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February 16, 2011

The Honorable Cathleen P. Black
Chancellor
Department of Education
Tweed Courthouse
52 Chambers Street
New York, NY 10007

**Re: Letter Report on the Audit of the High School Application Processing System (HSAPS)
7A11-090L**

Dear Chancellor Black:

We are closing the audit of the High School Application Processing System (HSAPS) developed by Spherion Atlantic Enterprises LLC-Technology Group (Spherion). We write this Letter Report to advise you of information technology project management issues noted so that the Department of Education (DOE) may address them. Our audit objectives were to determine whether the HSAPS operated as intended; whether contract payments were properly monitored as prescribed by Chancellor's Regulations; and whether HSAPS users were satisfied with the system.

When we requested an entrance conference to begin our audit, we were informed by DOE representatives that the HSAPS system was no longer being utilized for the high school admissions ranking process. Specifically, DOE representatives stated:

"With policy changes and changes in the landscape of NYC Public Schools, the Office of Student Enrollment (OSE) was given added responsibilities over a short period of time to administer middle school choice processes in the districts where there is choice, citywide pre-kindergarten admissions, citywide elementary school Gifted and Talented admissions and several kindergarten choice processes in key areas across the city.

Since the High School Admissions Processing System - HSAPS (Spherion) was created specifically to help orchestrate the high school admissions process, upgrading it for administering and unifying the administration of other enrollment processes was not feasible. The software would require significant change because of the operational differences and data requirements of all the enrollment processes.

NYCDOE needed to develop a new technology system to support new enrollment processes, improve the high school admissions process and extend key aspects of the high school admissions process to other student enrollment processes....

All processes are now administered through our Student Enrollment Management System (SEMS) with Vanguard as our vendor. We have been working with Vanguard for over two years."

Below is a chart outlining a summary of the HSAPS contract and amendments, beginning December 1, 2001.

<u>Summary of HSAPS Contract and Amendments</u>				
Original Contract Amount:		\$3,591,916.00	12/1/2001	
Amendment #	Date	Increase	Total	Description
1	3/20/2003	\$ 375,000	\$ 3,966,916	Due to the reorganization of DOE, the closing of many high schools, and the requirements of the No Child Left Behind legislation.
2	8/1/2003	\$ 1,234,324	\$ 5,201,240	For the implementation of additional policy changes to the high school application admission process.
3	3/1/2004	\$ 724,619	\$ 5,925,859	To implement anticipated policy changes in high school admission policy in order to include 47 new high schools.
4	9/1/2004	\$ 1,250,000	\$ 7,175,859	Modified so that needed enhancements can be made to the system.
5	7/1/2005	\$ 750,000	\$ 7,925,859	For the procurement of additional enhancements, upgrades, and refinements to HSAPS.
6	12/1/2006	\$ 1,575,000	\$ 9,500,859	To extend the contract until 6/30/2007 and to design, develop, and implement policy changes and system enhancements for the 2006-2007 school year.
7	7/1/2007	\$ 2,202,826	\$ 11,703,685	To extend the contract until 6/30/2008 and for the enhancement, maintenance, and support of HSAPS, and to provide the system to new schools.
8	7/1/2008	\$ 1,800,000	\$ 13,503,685	To extend the contract until 6/30/2009 in order to have an operational high school enrollment system in place for September.

The eight amendments made to the original HSAPS contract increased the contract cost from \$3.6 million to \$13.5 million and, in our opinion, reflect poor planning on the part of the Project team. DOE exhibited no process of IT system development change control. Over time, the way in which entities conduct their business changes and it is realistic to expect some modifications to be made in system specifications. But DOE's contract amendments appear to be an admission that the changes that occurred in DOE were not expected or considered in developing HSAPS. In the environment that exists in DOE, changes should be and must be anticipated. And therefore, we are concerned about the system development process in DOE.

At present, a new system has been developed and is currently in use at DOE. For the period of July 1, 2008, through June 30, 2013, DOE has contracted with the vendor Vanguard Direct Inc. (Vanguard) in the amount of \$8,636,963.00, due to its needs for a new enrollment and admission tool. The contract has been revised in the amount of \$9,450,583.00. Vanguard has developed the system Student Enrollment Management System (SEMS), which will provide a common computer-assisted framework for deploying

all the current City enrollment and admissions processes. The system will also assist in reducing required updates, improving cost planning for expanded or new enrollment processes, and providing the Office of Student Enrollment with tools to improve cost control.

In essence, DOE has contracted for approximately \$23 million worth of IT services to produce an automated student enrollment and admissions tool. The original cost of this product in 2001 was contracted for \$3.6 million dollars (see chart). That is a difference of \$19.4 million. Clearly, savings could have been achieved with better planning and coordination.

We bring this to the DOE's attention so that controls may be enhanced to ensure that similar cost overruns do not occur with SEMS or any other DOE IT system development.

Please feel free to contact me for any additional information on this or any other DOE issues with which my office has been involved.

Sincerely yours,



Tina Kim

- c: Brian Fleischer, Auditor General
- Elizabeth Weinstein, Director, Mayor's Office of Operations
- George Davis, III, Deputy Director, Mayor's Office of Operations