**NEW YORK CITY COUNCIL
COMMITTEE ON OVERSIGHT AND INVESTIGATIONS
JOINTLY WITH THE COMMITTEE ON CONTRACTS AND THE
COMMITTEE ON TECHNOLOGY**

**TESTIMONY OF MARK G. PETERS
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**CONCERNING EXAMINING LESSONS LEARNED AND
RECOMMENDATIONS FOR IMPROVING NEW YORK CITY'S
MANAGEMENT OF LARGE INFORMATION TECHNOLOGY
CONTRACTS**

**December 15, 2014**

Good afternoon Chair Gentile and members of the Committee on Oversight and Investigations, Chair Rosenthal and members of the Committee on Contracts, and Chair Vacca and members of the Committee on Technology. I am Mark Peters, Commissioner of the New York City Department of Investigation. I am pleased to present testimony today on the lessons learned from prior investigations of New York City's large-scale information technology contracts.

This is an important issue for DOI in the wake of our extensive investigation into CityTime, that led last year to criminal convictions and a large monetary recovery for the City. As you will recall, the CityTime project was an Information Technology initiative designed to provide an automated system of timekeeping and payroll for municipal employees. While the original budget was set at $63 million, the costs ultimately ballooned to approximately $700 million.

DOI's investigation into CityTime uncovered a massive fraud, kickback and money laundering scheme involving New York City funds allocated for the project. Additionally, beyond the outright criminality, our investigation exposed a number of vulnerabilities inherent in the way in which the City manages large-scale IT contracts. Indeed, while criminal conduct was the clear primary cause for the delays and cost overruns on CityTime, a secondary cause existed: the City lacked proper internal controls and other management safeguards to detect and prevent either the fraud which occurred or the delays and cost overruns that were its inevitable result.

DOI discussed these systemic issues in detail in a report issued on July 25, 2014. Our findings noted deficiencies in oversight, in accountability, and in planning for management of the CityTime project. Specifically, DOI identified six key deficiencies:

**First:** Inadequate executive oversight of the project by City officials;

**Second:** Failure to appoint an integrity monitor;

**Third:** Failure to control the expansion of the scope and cost of the project;

**Fourth:** Failure to hold contractors accountable for their inability to provide deliverables on schedule, and within budget;

**Fifth:** Failure to properly vet contractors and subcontractors for conflicts of interest and potential fraud; and

**Sixth:** Failure to plan for future City control over management and maintenance of the completed projects.

In response to these deficiencies, DOI issued six recommendations to the City.

**First:** The City must establish an effective executive governance structure for the management of future large-scale technology projects, that should include the creation of an interagency working group to oversee the project and the assignment of an on-site City project manager with the requisite technical expertise.

**Second:** The City should assign to all large-scale information technology projects an integrity monitor selected by DOI. The assigned integrity monitor should perform regular audits of the time worked by consultants on a project and analyze the hiring of consultants based on project needs.

**Third:** The City should create a more robust due diligence and approval process regarding large-scale technology contracts, amendments, and change orders.

**Fourth:** The City should hold contractors accountable for failures to provide deliverables on time and on budget by explicitly stating penalties in all contracts and enforcing those penalties where appropriate.

**Fifth:** Consultants on large-scale technology projects should be required to undergo a conflicts of interest background check; and the City should require that contractors disclose any subcontractors that receive $100,000 or more and the City should vet and approve those subcontractors.

**Sixth:** The City should develop a plan on all large-scale technology projects to transition maintenance and control to the City at the conclusion of a project.

Underscoring the need for reform in this area, on May 19, 2014, Mayor de Blasio ordered a halt to work on the City's Emergency Communications Transformation Program ("ECTP"), pending a comprehensive review by DOI, the Department of Information Technology and Telecommunications ("DoITT") and the New York City Comptroller's Office.

The City launched ECTP in 2004 as an initiative to modernize New York City's 911 emergency communications system. In ordering the temporary halt of ECTP, Mayor de Blasio cited the program's costs and delays, as well as "significant and long-standing technical design, systems integration, and project management risks and issues that necessitate immediate corrective action."

As requested by the Mayor, DOI issued a preliminary investigatory report on August 6, 2014. While our investigation into ECTP is ongoing, it is clear that themes

examined in both our CityTime investigation and our preliminary ECTP report reveal a shortcoming in the way the City managed these contracts, and common themes between both of those projects. For example, our preliminary report on ECTP noted vague lines of authority and ineffective governance, a lack of advance planning with respect to specifications and objectives of the project, and a lack of an integrity monitor—all vulnerabilities uncovered in our earlier report on CityTime. We look forward to releasing our full report on ECTP at the conclusion of our investigation.

DOI is committed to the mandate we have to examine the policies and procedures of City agencies and to make recommendations, with the goal of better safeguarding taxpayer dollars and ensuring the most efficient and effective delivery of vital government services. To effectively fulfill that mandate, we must work closely with the relevant agency heads for each of our investigations. To that end, I note that DOI is currently working collaboratively with the Mayor's Office of Contract Services and DoITT to explore the best ways to address our concerns surrounding large-scale IT contracts in practice. Even as our current investigation into ECTP is ongoing, with the information already revealed, we are able to anticipate needed areas for reform and proactively address those needs.

I also support this body's historical and ongoing efforts in examining how the City can implement additional safeguards against cost overruns and fraud with respect to large-scale IT contracts, which, as I have described, by their nature have particular complexities distinct from other kinds of city contracts. I and members of my staff have had productive conversations with Chair Rosenthal, and we will continue that dialogue going forward.

I am happy to take any questions you may have at this time.