



Division of Criminal Justice Services

Consolidation of Services

Report 2010-S-16



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

August 15, 2011

Mr. Sean M. Byrne
Acting Commissioner
NYS Division of Criminal Justice Services
4 Tower Place
Albany, NY 12203

Dear Mr. Byrne:

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 the *Consolidation of Services*. The audit was performed pursuant to the State Comptroller's authority as set forth in 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*

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State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objectives

The objectives of our audit were to determine whether the consolidation of specific services by the Division of Criminal Justice Services (DCJS) is effective and cost efficient and whether there is an opportunity for additional cost savings through further consolidation.

Audit Results - Summary

Certain day-to-day administrative and/or support functions for the Division of Probation and Correctional Alternatives, State Commission of Correction, Office for the Prevention of Domestic Violence, and the Office of Victim Services (OVS) have been consolidated within DCJS. The functions that DCJS provides for these agencies include finance, human resources, legal, and information technology. In these instances, DCJS is said to be “hosting.” The hosting was initiated over the last decade at the direction of the Division of Budget.

We could not conclude whether or to what extent the consolidated services (hosting) performed by DCJS was effective and cost efficient because neither DCJS nor the hosted agencies maintained adequate documentation to enable us to reach a conclusion. For example, there were no rules or regulations, policies, or written agreements that specified anticipated service effectiveness or expected cost savings. Also, DCJS does not track cost of the services it provides to the hosted agencies, including the cost for the information technology consultants it hires that do work for the hosted agencies.

Overall, officials at the hosted agencies said that the services provided by DCJS freed staff from certain administrative responsibilities, allowing them to focus on the hosted agencies’ core missions. However, officials at the four hosted agencies told us there is a need for written service level agreements with DCJS that clearly define the role of each agency.

While we could not conclude on the effectiveness or cost efficiency of the hosting that had taken place by DCJS, we believe there are potential savings that can be achieved in the grant and financial administration functions. However, DCJS must work with the agencies to collect information that can be analyzed to determine the extent potential cost savings can be actualized.

Our report contains three recommendations to improve the consolidation of services to DCJS. DCJS officials indicated that the Governor's proposed merger of OPDV, OVS, and SCOC with DCJS would address our recommendations. However, the merger was not approved, and, as such, DCJS needs to take action to develop measures and formally track the benefits of the hosting arrangements.

This report, dated August 15, 2011, 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 Division of Criminal Justice Services (DCJS) is a multi-function criminal justice support agency with a variety of responsibilities, including collection and analysis of statewide crime data; operation of the DNA databank and criminal fingerprint files; administration of federal and State criminal justice funds; support of criminal justice-related agencies across the State; and administration of the State's Sex Offender Registry. The mission of DCJS is to enhance public safety and improve criminal justice.

To improve the efficiency and effectiveness of government operations, the New York State Division of the Budget (DOB) has been promoting "hosting" arrangements since the early 1990s whereby a host agency performs certain day-to-day administrative and/or support functions for other State agencies. These hosting arrangements consolidated certain functions of agencies that do similar work. The intent of hosting was to achieve cost savings by eliminating administrative positions and service duplication while allowing hosted agencies to focus on core tasks.

During our audit period, DCJS hosted the following types of administrative and support functions for the Division of Probation and Correctional Alternatives (DPCA), State Commission of Correction (SCOC), Office for the Prevention of Domestic Violence (OPDV), and Office of Victim Services (OVS):

Agency	Starting Fiscal Year of Hosting Arrangement	Function			
		Finance	Grants	Human Resources	Other
DPCA ¹	1997-98	X		X	X
SCOC	1997-98	X	²	X	X
OPDV	2001-02	X	X	X	X
OVS ³	2003-04			X	X

1. Merged into DCJS effective June 22, 2010

2. Not applicable, does not handle grants

3. Known as the Crime Victims Board until June 22, 2010

- Finance includes budgeting, travel-related, accounts receivable, inventory, and purchasing.
- Grants include local assistance grant processing and administration.

- Human Resources, includes classification, staffing, labor relations, payroll, benefits administration, employee development, and records management.
- Other includes internal audit services and information technology services.

Under these arrangements, each hosted entity approves its own transactions and then sends them to the appropriate DCJS department (payroll, accounting, human resources, etc.) for processing.

In light of the State’s fiscal difficulties, a more recent focus has been given to shrinking State government through reductions and full agency mergers rather than hosting arrangements. For example, effective June 22, 2010, DPCA merged into DCJS as a separate office. As part of this merger, all DPCA duties, employees and records were transferred to DCJS. Also, CVB’s Board was eliminated and CVB was renamed OVS under §622 of New York Executive Law enacted June 22, 2010. The hosting arrangement that CVB had with DCJS has remained the same under OVS. These actions are expected to save the State about \$500,000 this year and result in more efficient and cost-effective delivery of services.

Audit Scope and Methodology

The objectives of our audit were to determine whether the consolidation of specific services by DCJS is effective and cost efficient and whether there is an opportunity for additional cost savings through further consolidation. We interviewed officials at DCJS and at the four hosted State agencies. Also, we reviewed supporting documentation provided by DCJS, budget proposals, leasing arrangements, and State payroll information. Our audit period was April 1, 2007 through August 5, 2010.

In addition, we researched hosting arrangements at government entities in other states through the Internet. We also contacted DOB to ask about the history and success of hosting at DCJS along with future plans for the program. To estimate additional cost savings opportunities for streamlining hosted agency operations, we reviewed host and hosted agency administrative support function workloads and staffing demands.

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 as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

A draft copy of this report was provided to Division officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety to the end of this report. State Comptroller’s Comments to DCJS’s response are also attached at the end of this report.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Division of Criminal Justice 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 why.

Contributors to the Report

Major contributors to this report include Carmen Maldonado, Steve Goss, Mark Ren, Alexander Marshall, Jeffery Dormond, and Bruce Brimmer.

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Audit Findings and Recommendations

Effectiveness and Efficiency

While large government agencies may be able to perform their own administrative and support functions efficiently and effectively, small, specialized agencies are less able to do so. Unlike larger agencies that have units dedicated to handling areas such as procurement, human resources, and other administrative tasks, smaller agencies typically have one or two staff sharing responsibility for these functions. To minimize duplication of services and achieve savings from administrative efficiencies, DOB has promoted agency hosting since the early 1990s. One reason was to enable hosted agency staff to devote their time to the agencies' core missions rather than administrative responsibilities.

To ensure agency administrative support functions will operate effectively when planning such hosting arrangements, responsible lead agencies should conduct and document comprehensive business process assessments of administrative support functions at their own agency and the hosted agencies that:

- Identify administrative business processes and activities;
- Quantify workload and staffing demands;
- Develop performance measures that address customer needs, and
- Provide cost benefit analysis in support of savings forecasts.

Once this has been done, and plans have been adopted to implement hosting arrangements, each hosted agency should enter into written agreements with the host agency that define agency responsibilities.

We examined whether the hosting arrangements involving DCJS and OVS, DPCA, OPDV, and SCOC were effective and cost efficient during the period April 1, 2007 through August 5, 2010. We found that there is inadequate documentation to enable us to conclude whether and to what extent these hosting arrangements were effective or cost efficient. For example, there were no rules or regulations, policies, or written agreements that specified anticipated service effectiveness or cost savings for the hosting arrangements. At the onset of the hosting arrangements, no formal studies were done to assess DCJS's capacity to host specific agency services and whether cost savings could be attained nor were strategic plans or performance benchmarks developed to guide the hosting arrangements.

DCJS and hosted agency officials indicated the consolidations had been effective and cost efficient, but they could not quantify efficiencies achieved. According to DCJS officials, direction has been provided to the hosted agencies through various e-mails and memoranda during the past decade. However, such documentation has not been retained because the hosting arrangements were initiated so long ago. Furthermore, DCJS's performance of hosted functions and the associated costs to provide the services to the hosted agencies were not tracked. Similarly, any costs saved by the hosted agencies could not be documented. (We note that State payroll data shows staffing at the four hosted agencies has remained about the same over the past decade.)

While the success of DCJS's hosting program is not supported with documentation, managers at the hosted agencies are generally satisfied with DCJS's performance. Overall, officials at the hosted agencies agreed that the services provided by DCJS freed staff from certain administrative responsibilities, allowing them to focus better on the hosted agencies' core missions. However, OVS officials said they did not want to relinquish certain responsibilities such as processing grants and information technology because OVS is more effective on its own. Furthermore, officials at the four hosted agencies all agreed there is a need for written service level agreements that clearly define the role of each agency.

As the State moves forward with any plans to consolidate agency service, formal goals and action plans along with performance measures should be developed to establish that these efforts are effective, efficient, and attain maximum cost savings.

**Additional
Cost Savings
Opportunities**

Available documentation shows that the creation of OVS was to eliminate four CVB board positions effective June 2010. This was to result in annual estimated savings of \$400,000. In addition, DPCA's merger with DCJS is expected to save an estimated \$100,000, with about one-half of the savings from rent when DPCA relocates to DCJS's central office building at 4 Tower Place.

Based on our audit we identified certain agency functions that could be streamlined or hosted by DCJS to achieve potential savings. However, DCJS must work with the agencies to do accumulate information that can be analyzed to determine to what extent potential cost savings can be actualized.

For example, we determined that the staffing ratios of employees processing grants at DCJS, OVS, OPDV, and DPCA are not consistent based upon agency workloads as illustrated on the following chart:

Agency	Current FTEs Processing Grants	Grants Processed FY 09-10 4/1/09-3/31/10	Average Grants per FTE
DCJS	27	1,954	72
OVS	8	195	24
OPDV	1	15	15
DPCA*	6.1	466	76

*Merger with DCJS occurred on June 22, 2010

DCJS officials told us that ideally its grant processing employees should each have a maximum of 50 grants. They said this is manageable because it allows workers to effectively handle all of their grant processing responsibilities. Compared to this benchmark, DCJS and former DPCA grant workers exceeded the maximum caseloads. However, OVS could reduce its staffing by four positions and still have average caseloads of 50 grants per worker. Based upon the average salary including fringe benefits of \$83,042 of an OVS grant worker as of August 2010, such a staffing reduction could annually save \$332,168.

In response to our preliminary findings, DCJS indicated only four of the eight workers process grants, while the other four are auditors who conduct financial monitoring and audits of grant contracts. However, all eight employees work primarily on some facet of administering grants.

Other potential savings opportunities involve having DCJS host certain OVS administrative functions. In June 2010, we identified three employees in OVS's Administrative Services' Budget and Fiscal Operations Unit with responsibility for budgeting, processing travel vouchers, accounts receivable, inventory, and purchasing. Based upon an average 2009 salary including fringe benefits of \$76,895 at OVS, the State could annually save \$230,685 if these three positions could be eliminated and the related support services could be hosted by DCJS.

DCJS officials told us they would need a better understanding of OVS's workload for these functions before any decision could be made concerning hosting them. Further, they indicated that the three employees do a variety of miscellaneous tasks such as mailing and shipping materials, managing petty cash accounts, and preparing quarterly reports in addition to their main duties. However, such ancillary duties could be reassigned to other staff. Therefore, we believe these three positions could potentially be eliminated.

DCJS officials told us that the consolidation plans are a "work in progress." However, the State may not achieve more efficient and cost-effective delivery of services as expected from the consolidations without

a detailed assessment of all aspects of agency operations and formal strategic plans. We recommend DJCS officials work with hosted agency officials to identify all opportunities for streamlining agency operations.

- Recommendations**
1. Work with the hosted agencies to develop formal goals and action plans along with performance benchmarks and reports that formally measure the actual results for the hosting arrangements.
 2. Implement written service level agreements between DCJS and the hosted agencies that clearly define the role of each agency in the hosting arrangement.
 3. Work with the hosted agency officials to identify all opportunities to streamline agency operations.

Agency Comments



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March 1, 2011

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New York, New York 10038

Dear Ms. Maldonado:

Thank you for the opportunity to respond to the Draft Audit Findings (2010-S-16) related to the audit of the Division of Criminal Justice Services' (DCJS) Consolidation of Services.

Governor Cuomo proposed in his Executive Budget that the three hosted agencies which are the subject of this report be merged with DCJS. Therefore, the recommendations contained in the Draft Audit Report will be moot when the 2011-2012 Budget is passed. As part of the new merged agency, all proffered recommendations would already be implemented in conjunction with the DCJS Crimestat process.

*
Comment
1

We would like to take this opportunity to object to the audit's assertion that no conclusion could be reached regarding the effectiveness or cost efficiency of the hosting arrangement. There are many fiscal benefits that result from DCJS hosting smaller agencies. For example, DCJS handles all personnel issues for the Office of Victim Services (OVS), Office for the Prevention of Domestic Violence (OPDV) and State Commission of Correction (SCOC), because there is no human resources staff at these agencies. This is clearly a cost savings. In addition, DCJS handles other functions such as purchasing and budgeting, which eliminates the need for staff at the hosted agencies to address these functions.

*
Comment
2

DCJS in conjunction with the OVS strongly objects to the assertion that OVS could eliminate three administrative positions for a savings of \$230,685 by moving the responsibilities to DCJS under a hosting arrangement. As detailed in the DCJS response to the Preliminary Audit Findings, the three OVS administrative staff in question processed almost 21,000 payments to victims, victim's families, and providers, in addition to their numerous other administrative responsibilities. DCJS cannot assume the workload associated with the three OVS administrative staff identified above and ensure that appropriate payments are made to victims and providers without significant delays. Therefore, it is unlikely that any savings would be recognized by moving the responsibilities of the three administrative staff to DCJS.

*
Comment
3

An Equal Opportunity/Affirmative Action Employer

* See State Comptroller's Comments on page 19.

For ease of review, we have listed OSC's recommendations followed by our response in the same order as they appear in the Draft Report:

Recommendation 1

Work with hosted agencies to develop formal goals and action plans along with benchmarks and reports that formally measure the results for the hosting arrangements.

Development of formal goals and action plans will not be necessary if OVS, SCOC, and OPDV are merged with DCJS. It should be noted that, pursuant to implementing Governor Cuomo's agenda and pursuant to the direction and coordination of the Deputy Secretary for Public Safety, the DCJS Office of Justice Research and Performance in conjunction with all criminal justice agencies is developing and tracking the implementation of performance measures for all nine public safety agencies, including OVS, SCOC and OPDV.

*
Comment
1

Recommendation 2

Implement written service level agreements between DCJS and the hosted agencies that clearly define the role of each agency in the hosting arrangement.

If the merger proposal included in the 2011-12 Executive Budget is adopted there will be no need for service level agreements. If not, DCJS will develop written service level agreements that clearly define the role of each agency in the hosting arrangement.

*
Comment
1

Recommendation 3

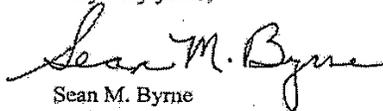
Work with hosted agencies to identify all feasible opportunities to attain additional efficiencies and cost-savings involving the hosted agencies. This should include assessing all aspects of hosted agency operations and customer needs.

The greatest efficiency will be realized through the merger of OVS, OPDV, SCOC and DCJS as set forth in the 2011-12 Executive Budget proposal.

*
Comment
1

Again, thank you for the opportunity to respond to the findings and recommendations included in the Draft Audit Report. If you have any questions or need additional information, please contact Bob Wright at 518-485-5759.

Very truly yours,



Sean M. Byrne
Acting Commissioner

Attachment
Cc: Mark Bonacquist
Don Capone
Bob Wright

* See State Comptroller's Comments on page 19.

State Comptroller's Comments

1. The Governor's 2011-12 budget proposal to merge OVS, OPDV and SCOC with DCJS was not approved. As a result, DCJS officials should take appropriate action to implement our audit recommendations.
2. DCJS and hosted agency officials indicated the consolidations had been effective and cost efficient, but they could not provide documentation to quantify the efficiencies achieved. As previously mentioned, DCJS's performance of hosted functions and the associated costs to provide the services to the hosted agencies were not tracked. Furthermore, State payroll data does not reflect any savings because staffing at four hosted agencies remained about the same over the period.
3. Our report states that "if" the positions could be eliminated and the related support services could be hosted by DCJS, the State could save \$230,685 annually. We recommend that DCJS work with hosted agency officials to identify opportunities for streamlining operations.