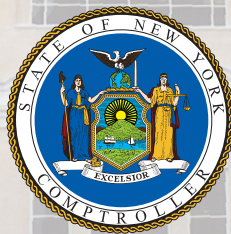




New York State Office of General Services

Interagency Consolidation of Administrative and Support Services

Report 2009-S-31



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

July 15, 2010

Mr. John C. Egan
Commissioner
Office of General Services
Corning Tower
Empire State Plaza
Albany, NY 12242

Dear Mr. Egan:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of Interagency Consolidation of Administrative and Support Services. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1, of the State Constitution and Article II, Section 8, of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objectives

The objectives of our audit were to determine whether the Office of General Services (OGS) is effective and efficient in performing selected administrative and support services for other agencies, and whether cost savings would increase if such services were provided to additional agencies.

Audit Results - Summary

OGS offers a wide array of centralized support services to State agencies and local governments. In addition, OGS is responsible for performing certain day-to-day administrative and/or support functions for smaller State agencies, in effect becoming those agencies' finance office, human resources office, legal services office, and/or other specialized office. In these instances, OGS is said to "host" the smaller agencies' administrative and/or support functions.

As of October 2009, OGS was responsible for hosting administrative and support functions for 13 State agencies. We examined OGS's performance for ten of the agencies and found that overall OGS appeared to be effective, as seven of the ten agencies were satisfied with OGS's performance. One of the three remaining agencies was partially satisfied, another was dissatisfied, but was working with OGS to resolve the problems, and the third was dissatisfied with certain aspects of the hosting arrangement itself, rather than OGS's performance of services under the arrangement.

We also found that there are clear efficiencies in the consolidation of these administrative and support services at OGS. Freed from some of their administrative responsibilities, staff at the small hosted agencies are better able to focus on their core missions. In addition, with the administrative responsibilities transferred to OGS, fewer staff in total are needed at the hosted agencies. We conservatively estimate that, as a result of this reduction in the number of full-time equivalent employees at the 13 hosted agencies, New York State is saving a net total of at least \$716,900 a year in personal service costs through the hosting arrangements.

Because of the benefits of the hosting program, we recommend consideration be given to expanding the program to include more agencies. Staff at the New York State Division of the Budget (DOB), which works with OGS in making hosting arrangements, believes the program

should not be expanded because, in their opinion, such hosting arrangements are not beneficial for larger agencies. However, in light of the State's current fiscal difficulties and the pressing need for reductions in State expenditures, we recommend OGS work with DOB to identify opportunities for expanding the hosting program to mid-size State agencies.

In addition, there may also be opportunities to expand the consolidation effort in certain other service areas, such as information technology, by adopting a "shared services" approach. In this approach, services are consolidated into a single stand-alone unit or agency. Other government entities have adopted this approach for their information technology services and reported significant actual or expected savings, as well as other improvements. We determined that, if New York State adopted a similar shared services approach for its information technology functions, and realized comparable savings, it could save between \$31.5 million and \$221.6 million annually. We recommend consideration be given to adopting such an approach in New York State.

OGS officials indicated they will continue to work with DOB, the Council on Shared Services, and the Office of Taxpayer Accountability to explore additional opportunities to achieve savings for the State.

This report, dated July 15, 2010, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or

Office of the State Comptroller
Division of State Government Accountability
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Introduction

Background

The Office of General Services (OGS) was created in 1960 to provide essential services for the operation of New York State government. It currently offers a wide array of centralized support services to State agencies, local governments, and not-for-profit agencies. These services include the management and leasing of real property, designing and building of facilities, contracting for goods and services, and others.

OGS is also responsible for performing certain day-to-day administrative and/or support functions for smaller State agencies, in effect becoming those agencies' finance office, human resources office, legal services office, and/or other specialized office. In these instances, OGS is said to "host" the other agencies' administrative and/or support functions.

To improve the efficiency and effectiveness of government operations, the New York State Division of the Budget (DOB) has been promoting such "hosting" arrangements. While large multifaceted government agencies may be able to operate efficiently and effectively as stand-alone units, and perform their own administrative and support functions, small specialized agencies are less able to do so. As the number of small and specialized agencies has increased, there has been increasing concern about possible administrative inefficiencies. As a result, DOB has directed certain large agencies, such as OGS, to host the administrative and support functions for an increasing number of small agencies.

As of October 2009, OGS was responsible for hosting the following three types of administrative and support functions for the following 13 State agencies:

- Financial Administration (FA) functions, which include accounts payable, budgeting, travel-related, accounts receivable, payroll and purchasing.
- Human Resources (HR) functions, which include classification, staffing, labor relations, benefits administration, employee development, and records management.
- Specific Functions (SF), which include legal services, internal audit services, and information technology services.

Agency	FA	HR	SF
Consumer Protection Board	X	X	X
Office of Homeland Security	X	X	X
State Emergency Management Office	X	X	
Division of Military and Naval Affairs			X
Office for Technology	X		X
Office for Technology Telecom	X		X
Office of Cyber Security and Critical Infrastructure Coordination	X	X	
Division of Alcoholic Beverage Control	X	X	X
Division of Veterans' Affairs	X	X	X
Veterans' Blind Annuities	X		
Governor's Office of Regulatory Reform	X		
State Board of Elections	X	X	
State Commission of Investigation	X	X	X

OGS treats each of the hosted entities as if it were a separate bureau within OGS. Each of the functions supported by OGS is handled by the appropriate department within OGS (payroll, accounting, human resources, etc.). Each entity approves its own transactions and then sends them to the appropriate OGS department for processing.

Audit Scope and Methodology

The objectives of our audit were to determine whether OGS is effective and efficient in hosting selected administrative and support services for other agencies, and whether cost savings would increase if such services were provided to additional agencies. To accomplish our objectives, we selected ten hosted State agencies for review. We interviewed human resources and financial administration officials at OGS. We also interviewed officials at the ten State agencies. Our audit period was January 1, 2006 through October 30, 2009.

In addition, we researched hosting and shared services arrangements at government entities in other states, New York City and other localities. We performed this research through the Internet and by consulting with the National Association of State Auditors, Comptrollers and Treasurers. We also worked with DOB to determine the history of hosting at OGS and any plans for future expansion of the program.

To estimate the possible cost savings to New York State from an expansion of existing shared services programs, we compared the projected and historical reported savings in three states (California, Texas and Michigan) and one county (Erie County, New York) to the entities' total

budgets, and applied the most conservative savings percentages to New York State's budget for the 2009-10 fiscal year.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

A draft copy of this report was provided to OGS officials for their review and comment. Their comments were considered in preparing this report, and are included at the end of the report.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of General Services shall report to the Governor, the State Comptroller and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Contributors to the Report

Major contributors to this report include Frank Houston, Al Kee, Greg Petschke, Lynn Freeman, Michele Krill and Dana Newhouse.

Audit Findings and Recommendations

Performance of OGS

We examined OGS's performance in hosting administrative and support functions for the following ten State agencies:

- Consumer Protection Board
- Office of Homeland Security
- State Emergency Management Office
- Office for Technology
- Office for Technology Telecom
- Office of Cyber Security and Critical Infrastructure Coordination
- Division of Alcoholic Beverage Control
- Division of Veterans' Affairs
- Governor's Office of Regulatory Reform
- Board of Elections

We found that, on balance, OGS appeared to be effective in its performance of these services, as seven of the ten agencies indicated that they were satisfied with OGS's performance. One of the three remaining agencies was partially satisfied, another was dissatisfied, but was working with OGS to resolve the problems, and the third was dissatisfied with certain aspects of the hosting arrangement itself, rather than OGS's performance of services under the arrangement.

We also found that there are clear efficiencies in the consolidation of these administrative and support services at OGS. Freed from some of their administrative responsibilities, staff at the hosted agencies are better able to focus on their core missions. In addition, with the administrative responsibilities transferred to OGS, fewer staff in total are needed at the hosted agencies. We conservatively estimate that, as a result of this reduction in the number of full-time equivalent employees at the 13 hosted agencies, New York State is saving a net total of at least \$716,900 a year in personal service costs through the hosting arrangements.

Effectiveness

We interviewed officials at 10 of the 13 hosted agencies to determine whether they were satisfied with OGS's performance. Officials at seven

of the ten agencies stated that they were moderately to very happy with the hosting arrangement and saw little or no difference from when they administered these services themselves.

However, officials at the other three agencies (Division of Alcoholic Beverage Control, Office of Homeland Security, and State Emergency Management Office) were dissatisfied with some aspect of the hosting arrangement, as follows:

- Officials at the Division of Alcoholic Beverage Control were dissatisfied because some of their staff were transferred to OGS when the hosting arrangement was initiated. They believe they were left with the front-end work of reviewing and approving transactions with insufficient staff to perform this work. They are currently working with DOB to remedy the situation.
- The Office of Homeland Security receives a large amount of grant and federal funding, and its Director believes that, because OGS does not have sufficient experience with this type of funding, the Office of Homeland Security still has to perform much of the procurement and invoice-related functions. However, the Office of Homeland Security has not elected to withdraw from the hosting arrangement, as it is allowed to do. It continues to receive these services from OGS and is attempting to work out the problems.
- The State Emergency Management Office also receives a large amount of grant and federal funding, and its officials indicated that they had the same types of problems as the Office of Homeland Security with OGS's financial administration services. Because of these problems, they elected to stop receiving financial administration services (except payroll) from OGS in late 2006. They have been satisfied with OGS's human resources services and continue to receive these services from OGS, as well.

OGS officials acknowledge that they have little experience with grants. However, they believe they can provide adequate administrative support in this area. In their opinion, grant funding presents a unique set of circumstances. The agencies receiving this funding have their own grant management staff to monitor all phases of grant requirements, and OGS officials believe the agencies are hesitant to give up control of any part of the process.

Efficiency

According to DOB officials, the hosting program was expected to increase the hosted agencies' efficiency and effectiveness by freeing their staff from administrative responsibilities and allowing them to concentrate on their core missions. At the ten agencies we examined, we found that this goal has been achieved.

We also identified an additional efficiency in the hosting program: with the administrative duties transferred to OGS, fewer staff in total are needed at the hosted agencies. Some of the agencies actually have fewer staff because of the transfer of administrative duties, while others would need additional staff to perform these duties if they were not being performed by OGS. Since neither OGS nor DOB is tracking these cost savings, we attempted to quantify the savings. We estimate that, because of the hosting program, the 13 agencies hosted by OGS have experienced a net reduction of about nine full-time equivalent employees (net of the employees transferred to OGS from the Division of Alcoholic Beverage Control).

We conservatively estimate that, as a result of this net reduction in the number of employees at the 13 hosted agencies, New York State is saving at least \$716,900 a year in employee salaries and related fringe benefit costs. Because of these savings and because of the other gains in efficiency and effectiveness, we recommend consideration be given to expanding the hosting program to include more agencies.

According to DOB staff, the program should not be expanded, because they believe it already includes all the agencies that would benefit from hosting. In their opinion, the larger agencies (i.e., those with more than 100 employees) are not good candidates for hosting and the smaller agencies (those with fewer than 100 employees) are either hosted already or not suitable for hosting. A total of 21 agencies with fewer than 100 employees are not hosted by OGS, and DOB officials noted that it would not be beneficial for these agencies to be hosted by OGS for the following reasons:

- Twelve of these agencies are already hosted by larger agencies in the same program area. For example, the Division of Criminal Justice Services hosts certain administrative functions for three criminal justice agencies: the Office for the Prevention of Domestic Violence; the Division of Probation and Correctional Alternatives; and the Crime Victims Compensation Board.

- Eight of these agencies cannot be hosted due to the nature of their work. For example, several of these agencies perform tasks whose confidentiality is more important than the savings that could be realized through hosting. These agencies include the Interest on Lawyers Account; the Public Employees Relations Board; and the State Inspector General's Office.
- One agency, the Governor's Office of Employee Relations, already hosts other groups, such as the Deferred Compensation Plan and several agency labor management committees.

We acknowledge that there are limitations on the extent to which administrative and support services can be consolidated at New York State agencies. However, in light of the State's current fiscal difficulties and the pressing need for reductions in State expenditures, we recommend OGS officials work with DOB officials to identify opportunities for expanding the hosting program to mid-sized State agencies to the extent possible.

Recommendation 1. Work with DOB to identify opportunities for expanding the hosting program to mid-size State agencies, and expand the program to such agencies to the extent possible.

Shared Services In the OGS hosting program, New York State has consolidated some of the administrative and support services of some of its smaller agencies, and as a result, realized measurable savings. As was previously noted, there may be opportunities to include larger agencies in this consolidation effort, and thereby realize additional savings. In addition, there may also be opportunities to expand the consolidation effort in certain service areas, such as information technology. Such an expansion could result in significant cost savings.

This kind of expansion is called "shared services." The most common definition of shared services is the concentration or consolidation of functions, activities, services or resources into one stand-alone unit. Typically, government entities that have taken the "shared services" approach to service consolidation have started with information technology and used that experience as a basis for sharing other services.

We reviewed the reported successes of three state governments (Michigan, California and Texas) and one county government (Erie County in western New York) in using the shared services approach. The four entities have reported either actual or expected savings, as well as other improvements, as follows:

- Michigan reported that, in 2001, it began using the shared services approach for the information technology function in its executive branch agencies, as it centralized all information technology personnel, equipment, and activities in a single agency. Michigan reported that it realized about \$100 million in savings from this project over a six-year period, while maintaining or increasing service levels. For example, state information technology staff was reduced from 2,064 to 1,762 (15 percent) and contractors were reduced from 1,764 to 469 (64 percent). In addition, the number of data centers in the state was reduced from 38 to three, and hardware maintenance costs were reduced by \$403,000 a year through the elimination of 310 servers (more than 50 percent of the inventory). This reduction in hardware reportedly enabled the support staff to focus on higher priority systems instead of facilities or aging infrastructure.
- California reported that it began switching to a shared services approach for information technology services in 2009. Its plan calls for the creation of a new agency that will be responsible for all of the state's data centers, telecommunications, and e-mail systems. The new agency will oversee all information technology procurement and will be responsible for a major overhaul of the state's information technology infrastructure. According to published reports, California officials expect to save \$1.5 billion over five years through the implementation of this plan.
- Texas hired a private firm (IBM) in 2007 to provide data center and disaster recovery services for 27 state agencies. Under the seven-year contract, 31 independent state data centers were replaced by two contractor-operated facilities. At the time the contract was signed, Texas officials estimated the arrangement would save more than \$159 million over the life of the contract. According to published reports, during the first two years of the contract, Texas realized savings of \$11 million.
- Erie County established a shared services program for its local governments' information technology services in 2005. According to published statements, the program is expected to save a total of about \$245 million over five years (an average of \$49 million annually).

New York State created the Office for Technology (OFT) in 1997 to serve as the State's information technology center. OFT provides statewide technology direction and centralized technology policies and services to New York State agencies. However, OFT is different than the shared services models of Michigan and California, because agency use of OFT's

services is optional. At present, less than half of 60 state offices and agencies use some or all of OFT's information technology services.

We determined that the four entities have reportedly realized, or expect to realize, savings of between .06 and .40 percent of each entity's respective general fund budget. If New York State changed its approach for information technology services to the fully shared models above and realized comparable savings, it could save between \$31.5 million and \$221.6 million annually. We recommend consideration be given to adopting such an approach in New York State.

DOB officials told us that they have been researching the shared services approach for several years. In addition, the Council on Shared Services (co-chaired by the Director of DOB) and the Office of Taxpayer Accountability, which were created by the Governor's Office in June 2009, have begun planning for the consolidation of the State's information technology functions, but so far no stand-alone specialized units have been created.

- Recommendation** 2. Work with DOB, the Council on Shared Services, and the Office of Taxpayer Accountability to identify opportunities for the shared services approach in New York State government and OGS's role in such an approach, either for information technology or other support services.

(OGS officials indicated that for the past year the Office of Taxpayer Accountability has been making significant strides in transforming the way the State does business, with specific focus and attention on the consolidation and sharing of services in six key areas: strategic sourcing, human resources, technology, customer services, asset management and financial management. OGS officials state they will continue to work with DOB, the Council on Shared Services, and the Office of Taxpayer Accountability to explore additional opportunities to achieve savings for the State.)

Agency Comments



DAVID A. PATERSON
GOVERNOR

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JOHN C. EGAN
COMMISSIONER

June 24, 2010

Mr. Frank J. Houston, CFE, CGFM
Audit Director
NYS Office of the State Comptroller
Division of State Government Accountability
110 State Street
Albany, NY 12244

Dear Mr. Houston:

This letter responds to preliminary report 2009-S-31 entitled "Interagency Consolidation of Administrative and Support Services," which reports on the efforts of the Office of General Services (OGS) to provide administrative services to smaller agencies. OGS refers to providing these services as "hosting," and is pleased that the report recognizes the efficiencies it provides state government by supporting financial administration, human resources, and other specific functions. The report made two related recommendations: (1) Work with the Division of the Budget (DOB) to identify opportunities for expanding the hosting program to mid-sized State agencies, and expand the program to such agencies to the extent possible; and (2) Work with DOB, the Council on Shared Services, and Governor Paterson's Office of Taxpayer Accountability (OTA) to identify opportunities for the shared services approach in New York State government and OGS's role in such an approach, either from information technology or other support services.

In preparing this response, I consulted with OTA and DOB and their collective point-of-view is reflected in my response. As noted below, but not cited in the Office of the State Comptroller's (OSC) report, Governor Paterson's administration has aggressively been pursuing and accomplishing the objectives described in the report's recommendations for more than a year.

While the period of the audit covered January 1, 2006, through October 30, 2009, it is important that any discussion about the expansion of hosting administrative functions include current information about Governor Paterson's cost-cutting initiatives such as merging state operations, consolidating the state's purchasing power and sharing services. The Administration's enterprise efforts have been principally led through the OTA. During the last two fiscal years, there have been numerous successes focused on consolidation of state resources in order to save taxpayer dollars. Prior to that time, DOB, the Division of Criminal Justice Services and the Department of Taxation and Finance, consolidated services for 23 additional



agencies, beyond the 14 state and local entities that OGS hosts. These efforts resulted in all but 12 agencies with fewer than 600 employees being either fully or partially hosted. In addition, Governor Paterson's 2010-11 Executive Budget proposed merging State agencies or programs in the areas of emergency response services, criminal justice, fraud investigation, public and private arbitration services, tax, economic development and housing policies, with a total projected savings to the State of approximately \$15 million.

Moreover, for the past year OTA has been making significant strides in transforming the way the State does business, with specific focus and attention on the consolidation and sharing of services in six key areas: strategic sourcing, human resources, technology, customer services, asset management and financial management. The following are only some of the major initiatives that have already been undertaken, which demonstrates considerable progress in these areas:

- Building off of OGS' efforts to leverage the buying power of the State by pursuing aggregate purchase opportunities for commodities such as personal computers, utilities, pharmaceuticals, periodicals, wireless service plans and auditing services. A request for proposals (RFP) was issued to obtain the services of a strategic sourcing partner to assist the State in its on-going efforts to transform its procurement function to one which aggressively drives down the total cost of ownership of goods and services for the State enterprise.
- In the fall of 2009, the State hosted a vendor roundtable to review the business case for establishing an enterprise e-Human Resources shared services strategy. The discussion focused on improving the effectiveness of administrative processes and reducing costs, consolidating stand-alone systems and modernizing the technology infrastructure, and positioning the State to address knowledge loss as baby boomers begin to retire. As a result, action is underway to standardize and consolidate key common training programs, and to create an enterprise Learning Management System.
- The Office for Technology is in the midst of migrating thousands of email boxes from almost all State agencies to a consolidated virtual platform, and results in a more efficient and streamlined infrastructure and a statewide archiving standard. In addition, in an effort to further align the State's technology with current best practices in the industry, and to position the State to meet its future enterprise wide operational needs as well as the State's myriad agency-specific business and programs requirements, an RFP has been issued to procure the services of an experienced Information Technology (IT) Management Consulting Partner to further transform the State's IT business model. Objectives include leveraging the State's existing assets, enhancing shared services, reducing the total cost of IT ownership across the enterprise, and improving customer service.
- Five agencies are actively pursuing an enterprise solution to streamline and consolidate the State's business permit and licensing services. This effort will create efficiencies, improve services to the public, avoid at least \$9 million in expenditures and generate further State savings going forward. It is expected that an RFP will be issued this summer for the services of an expert IT firm to bring this effort to fruition. Once operational, other agencies will migrate to this platform as their licensing and permitting systems require upgrades or become obsolete.

- The State is actively engaged in a rigorous examination of the State's myriad call center operations and toll-free lines. In the short term, this effort, which has been underway for the past six months, is expected to reduce the number of toll free lines, consolidate contracts, and leverage and upgrade existing technology. The ultimate goal is to establish a governance structure to oversee call center operations, create a centralized knowledge base, improve customer service and drive towards a shared services call center structure.
- Under the executive sponsorship of OTA, OGS has redoubled its efforts to move agencies from leased space to State-owned space, and to right-size and reduce agency leased space, saving millions of dollars on a recurring basis. In an effort to better manage the State's vast real estate holdings, optimize space utilization, and enhance the process for property disposition, an RFP has been issued to engage an experienced firm to assist the State in establishing an enterprise real estate portfolio management strategy that will minimize operational expenses, maximize revenue and improve the State's stewardship and utilization of its real property assets. An award is anticipated very soon.
- Last October it was announced that the Executive's implementation of a standardized, statewide financial management system (NYFMS) would be consolidated with the OSC's project to redesign the State's Central Accounting system (FOCAS). The merger of these two projects, which has been underway for the past nine months, is an incredible achievement and will avoid at least \$24 million in costs. This new SFS system will replace a patchwork of existing costly and inefficient independent systems, and will streamline the state's many financial operations – purchasing, contracting, payment collections, travel expenses, asset and inventory management and grants management. OGS and other agencies are key stakeholders with the Office of the State Comptroller (OSC) and DOB as this unprecedented shared services collaboration aims to "go-live" in April, 2011.

These activities are described in greater detail at www.taxpayer.ny.gov and in the excerpt from OTA's website annexed to this response.

More specific to OGS, the agency is willing to participate in any endeavor that will utilize its core strengths and capabilities for the public's benefit. OGS will, of course, continue to work with DOB, the Council on Shared Services and OTA to explore additional opportunities to achieve savings for the state.

OGS is pleased that it was recognized for providing hosting services that deliver quantifiable savings and efficiencies. The agency believes that other benefits have been gained as a result of hosted agencies availing themselves of OGS's automated processes, such as in Financial Administration and Human Resources. Because OGS has already developed and refined its automated systems, implementation of these systems at hosted agencies requires only the effort to train hosted agency staff and to resolve issues that can arise when running such programs across different computer networks.

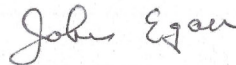
One example of improved efficiency through automation is in the case of hosted agencies' use of OGS's PRONTO (Purchase Card and Requisition Online Tracking Orders) system for agency purchases. This web-based tool utilizes online requisition and order tracking, and enables users to obtain and document required authorizations when making purchases.

Other automated systems available to hosted agencies include: an imaging system that allows images of documents to be the official record of transactions; a comprehensive fiscal management system that includes accounts payable, accounts receivable, budgeting and general ledger modules that communicate with the State's Central Accounting System; an electronic timesheet system; a human resource information management system communicates with the NYSTEP and PAYServ systems; and a learning management system to assist hosted agencies with staff training. Once established by OGS, these technology-based systems yield the greatest return on investment when utilized by multiple agencies.

Hosted agencies that have been willing to learn and implement these systems have benefited from their built-in internal controls and processes that help ensure compliance with the State Finance Law, State Comptroller's Office procedures, Civil Service Law, and the Rules of the Classified Service. When agencies have entered the hosting arrangement open to learning new systems and implementing a common system of internal controls, the partnership achieves the desired outcome – more efficient administration of government services.

In these times of scarce resources, it essential that state government leverage and maximize the strengths of its agencies. OGS would like to thank the audit team for confirming that its efforts to implement hosted services are providing real benefits. Any questions or concerns can be addressed to Robert Curtin from OGS's Internal Audit Unit at Robert.Curtin@ogs.state.ny.us or 474-5090.

Sincerely,


John C. Egan