of the agency level. But
8 clearly, by what we've put forward today, I think
9 you can see we are going to move aggressively to
10 fill some gaps here.

11 CHAIRPERSON MEALY: Thank you.

12 COUNCIL MEMBER JAMES: The term
13 "too big to fail" has been bandied about in a
14 number of different industries. Clearly, I
15 believe smaller is good. So the thought of
16 breaking up some of these contracts into smaller
17 contracts, the thought of getting more--getting
18 obviously some smaller contracts, reviewing
19 smaller contracts, time on task, paying contracts
20 at certain intervals and better oversight with
21 respect to contracts, what do you think of that
22 idea? I think CityTime was wide ranging in scope,
23 very large and obviously, unfortunately, there was
24 a lot of room for graft. So what is the thought
25 of, perhaps, breaking up contracts and perhaps

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2 reviewing them at certain intervals, perhaps
3 annually or perhaps every six months?

4 CASWELL F. HOLLOWAY: Well, I can
5 assure you that for significant projects we're
6 reviewing the progress even more often than that.
7 I think that whether you characterize it--again,
8 there's no one size fits all. There are going to
9 be some big contracts out there. But I think the
10 thrust of what you're suggesting I agree with,
11 which is don't put yourself in a situation or make
12 the assumption that you're going to continue with
13 a single contractor for the lifecycle of a project
14 or for a service that's going to be delivered over
15 many years. There are a lot of salutary benefits
16 to, you know, taking it back out to the
17 marketplace. Don't assume that just--and I think
18 this is difficult for agencies to do, having now
19 been on both sides of, you know, City Hall and at
20 an agency. People get comfortable with particular
21 contractors and particular arrangements.

22 COUNCIL MEMBER JAMES: Right.

23 CASWELL F. HOLLOWAY: And you have
24 to exercise some independent oversight to shake
25 that loose. Sometimes people don't realize until

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2 they're in the midst of a change that the best
3 thing that ever happened to them was a new
4 contractor. So, you know, but as a general matter
5 I agree with what you've said. I think there are
6 elements of it that are part of all this,
7 recognizing that there's no single solution to
8 this issue. I do think, as a general matter, that
9 bite size is good, deliverables is good and we'll
10 include all of that.

11 COUNCIL MEMBER JAMES: Last--

12 CHAIRPERSON MEALY: [interposing]

13 Thank you so much. We have--

14 COUNCIL MEMBER JAMES:

15 [interposing] May I have one more question?

16 CHAIRPERSON MEALY: No. We have
17 Robert Jackson to go next. Thank you. You gave
18 us six steps that are excellent.

19 COUNCIL MEMBER JACKSON: Good
20 afternoon. Let me be very quick. I understand
21 we're running short on time. Let me just thank
22 you, Deputy Mayor of Operations and the
23 Commissioner and the Director for being here. Let
24 me ask a couple of questions. Is everything you
25 talked about, in your jurisdiction, as the

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2 director, as the Deputy Commissioner for
3 Operations, do you oversee the Department of
4 Education also? Or is that separate and apart?
5 Because, you know, when it comes to contracts and
6 especially when I've had discussions with the
7 director of MOCS, they're governed by the state
8 but they follow city in some respects in putting
9 contracts in front of John Liu, so forth and so
10 on. Where do we stand as far as DOE under your
11 jurisdiction?

12 CASWELL F. HOLLOWAY: Well, DOE,
13 the best practices that I'm talking about today,
14 which I've briefed the Mayor on, and the
15 Chancellor and I've already met with the
16 Chancellor. Dennis Walcott and I have worked
17 together on many things. So we don't look at this
18 as a--the lines on the org chart are drawn in a
19 way for a reason and part of the reason is New
20 York City government is enormous. You can't have
21 one or two people having so much reporting to them
22 that you can't focus on actually improving and
23 that's what this is about.

24 I think it's fair to say that in
25 the contract area and particular the technology

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2 contract area, I've already got the commitment of
3 all the deputy mayors, the school's chancellor and
4 the support of the mayor to implement best
5 practices across the board, whether it's in DOE or
6 MOCS or in the Economic Development agencies.
7 We're going to be looking to strike the right
8 balance in terms flexibility but also controls
9 that get deliverables fast and for the right
10 price.

11 COUNCIL MEMBER JACKSON: Great.

12 I'm glad to hear that. Leonie Haimson gave me her
13 testimony with Class Size Matters, and it comes
14 into question about all of the articles that Juan
15 Gonzalez wrote about the Department of Education.
16 I've said they've been robbing us blind and no one
17 was watching the store.

18 So I need to know, as the chair of
19 the Education Committee, who's going to be
20 watching the Department of Education, especially
21 when the Panel for Educational Policy based on the
22 new Mayoral Control law that went into effect in
23 2009 basically all contracts have to be approved
24 by the Panel for Educational Policy. Basically,
25 including myself and many other people have called

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2 the Panel for Educational Policy nothing but a
3 rubber stamp. They don't question anything. They
4 may question, but they approve everything. So I
5 need some integrity, some accountability, and some
6 transparency.

7 Obviously, many people, including
8 myself, have much respect for you as the Deputy
9 Mayor of Operations. The bottom line is that
10 someone has to put them in check because right now
11 I would not say that they're in check, even though
12 Dennis Walcott is in charge. But as you know,
13 Dennis Walcott was a deputy mayor for the
14 Department of Education before being the
15 Chancellor.

16 CHAIRPERSON MEALY: Do you have a
17 question?

18 COUNCIL MEMBER JACKSON: I'm
19 getting to the questions, Madame Chair. I'm so
20 sorry. The five-year capital plan has about a
21 billion dollars in technology and we're concerned
22 about that--

23 CASWELL F. HOLLOWAY: [interposing]
24 For DOE?

25 COUNCIL MEMBER JACKSON: Yes.

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CASWELL F. HOLLOWAY: For DOE?

COUNCIL MEMBER JACKSON: Just with
DOE alone.

CASWELL F. HOLLOWAY: Okay.

COUNCIL MEMBER JACKSON: Then with
respects to that, you know the street mark manual,
they're going to be tearing up the streets in
front of the schools. Is all that part of the
mapping that is being done with the new system in
place? Will this carry over to DOE schools as
well as far as all of the wiring and all of the
infrastructure underground? Do you know if that's
going to be placed?

CASWELL F. HOLLOWAY: Well,
anything in terms of if you have to tear up a
street to do work, you need a DOT permit. So to
the extent that those projects require that kind
of intrusion into the right of way infrastructure,
then those permits will be gotten in that system
that Janette Sadik-Khan has developed.

Let me say this: I'm going to stay
focused right now on the measures that I've
outlined. I can say unequivocally that we are
going to look at--I have the support internally in

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the administration to implement those across the board. I think some of the issues that you're raising kind of go beyond the scope of what we're talking about here, but I am happy to talk to you separately about it.

COUNCIL MEMBER JACKSON: It's all about accountability.

CASWELL F. HOLLOWAY:
Accountability is critical.

COUNCIL MEMBER JACKSON: That's what you're talking about. You're talking about accountability. When you're talking about a billion dollars in IT from the Department of Education, and as you know, DOE is the largest budget of any city agency, \$24 billion. So let me ask, Executive Order 140 policies, will they apply to the Department of Education?

CHAIRPERSON MEALY: Good question.

CASWELL F. HOLLOWAY: Is DOE in that?

CAROLE POST: Executive Order 140 applies across the board to all agencies, but depending on what the implications are, what the matter at hand was. So, one very key aspect of EO

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2 140 was the establishment of citywide standards
3 and policies that sort of create the underpinning
4 for IT development. That absolutely applies
5 across the board. One other aspect--

6 COUNCIL MEMBER JACKSON:

7 [interposing] Okay, to EDC and DOE?

8 CAROLE POST: Absolutely.

9 COUNCIL MEMBER JACKSON: Okay.

10 CAROLE POST: One thing to note,
11 though, is that, for example, EO 140 provided an
12 opportunity to have enterprise agreements in
13 contracting. We rolled that out in many aspects.
14 But, for example, Department of Education often
15 gets very unique and even better pricing because
16 of the education offsets that providers provide.
17 So we carve them out of enterprise pricing--or of
18 enterprise licensing because they already had an
19 advantageous position. So it's a bit of a case by
20 case scenario. But every agency is accountable on
21 the basic merits for EO 140.

22 COUNCIL MEMBER JACKSON: The DOE

23 had contracts with SAIC, the vendor with CityTime,
24 oversight contracts. Are those contracts still in
25 place or they've been eliminated?

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2 CASWELL F. HOLLOWAY: I'm going to
3 confirm my understanding is the city doesn't
4 currently have any active contracts with SAIC.
5 But I will have to check.

6 COUNCIL MEMBER JACKSON: Okay.

7 CHAIRPERSON MEALY: Thank you.

8 CASWELL F. HOLLOWAY: I do just
9 want to thank Council Member James for the work
10 that she's done on this and on the work that we've
11 done together on other issues. We are committed
12 to sitting down and doing that. I know we didn't
13 get to finish, but we'll follow up.

14 CHAIRPERSON MEALY: Yes, I know she
15 will.

16 COUNCIL MEMBER JACKSON: Thank you,
17 Madame Chair. I thank you very much. I just want
18 to say, just 30 seconds. Deputy Mayor of
19 Operations--

20 CHAIRPERSON MEALY: [interposing]
21 Mr. Jackson?

22 COUNCIL MEMBER JACKSON: Thirty
23 seconds, Madame Chair.

24 CHAIRPERSON MEALY: We have another
25 Council Member that has a question. Like he said,

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2 he will speak to all of us. Mr. Nelson has one
3 question.

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COUNCIL MEMBER NELSON: Thank you,
5 Madame Chair. I didn't know I'd have the chance
6 to do this. Just a brief thing, when the city
7 enters into a contract, it's not an MOU, it's an
8 actual contract, right?

9

CASWELL F. HOLLOWAY: Correct.

10

COUNCIL MEMBER NELSON: This is on.
11 I'm not speaking loudly enough? I'm sorry. It
12 just strikes me that with a contract if somebody
13 comes back to you and says well instead of \$100
14 million, it's \$101 million, that would be, I
15 think, outrageous. But when you see some of these
16 other contracts that are like exponentially, I
17 just don't understand how nobody is watching to
18 let us--you're fairly new to the position, so I'm
19 not directing this towards you, Deputy Mayor
20 Holloway. I just don't understand. I'm sure the
21 citizenry does not understand this either, how
22 something can go from let's say \$50 million to \$70
23 million, leave alone going to \$500 million. There
24 has got to be a catching zone, if you will. There
25 has got to be. That's why I think this

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2 legislation is very good. I don't even know why
3 the Council wants the responsibility to do this,
4 quite frankly, but I'm glad we do. Why would the
5 city be opposed to something like that?

6 CHAIRPERSON MEALY: They're not.

7 COUNCIL MEMBER NELSON: Certainly
8 in a contract, it should be locked in that no over
9 cost would be tolerated. That certainly would be
10 an incentive for the person who has been granted
11 the contract. So how is this allowed to happen
12 overall? If it was asked before I got here, I
13 apologize.

14 CHAIRPERSON MEALY: Yes, it was and
15 he--

16 COUNCIL MEMBER NELSON:
17 [interposing] Don't answer.

18 CHAIRPERSON MEALY: --has stated
19 that you can speak to him afterwards. We just
20 want to thank this panel. You all have been very
21 upfront. I'm looking forward to sitting down with
22 you private just as well. I hope all of my
23 colleagues take advantage of that. I'm going to
24 turn it over to my co-chair, Mr. Cabrera.

25 CHAIRPERSON CABRERA: Thank you so

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much, Co-chair. Deputy Mayor, thank you so much. As you can see, there's a vast interest. I will hope that in a few months we can come back and revisit and expand it. I welcome Council Member Jackson to perhaps have a co-hearing regarding tech and education in the future.

CASWELL F. HOLLOWAY: Let's just work together on the date.

CHAIRPERSON CABRERA: Yes, that would be great. I want to say thank you, Commissioner, because you're doing a wonderful job. You have taken, really, this agency to the next level. I'm looking forward to a bright future. Thank you so much.

CHAIRPERSON MEALY: Thank you, Ms. Marla Simpson. We have two panels.

CHAIRPERSON CABRERA: We're going to be calling up Jim Johnson, Chairman of Standish Group; Thad Calabrese from Baruch College and Arthur Goldberg.

[Pause]

CHAIRPERSON MEALY: Deputy, is anyone staying behind?

CHAIRPERSON CABRERA: I would also

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like to recognize that we have received written testimony for the record--let me say that again.

CHAIRPERSON MEALY: Can we have the next panel up? Can all of the conversations leave the room? Elvis is not in the house. He has left the room.

CHAIRPERSON CABRERA: I would like to recognize that we have received written testimony for the record from Common Cause and the Manhattan Borough President Scott Stringer.

CHAIRPERSON MEALY: We have Mr. Johnson on the line now.

JIM JOHNSON: Hello?

CHAIRPERSON CABRERA: Mr. Johnson, you may begin.

CHAIRPERSON MEALY: We hear you, Mr. Johnson. Is the panel there as of yet?

[Pause]

CHAIRPERSON CABRERA: You may begin.

CHAIRPERSON MEALY: Just like to inform that due to the time constraints we have, we will be doing two minute intervals for each testimony. I'm sorry. We have someone on the

1
2 line, Mr. Johnson. He will be giving a telephone
3 statement just as well. Would we like to start
4 with him first? Is that okay, we'll start with
5 the telephone call in. We want everyone's voice
6 to be heard. Thank you. Mr. Johnson, good
7 morning.

8 JIM JOHNSON: Hi, how are you?

9 CHAIRPERSON MEALY: Fine, thank
10 you.

11 JIM JOHNSON: Thank you for having
12 me on. I looked over the material and I apologize
13 if I'm stepping on somebody's toes, but as I
14 looked at it, I see it's very typical of large
15 government agencies and organizations.

16 I think you don't really have a
17 project management problem from looking at the
18 project and the outcomes of the different
19 projects. I think you have an environmental
20 problem.

21 COUNCIL MEMBER JACKSON: Chairs, do
22 we have a written statement from Mr. Johnson?

23 CHAIRPERSON MEALY: No, we don't.

24 COUNCIL MEMBER JACKSON: Could Mr.
25 Johnson identify himself and tell us exactly who

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he is?

JIM JOHNSON: Yes. Hi, my name is Jim Johnson. I'm the chairman of The Standish Group. We've done majors studies; in fact, we're the leading experts on why IT projects fail. We've recognized by many groups throughout the world. We helped the U.K. put in their organizational systems to improve their project management. We worked on the Government Results Acts to improve projects throughout the U.S. government. We do many different assessments and projects. We work closely with the Project Management Institute and the Software Engineering Institute. Basically we're a research company that's looks at projects. We've looked at about 80,000 projects over the last 20 years.

COUNCIL MEMBER JACKSON: Thank you for telling your expertise. Could you repeat the name of your company again please?

JIM JOHNSON: The Standish Group International, Inc.

COUNCIL MEMBER JACKSON: I guess I'll get it from the chair. I still didn't understand it. But go ahead.

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JIM JOHNSON: Standish, likes Miles

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Standish.

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COUNCIL MEMBER JACKSON: Okay, I've

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got it now. Thank you. Yes, go ahead, sir.

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JIM JOHNSON: So, anyway, I've had

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a chance to look briefly at your write-up. I

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believe you have a project management

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environmental problem. I don't believe you have a

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project process problem. I think your project

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management process and oversight and compliance is

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probably just fine. I think what you have is a

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failure to execute and you probably have a

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dysfunctional organization like many large

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government organizations. So I think putting more

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oversight, putting more compliance will not solve

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your problem. You need to have better executive

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sponsorship. You need to look at the sponsorship

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in how you manage projects from an executive point

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of view, from an organization point of view.

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I think three things you need to

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keep in mind. Number one, you need to have a

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balanced portfolio and look at your projects from

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risk and value. Second, you need portability

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[phonetic] in your project. Third, you need

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2 philosophy [phonetic] in your project. If you do
3 those three things, I think you'll have greater
4 success. However, if you continue to add more
5 compliance and more governance, you'll continue to
6 have - -.

7 CHAIRPERSON CABRERA: Thank you so
8 much.

9 JIM JOHNSON: Okay.

10 CHAIRPERSON CABRERA: We're going
11 to have now Arthur Goldberg. Mr. Goldberg, thank
12 you so much. If you could, just press the button.
13 I know it's kind of backwards.

14 ARTHUR GOLDBERG: Thank you. I've
15 submitted written testimony and I will skip to the
16 meet of it in order to limit my time.

17 I was asked to testify about large
18 IT project management, but before discussing
19 specifics, let me share a big concern. Managing
20 IT projects is hard and managing huge projects
21 like the city's personnel system NYCAPS is
22 extremely difficult. IT project management is a
23 large, challenging and complex topic. For
24 example, Amazon carries 38,000 books in this area
25 and Google has 12,000. So the most I can do in my

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allotted--

CHAIRPERSON CABRERA: [interposing]
I'm sorry for interrupting you, but they're asking
me if you could identify yourself just for the
record.

ARTHUR GOLDBERG: Excuse. I'm a
research scientist at Sloan Kettering Cancer
Center. I was co-founder and CEO of ChoiceMaker
Technologies which invented and built software
that has been used by the New York City--

CHAIRPERSON CABRERA: [interposing]
Just the name. It's okay. I know.

ARTHUR GOLDBERG: All right.

CHAIRPERSON CABRERA: If you could
just give your name.

ARTHUR GOLDBERG: Arthur Goldberg.

CHAIRPERSON CABRERA: Thank you.

ARTHUR GOLDBERG: You're welcome.
The most I can do in my allotted time is offer
some basic principles. It will be up to you or
whomever you designate to follow up.

So, as Capers Jones has documented,
the number of defects grows exponentially with the
size of software projects, roughly to the 1.2

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2 power. The rate of defects not removed before
3 deployment rises from rough 10 percent for small
4 projects in the 100,000 range to typically 25
5 percent for large, say, \$20 million and up
6 projects. Productivity on large projects is
7 several times smaller than it is on small ones.

8 So let me offer five basic
9 principles that would serve you well. I think
10 these are substantially in line with what the
11 Deputy Mayor was suggesting. First, if possible,
12 avoid huge projects and break them into small
13 projects. When large projects must be undertaken,
14 require demos and interim deliverables of working
15 code and space them no more than six months apart.

16 Number two: reuse existing working
17 systems whenever possible.

18 Number three: have one team design
19 and build a system while a much smaller
20 independent team reviews the work, which the city
21 already does extensively with PMQA.

22 Number four: have people read the
23 books written by the experts Charles Weinberg,
24 Steve McConnell, Johanna Rothman and Capers Jones.

25 Number five, and most importantly,

1
2 hired skilled and experienced experts. Unskilled
3 people, like the ones reported to have worked on
4 NYCAPS, can set projects back by contributing
5 defects.

6 So I wish you the best of luck
7 confronting your challenges and happy Halloween.

8 [Laughter]

9 CHAIRPERSON CABRERA: Thank you so
10 much.

11 ARTHUR GOLDBERG: You're welcome.

12 CHAIRPERSON MEALY: Thank you.

13 THAD CALABRESE: My name is Thad
14 Calabrese. I'm an assistant professor at Baruch
15 College's School of Public Affairs. I teach
16 public budgeting and nonprofit financial
17 management. I'm also going to skip to the meat
18 here, but I think you've identified a critical
19 need and the Council's right to seek increased
20 oversight of the process. So Councilwoman James
21 is to be commended.

22 The bill introduced is a good start
23 and I simply want to make a couple of points that
24 might inform your ultimate goal. The academic
25 research is pretty clear that there are three

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2 common causes that are predictable causes of cost
3 overruns with probably the most important one that
4 I'll focus on here, due to time, is that estimates
5 are usually low balled to get public approval for
6 the project. Once it's started, the project is
7 difficult to de-fund.

8 The research indicates that the low
9 ball estimates are not usually good faith efforts
10 to simply forecast future costs with great error.
11 They're usually done to hide the true cost of the
12 proposed project.

13 One study found that project
14 promoters routinely ignore, hide or otherwise
15 leave out important project costs and risks to
16 lower the total cost and gain project approval.
17 Once the project has begun, decision makers
18 usually are wary to cancel projects. Yet the
19 research also shows once a project goes over
20 budget, the overruns actually tend to increase not
21 decrease.

22 That being the case, one of the
23 best ways to control the overruns is to simply
24 prevent them from happening in the first place.
25 This would suggest that one of the primary means

1
2 to prevent overruns on city contracts is a project
3 estimate that is realistic. There are five
4 agencies involved in New York City budget
5 forecasts. How many parties are involved in
6 vetting a project's estimated cost? Should there
7 be a consensus forecast on what a project should
8 cost? Should there be some sort of vetting of the
9 project?

10 Overall, it's a proactive attempt
11 to improve and monitor the contracts. But I think
12 the legislation is a great start. Hopefully that
13 helps the process. Thank you.

14 CHAIRPERSON MEALY: Thank you.

15 THAD CALABRESE: Sorry for running
16 over.

17 CHAIRPERSON MEALY: This is expert
18 testimony. I just have one question for the
19 experts. Can a skilled project manager oversee a
20 technology project without technical expertise?

21 ARTHUR GOLDBERG: I would recommend
22 that--I would say no.

23 CHAIRPERSON MEALY: Okay.

24 ARTHUR GOLDBERG: I think that
25 technical expertise is critical to supervising

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technical projects.

CHAIRPERSON MEALY: Thank you. My
colleague: Letitia James.

COUNCIL MEMBER JAMES: First, let
me thank you for your comments and thank you for
your testimony here today. I, too, agree that we
should break up smaller contracts--we should break
up the big contracts into smaller contracts. I
also believe that these contracts should be
performance based. We should pay time on task and
we should have discernible deliveries?

ARTHUR GOLDBERG: Yes, I would
agree with all of those principles.

COUNCIL MEMBER JAMES: Okay. As
was mentioned earlier, I have received common
reasons for IT project failures: poor initial
planning, including timelines, budgets, project
requirements and project scope; a poor
understanding of existing business processes and
future needs; poor coordination; poorly aligned
incentives; unclear project objectives; project
objectives that change or expand during the course
of the project; poor communication; inadequate
user support; inadequate support supervision and

1
2 leadership; poor quality control; and chronically
3 missed deadlines.

4 On all of the reasons that I've
5 just provided you, what do you think was the major
6 reason for the CityTime scandal, the overruns with
7 respect to ECTP and the last contract NYCAPS? Or
8 all of the above, it's a multiple choice question.

9 ARTHUR GOLDBERG: I don't claim to
10 know enough about the details of those city
11 projects in order to be able to answer the
12 question.

13 COUNCIL MEMBER JAMES: Okay. I'll
14 answer it for you. I'd say probably failed
15 leadership and all of the above.

16 CHAIRPERSON MEALY: Yes, we heard
17 that. Yes.

18 COUNCIL MEMBER JAMES: Thank you.

19 CHAIRPERSON MEALY: Thank you.

20 COUNCIL MEMBER JAMES: My last
21 point is that what I wanted to say to the
22 Administration is I was really disappointed
23 because nowhere in the Administration, not one
24 sentence was dedicated to training municipal
25 workers. It was all with respect to oversight and

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2 better accountability and more transparency and
3 all of that, but not one sentence did this
4 administration--

5 CHAIRPERSON MEALY: [interposing]
6 These are the experts.

7 COUNCIL MEMBER JAMES: Not one
8 sentence dedicated to retaining, rehiring and
9 retraining municipal employees. That is
10 unacceptable. That is what this hearing should be
11 focused on.

12 CHAIRPERSON MEALY: Thank you.

13 COUNCIL MEMBER JAMES: It's
14 unfortunate that we did not have more time to
15 explore that on the record. Thank you.

16 CHAIRPERSON MEALY: Thank you.
17 Thank you for your expertise.

18 CHAIRPERSON CABRERA: Actually, I
19 have one more question here. Professor, you
20 mentioned that we should be dealing with this
21 issue at the very beginning. So how would you go
22 about that? If companies are low balling, they
23 know that that's the way to get in. How do you
24 avoid that?

25 THAD CALABRESE: I think the one

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2 idea that I mentioned was the idea of a consensus
3 forecast which the city does not have necessarily
4 on the budget, but there are multiple players at
5 least involved.

6 The Mayor controls the revenue
7 forecast, for example, but there are at least
8 other parties involved who are able to inform the
9 Council or involve other players if the numbers
10 are realistic or within a band of reasonableness.
11 Once you bring multiple--it's not to say that this
12 is a costless solution to the problem, but we do
13 have OMB, IBO, the Comptroller's Office. We
14 already have people with expertise who could
15 inform that consensus to analyze.

16 What it sounded like was that
17 oftentimes OMB already does do some but it's only
18 one party. This is just bringing more information
19 to the table to address your concern, Councilman.

20 CHAIRPERSON CABRERA: Thank you so
21 much.

22 THAD CALABRESE: Thank you.

23 CHAIRPERSON MEALY: Thank you.

24 ARTHUR GOLDBERG: I might also add
25 to that that breaking bigger projects into smaller

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ones reduces the scope of improper project planning budgeting.

CHAIRPERSON MEALY: Thank you so much. I'm glad you gave us some information also. I loved those five steps. Thank you. We will be having the next panel. Thank you.

CHAIRPERSON CABRERA: At this moment we're going to ask for the next panel: Henry Garrido, Robert Ajaye, Chris Shelton and Leonie Haimson.

HENRY A. GARRIDO: Let me know when I can start.

CHAIRPERSON MEALY: You may start.

HENRY A. GARRIDO: Good afternoon everybody. Thank you so much for holding this hearing. I will submit my testimony for the record, but I think it's appropriate to say that we're holding this hearing during Halloween and I think it's appropriate because what has happened with the city contracts has been nothing less than scary. I will tell you with all due respect that the experts were not the panel that you saw before you but the actual city workers that are doing the work, so I speak on their behalf. I'd like to

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concentrate on the issues that we see are problematic with the way the city continues to give out contracts.

Number one: there is a lack of competition in city contracts. In 2005, the city established a pre-qualified pool of contracts. It was modeled after a state project that allowed city agencies to piggyback or backdrop contracts throughout for services that the city did.

There was specific work and specific site in the number of contracts. I'd just like to read--and I'm providing for you the letter that was given to us by the former deputy controller for contracts of the City of New York. I think that clearly this pre-qualified pool does not work. I think minority and women owned businesses do not have an opportunity to bid. What is created is simply a monopoly that needs to be stopped. So I will work with you to talk about that and to work on a solution.

Secondly, I think the lack of accountability and oversight. Obviously you've heard that before. You know, I think it's appropriate to mention that despite all the cost

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2 overruns that you've heard here, despite CityTime
3 and NYCAPS and ECTP, the city has not once
4 exercised or sued any of these contractors to
5 recoup any funding. There has to be
6 accountability.

7 Lastly, I will just echo the lack
8 of workforce development. That has been missing
9 from this formula. Contractors have been given
10 the opportunity to be trained, by DCAS no less.
11 Funding from the city is being assigned to the
12 workforce development for contractors where city
13 workers have not been allowed to do the work.

14 I'll submit my testimony for the
15 record and I'll take any questions you have. I
16 appreciate you having this hearing. Thank you.

17 CHAIRPERSON MEALY: We do have it.
18 Next?

19 ROBERT AJAYE: I'm Robert Ajaye,
20 born in New York, United States of America. I
21 guess the joke went right past you. I'm the
22 president of Local 2627, DC37. I represent about
23 4,300 computer workers.

24 DC37 gives money for training. I
25 want to thank Council Member James because she

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2 mentioned that none of the training had been done
3 for any of our members, any city workers. DC37
4 gives out money. My local itself gives out money.
5 My members do everything from process the drinking
6 water, the water that you drink, that you cook
7 your food in, to getting the sewer out of the
8 city. We man the 911 system, the 311 system,
9 NYCAPS.

10 My opinion is that anytime any new
11 project comes up, they need to talk to the experts
12 and the experts are the people who are already
13 doing these tasks now. They know what's going on.

14 When you sit at the table, you
15 bring in your highest level people, your computer
16 specialists or your certified IT people and you
17 ask them: we need to do this, how do you think we
18 should have it done? That should be the first
19 attempt. To bring in people from the outside is a
20 total waste of time. It's ludicrous. It's total
21 nonsense.

22 We have members who are sitting
23 there who are ready, who are waiting, who have not
24 been promoted, who have been set on the side
25 training the consultants when the consultants come

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in-house.

I heard the Deputy Mayor talk about how well the CityTime project is going. Nonsense. I have calls every day with things like flex time, compressed time, leave, people who work different shifts, holiday--they don't know how to handle a holiday when you work a compressed schedule and things like that. If they had to talk to the people who actually worked and who actually do the job every day, all of these questions would have been answered and we wouldn't have what we call these "bugs" in the system.

I think we need to take another look at the way the city does business. To have \$9 billion or \$10 billion already allocated for consultants is ludicrous. Thank you very much.

CHAIRPERSON CABRERA: Thank you.

CHRIS SHELTON: My name is Chris Shelton and I'm the vice president for the Communication Workers of America for District 1. District 1 includes 150,000 union members in New York, New Jersey and New England. Thank you for this opportunity to testify.

This past August 17th, the Panel

1
2 for Educational Policy rubber stamped a \$120
3 million two-year contract for Verizon
4 Communications. They handed Verizon the contract
5 even though Verizon was a participant in a fraud
6 scheme that cost the city \$3.6 million.

7 Let me take you through the
8 specifics. The Department of Education, like many
9 city agencies under Mayor Bloomberg, is in love
10 with consultants. DOE fell in love with a guy
11 named Ross Lanham. The subject of their romance
12 was an IT project called Project Connect. Project
13 Connect was meant to increase internet service for
14 the schools. Ross Lanham's firm was the prime
15 contractor.

16 Before I go any further, I should
17 tell you that our source for most of this story is
18 the Special Schools Investigators Report on the
19 fraud.

20 Lanham organized a fraud that took
21 \$3.6 million from the schools. Lanham made the
22 money through fake billing for nonexistent
23 services or through over billing. Verizon was
24 part of Project Connect. Verizon worked with
25 Lanham to create bills on its part of the project.

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2 Verizon knew they were inflating the bills or
3 billing for nonexistent services. Verizon took at
4 least \$800,000 of the over billing for its piece
5 of the pie. The investigators report alleges that
6 Verizon facilitated the overall fraud, on page 26
7 of the report.

8 Over the past four years, Verizon
9 made \$22.5 billion in profits and its top five
10 executives took home \$258 million. A little slice
11 of that money came out of the city schools, came
12 out of the city's kids, but back to the timeline.

13 The school investigators report was
14 released on April 28th. The feds, meanwhile,
15 arrested Lanham on the same day, charging him with
16 fraud and theft. As far as can tell, nothing
17 changed in the DOE since then.

18 In public, Verizon has said over
19 and over again that it will return any of its ill-
20 gotten gains. But the DOE has not held their feet
21 to the fire. They should not have awarded that
22 contract in August to Verizon while, by the way,
23 45,000 of my members, thousands of whom live and
24 work in the City of New York, were on strike
25 against Verizon. But Verizon has not paid one

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2 thin dime of the \$800,000 back that it took from
3 the kids of the City of New York, while the DOE
4 awarded it another contract for \$120 million.

5 So my testimony is a lot longer and
6 you have it in print. Basically, I wanted to
7 thank the City Council. Letitia, thank you very
8 much. There should be laws against this kind of
9 stuff. I'm glad that you guys have decided to
10 hold these hearings. If there's any more, I'd be
11 glad to participate. Thank you very much.

12 CHAIRPERSON MEALY: Ms. Simpson?

13 LEONIE HAIMSON: Haimson.

14 CHAIRPERSON MEALY: Haimson.

15 LEONIE HAIMSON: Hello. My name is
16 Leonie Haimson and I'm the head of an organization
17 called Class Size Matters. I want to thank the
18 Council Members and Chairs Cabrera and Mealy for
19 holding these important hearings today. I'm going
20 to be talking specifically about the DOE
21 contracts.

22 In August 2009, the State
23 Legislature passed new legislation that was
24 supposed to bring new transparency and
25 accountability to the contracting process of DOE,

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2 because it was widely recognized to be out of
3 control. I am sad to say that this legislation
4 has utterly failed. Though they required that the
5 Panel for Educational Policy hold hearings and
6 vote on all contracts, they have rubber stamped
7 every single one that the chancellor has brought
8 before them, no matter how suspicious, wasteful or
9 potentially corrupt.

10 In fact, the first test of this new
11 governance law happened in September 2009 when an
12 extension of a multimillion contract for Future
13 Technology Associates was under consideration. It
14 had already been exposed through three columns by
15 Juan Gonzalez that this organization was very
16 fishy, that the contract had been tailored for
17 FTA, that the contract had gone hugely over budget
18 of FTA, that there were numerous consultants
19 making over \$250,000 per year and that they had
20 brought in foreign workers that were getting paid
21 very low wages for this labor and that it was
22 being overcharged.

23 All this information pointed
24 strongly to the existence of either extreme
25 mismanagement or corruption on the part of the

1
2 DOE. Yet, the PEP voted overwhelmingly to support
3 the extension of the contract, except for two
4 borough appointees. Patrick Sullivan, the
5 Manhattan appointee, in fact pointed out that the
6 activities and the project had been bundled, many
7 contracts into one--exactly what these experts
8 said should not happen for an IT contract--
9 apparently to benefit FTA.

10 While Chancellor Klein called the
11 FTA contract necessary and all the mayoral
12 appointees voted in approval, the information
13 uncovered in the Gonzalez columns fortunately was
14 enough to trigger an investigation by Special
15 Investigator Condon that found huge fraud and
16 corruption. In fact, one of the top DOE officials
17 in charge of the contract was personally involved
18 with the co-owner of the company and that millions
19 of dollars were stolen.

20 We've seen no improvement in terms
21 of transparency or accountability. The PEP
22 approved the Verizon contracts and many other
23 contracts since. I just want to point out that
24 the amount of millions of dollars that have been
25 stolen or wasted are nothing compared to what's

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2 going to happen in the future because of the one
3 billion dollars that DOE now plans to spend on
4 putting more technology into our schools through
5 high speed internet and high definition video.
6 There's the potential for hundreds of millions of
7 dollars more stolen from our kids while our school
8 budgets are being cut, staff laid off and our
9 class size is the largest in 11 years. Thank you
10 very much.

11 CHAIRPERSON CABRERA: If you could
12 come back and address a question that I had.

13 CHAIRPERSON MEALY: Pull up the
14 chair with you.

15 CHAIRPERSON CABRERA: I'm curious
16 to know what kind of feedback the Administration
17 gave you regarding why they proceeded to move
18 forward in granting Verizon the contract.

19 CHRIS SHELTON: At the hearing,
20 they said that they were afraid that Verizon would
21 cut off internet and phone services to the whole
22 City of New York if they went after them for the
23 \$800,000 which is nonsensical because--

24 CHAIRPERSON CABRERA: [interposing]
25 What's your response to that?

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2 CHRIS SHELTON: It's completely
3 nonsensical. Verizon is a very public relations
4 oriented company that would never cut off,
5 especially for \$800,000, which is a drop in the
6 bucket to them but it's certainly not to the kid
7 of the City of New York.

8 COUNCIL MEMBER JAMES: [off mic]

9 CHAIRPERSON CABRERA: Thank you so
10 much.

11 CHRIS SHELTON: You're welcome.

12 CHAIRPERSON CABRERA: Any other
13 questions? Council Member Mealy?

14 CHAIRPERSON MEALY: Council Member
15 James would like to have a question.

16 COUNCIL MEMBER JAMES: Thank you.
17 So, 521 consultants I'm told, 50 more since Deputy
18 Mayor Goldsmith made an announcement that they
19 were going to in-source. Is that a true
20 statement?

21 HENRY A. GARRIDO: That is a true
22 statement. We'll be glad to distribute that to
23 the committee. Just quickly to say that we are at
24 a defining moment for the City of New York. We
25 have Intro 624-A, which you worked very hard to

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2 introduce and we're very glad to see some
3 transparency. But we also acknowledge a lot of
4 the IT contracts we're talking about today will
5 not be covered by a portion of Intro 624-A,
6 specifically on the intergovernmental contracts.
7 So there is a need for additional legislation, a
8 need for additional plan to rein in the cost of
9 these contracts.

10 COUNCIL MEMBER JAMES: I look
11 forward to working with you on that. It is also
12 my understanding, in addition to the 521
13 consultants, 50 more than what Deputy Mayor
14 Goldsmith--from the time that Deputy Goldsmith
15 indicated that they would in-source, it's my
16 understanding that there are additional
17 consultants in other city agencies. Is that a
18 true statement and if so, how many?

19 HENRY A. GARRIDO: That is correct.
20 Just to let you know, we have a database of about
21 1,300 consultants that are working right now,
22 averaging close to \$400,000 a year.

23 COUNCIL MEMBER JAMES: Say that
24 again. What's the salary, sir?

25 HENRY A. GARRIDO: 1,300 at close

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to \$400,000 a year.

COUNCIL MEMBER JAMES: Are they primarily within DoITT?

HENRY A. GARRIDO: They are primarily within DoITT or for contracts procured by DoITT on behalf of the other city agencies.

COUNCIL MEMBER JAMES: You indicated that this bill that I hope to pass obviously will not cover that. Could you elaborate a little further? What can we do to address--

HENRY A. GARRIDO: [interposing] As good as Intro 624-A--and we're very much in support of it and we think it will do great to bring transparency and accountability. We believe the intergovernmental contracts which were excluded from the language, is a process that DoITT has been using on those backdrop contracts, will not be covered by it. So we believe that a separate plan should be implemented for those contracts to address the technical skills necessary for the IT contracts but at the same time have a better process by which we give out these contracts.

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COUNCIL MEMBER JAMES: Last

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question is I got a message this morning with

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regards to a text messaging contract at \$28,000

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per month. Are you aware of a text message

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contract that the city has engaged in?

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HENRY A. GARRIDO: That's correct.

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The Mayor announced in a press conference that the

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city will be doing text messages in 311. The city

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engaged in a one-year contract with a company to

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provide text messages.

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COUNCIL MEMBER JAMES: What's the

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name of that company?

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HENRY A. GARRIDO: I think it's

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called ChaCha Communications.

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COUNCIL MEMBER JAMES: ChaCha?

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HENRY A. GARRIDO: Yes. It's a

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\$28,000 a month contract for text messaging. So

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far, the city has received no more than 410

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messages a month, which brings the cost to about

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\$7 per text message. I don't know about your--

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COUNCIL MEMBER JAMES:

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[interposing] How much do you pay for your text

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messaging per month?

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HENRY A. GARRIDO: I pay about \$20

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2 per month for unlimited text messages. Thank you.
3 I think the city could do better.

4 COUNCIL MEMBER JAMES: So, in
5 addition to that contract for text messaging,
6 which is \$28,000 per month, which is totally
7 unacceptable, my understanding is that the 311
8 Customer Service Management System, CSMS was
9 originally budgeted for \$40 million and now is at
10 \$108 million. In addition to that, the contract
11 for automated meter readers, originally budgeted
12 at 89 is now at 95.7. Automated vehicle locator,
13 AVL, originally budgeted at 35, currently at \$43
14 million. Originally the Citywide Automated
15 Procurement Tracking system, originally budgeted
16 at 52.7, now at \$64 million. And the Citywide
17 Collections Facility Integrated System, CSADA
18 originally budgeted at 75, now at \$95 million.

19 The list goes on and on and on.
20 Yet, they want to cut child care centers in the
21 City of New York and lay off municipal workers.
22 Unacceptable and a shame and we should, again, put
23 some sunshine on it, which is why this hearing
24 should have been extended and we should have been
25 allowed to ask additional questions. Thank you.

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2 CHAIRPERSON MEALY: Thank you. We
3 will have another hearing in regards to this. We
4 have Gale Brewer, and I was just told that people
5 are waiting downstairs. They're not letting them
6 in. We're going to finish out our colleagues'
7 questions. Ms. Gale Brewer?

8 COUNCIL MEMBER BREWER: Thank you
9 very much. Henry, you talked a little bit,
10 correctly, about the workforce issue. I just want
11 to know if you can elaborate on that. In other
12 words, I agree with you that the in-sourcing is
13 the most important and it is long-term, it builds
14 capacity, et cetera. So if you could just
15 elaborate on that and what the challenges are and
16 why it's not being done.

17 HENRY A. GARRIDO: Well, real
18 quickly, I think the agencies have talked about
19 civil service could be a hindrance for hiring in-
20 sourcing city workers. I want to highlight that
21 in 2004, the union reached an agreement with the
22 then-commissioner to ease up some of the work
23 rules that allow them to in-source by creating a
24 highly skilled title called the certified title.
25 The plan was to hire 250 people, similar to what

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the state is doing right now. They've abandoned that project.

We also created what we call a traveling team that allow city workers to go from agency to agency and then bill DoITT back. But I think part of the problem we have here is that the workforce development strategy the city has had has not included the city workers. You have money that is federal money, over \$200 million in workforce development. There has not been one cent of that money--

COUNCIL MEMBER BREWER:

[interposing] That's the WEA money.

HENRY A. GARRIDO: --yeah, the WEA money--spent training city workers. On the other hand, there was a grant to the consultants association which was given for the private sector.

In addition to that, DCAS has a pool of money for training city workers. We are training consultants. If they're experts and consultants, why do we need to train them? I mean if we're hiring them and paying them then obviously they have to have some certain expertise

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2 that we don't have in-house. City workers are not
3 being allowed to participate in these programs.
4 So we cannot build capacity to allow the in-
5 sourcing to take place. Thank you.

6 COUNCIL MEMBER BREWER: I mean, at
7 a later time, I'd love to go through with you inch
8 by inch on all the workforce money and specifics
9 and we can talk offline.

10 HENRY A. GARRIDO: Yes.

11 COUNCIL MEMBER BREWER: Thank you
12 very much.

13 CHAIRPERSON MEALY: Thank you. We
14 have Robert Jackson.

15 COUNCIL MEMBER JACKSON: Thank you.
16 Just a quick question and this is to any of you,
17 Leonie and Henry and Henry on behalf of DC37.
18 DC37 37 has been saying for years and years and
19 years and Leonie, you and Juan Gonzalez, years and
20 years and years about contracts and about abuses
21 and about stealing, in my opinion. These are my
22 words, stealing and robbing us blind.

23 LEONIE HAIMSON: [off mic] The
24 feeling's appropriate.

25 COUNCIL MEMBER JACKSON: Do you

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2 think that the city has learned its lesson, have
3 taken the safeguards in place in order to avoid
4 the stealing and robbing of the city coffers by
5 all of these consultants? If you can answer each
6 one of you please.

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LEONIE HAIMSON: I don't see any
8 evidence that the city has learned its lesson when
9 they renew the contract for Verizon and they renew
10 contracts automatically. The growth of contracts
11 under DOE continues, even as our school budgets
12 are being cut to the bone. I think the
13 contracting increased 18 percent this year, where
14 school budgets have been cut 12 percent. So the
15 whole notion that we should be spending more on
16 contracts and consultants while we're eliminating
17 teaching positions and eliminating school aides, I
18 think is anathema to most parents and stakeholders
19 in the system.

20

Beyond that, there just seems to be
21 no real oversight to make sure that we're getting
22 our money's worth from these people.

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HENRY A. GARRIDO: I agree. I
24 think one of the things that you heard today about
25 the system wide enterprising is one of the

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2 concerns that we have. A lot of those have been
3 very fancy words for pre-qualifying a monopoly of
4 certain contractors, Accenture being one of those
5 that controls a lot of the contracts you
6 mentioned. It doesn't allow minorities and other
7 institutions to participate.

8 So I would just warn the City
9 Council to be mindful that as the city continues
10 to talk about a solution, if we don't hold
11 contractors accountable, it doesn't matter. If we
12 don't exercise some latitude to debar contractors,
13 to sue them to recoup money, to go out there and
14 exercise liquidated damages as we are supposed to
15 do in the private industry, it doesn't matter how
16 much they do, it's not going to mean anything.

17 ROBERT AJAYE: At the hearing that
18 the DOE gave Verizon \$120 million contract, a new
19 contract, about 3,000 of my members showed up to
20 try to convince the DOE that what they should do
21 is at least hold off for a few weeks to try--

22 COUNCIL MEMBER JACKSON:
23 [interposing] And I was there. I asked them the
24 same thing.

25 ROBERT AJAYE: --you did--to try to

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2 get the money back from Verizon that Verizon had
3 admitted were ill-gotten gains that they should
4 not have received, at least \$800,000. Having the
5 city learned its lesson and it's going to change
6 things, well then they would have very easily at
7 that point said okay, we're going to hold off the
8 contract, which is all our leverage to get the
9 \$800,000 that Verizon took that they shouldn't
10 have took.

11 Well, they didn't do that. They
12 passed for the contract overwhelmingly. You were
13 there, you know. They gave up any hope of ever
14 getting the \$800,000 back from Verizon.

15 COUNCIL MEMBER JACKSON: [off mic]
16 Thank you, Madame Chair.

17 CHAIRPERSON MEALY: Excuse me. One
18 thing I know that we should do that the deputy
19 comptroller did not have the training about those
20 city workers in his proposal. I know, my
21 colleagues, we should write a letter and sign onto
22 it and say that that should be in his proposals.
23 So I'm glad we brought that up. I really thank
24 you.

25 One thing I do think, wouldn't it

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2 be better if we had separate entities just oversee
3 consultants and see that we can really--to really
4 oversight to see how much they're making, if it's
5 appropriate? They had asked earlier in the expert
6 testimony that we break them up in small
7 contracts. That we can really overlook and make
8 sure that they're doing what they say they're
9 doing and how much people are getting paid and
10 when it's going over. Wouldn't that be a good
11 suggestion?

12 HENRY A. GARRIDO: This is part of
13 my testimony, if I may. One of the problems we
14 have is we have consultants supervising
15 consultants who then supervise consultants. Every
16 one of the fees is generated based on the change
17 orders in the next one. You cannot have
18 accountability when you have a for-profit system
19 that benefits over those change orders. That
20 responsibility has to remain in-house and it has
21 to be an independent responsibility.

22 I think one of the problems we have
23 now is that you have these people as entities, as
24 Council Member Jackson mentioned, rubber stamping.
25 I've been to every hearing of IT contracts in the

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2 City of New York at 22 Reed Street. I go there
3 and testify and I ask them and I raise the fraud
4 or this company has been banned from a contract in
5 another state and thank you very much and they
6 stop and they go through the process. MOCS, the
7 Mayor's Office of Contracts is supposed to be an
8 overseer. They're not doing that.

9 So in the absence of that, then
10 perhaps what we should consider is creating a
11 separate entity that would oversee the city as
12 something that would relate to contracts because
13 it's not working the way we have it now.

14 CHAIRPERSON MEALY: Thank you. We
15 want to thank our entire panel. The city has long
16 been haunted on Halloween, we could say by cost
17 overruns on the IT contracts. The Council has
18 done its best to conduct oversight hearings once
19 the overruns come to light. But we are limited by
20 too little information too late in the process.

21 So today, we stop merely reacting
22 to these over budget projects. I can say this
23 morning we are taking two steps that will allow
24 the Council to act before cost overruns reach epic
25 proportions. We all know that IT contracts are

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2 complicated and dynamic and therefore require the
3 oversight and guidance of specialists, who are
4 invested in the projects, are held accountable and
5 hold vendors accountable from the project's
6 inception to completion.

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I want to thank you all for being
8 here. I'm turning it over to my colleague
9 Cabrera.

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CHAIRPERSON CABRERA: I just want
11 to say thank you because truly you are the true
12 champions. I'm looking forward to continue this
13 dialogue so we could continue to advocate for the
14 real needs and intervention strategies that we
15 need to apply. Thank you so much.

16

CHAIRPERSON MEALY: This meeting is
17 now adjourned.

C E R T I F I C A T E

I, Donna Hintze certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature Donna Hintze

Date November 28, 2011