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## OFFICE OF PAYROLL ADMINISTRATION

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Executive Director

February 19, 2003

Mr. Mark Hughes  
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*Mark*  
Dear Mr. Hughes:

This is in response to your letter dated January 23, 2003. The City's intent is to work with SAIC to get the system built, tested, and successfully implemented in a timely manner.

However, the City does not agree with your portrayal of events as outlined in your letter. Although I believe the rehashing of events long past does not move the project forward, I cannot ignore the inaccuracies and interpretation of events which your letter raises. I have already addressed schedule and critical staffing issues in separate letters, and I will address your other topics herewith in the order in which you cover them in your letter.

While Ms. Tabbitas was brought in to "help manage the project," that was not how her role was originally described. I was told her role here was to re-baseline the project. I was not provided her resume as is required by our contract if she were to help manage the project. I was not told that she would have an on-going role in the project. Based upon what you told me, I believed she was looking to improve on the April/May implementation schedule that SAIC had developed a few months earlier and had been provided to the City in August 2002.

Instead of improving the schedule that the City had reluctantly accepted, SAIC extended the FISA and OPA implementation dates by five months. Attempts by the City to have SAIC address the timeliness of the schedule have been rejected or ignored.

SAIC's re-baselining of the project has turned into an attempt to renegotiate the project without involving the City. The City has repeatedly voiced its objections to this approach and has been ignored.

The City has repeatedly requested that SAIC involve the City in the development of the Schedule, the Work Control Plan, and the Deliverable Payment Schedule. To date, this still has not happened. SAIC continues to work on these contractual issues alone, in a void, utilizing staffs that have had little or no past experience or familiarity with the project. I believe you will

be writing to me a year from now complaining about having "consumed 8000 hours of effort by SAIC program staff and other company personnel" in this effort with no tangible result. The City continues to declare that these documents can only be developed in conjunction with the City's involvement. As long as this effort ignores the City and reflects only SAIC staff's assumptions and interpretations, I fear SAIC will continue to miss the mark. I fear that the City will be forced to reject these deliverables as well.

The City was told that SAIC re-baselined the project when SAIC acquired the Contract. Project staff was sequestered at that time and these critical documents were also loaded into SAIC's Project Management Software, PS 8. The City ceased to have access to a functioning schedule at this point. For example, the City's attempts to display a critical path displayed deliverables that were identified as critical to SAIC, not to the project.

As for the re-baselining activity that you describe as happening at "SAIC's solo expense," is this not your responsibility as system integrators? When a contract is amended, as it was with Amendment 4, shouldn't all of the Project Schedules, Work Control Plans, and Payment Deliverables be revised to reflect the Amendment? Also, a functioning Work Control Plan would allow SAIC to change all dependent deliverables when the summary tasks changed. The City has been requesting an updated schedule integrating the changes that are included in Amendment 4 for some time and has not yet received one. As to the "solo" aspect of this effort, this has been the City's main complaint about this effort. The Schedule SAIC provided, after months during which critical staff were sequestered, was developed without City participation and does not reflect the City's assumptions or interpretation of the Contract. It incorporates wrong assumptions and misinterpretations of facts, events, and processes.

I expected a Schedule that would show all the necessary events required to successfully implement CityTime. No events other than those to be performed by SAIC are shown. Is the City to assume that no involvement by the City is required by SAIC in building, developing, and implementing CityTime? The City's repeated requests for a Pilot Implementation Plan, which is required by our contract, have not been fulfilled. The plan still has not been provided and is long overdue. At last week's Project Management Meeting, SAIC was again asked for a sixty-day itemized list of what SAIC expects from the City. This, too, has been requested before, but has never been provided.

With regard to the Schedule that was produced, it pushes the dates out even further and is unacceptable to the City. Not only does it show a much delayed, scaled down pilot, but it also does not list all the tasks required to accomplish this. Repeated requests for a PERT and resource loaded Schedule, although approved by you, have been denied the City by the Executive Program Manager while she was on the project. No tasks, dates, or resources that are required by the City are shown. Major tasks such as UAT are omitted completely. There were many wrong assumptions made by SAIC; a schedule based on wrong assumptions is worthless. This would not have been the case, had SAIC bothered to discuss these assumptions with the City prior to the development of this Schedule. The City and SAIC had a meeting on January 6, specifically to discuss the Schedule. Your Executive Project Manager did not attend in person, but was present, though silent, on the phone. She did not follow up with an e-mail, phone call or meeting to discuss any issues. The City pointed out many erroneous assumptions and misinterpretations of the contract at the meeting relevant to the Schedule. If your project staff did not agree with any of these corrections, they did not make it known at that time.

I must assume that this document has some value as a straw man within SAIC. The cost in ill will, damage to SAIC's credibility and reputation within the City, and reduction of expectations within SAIC's team are a high price to pay for this document.

I disagree that "... the City still has yet to authorize the remaining changes in requirements needed to complete the redesign in system architecture begun by OPA and the prior contractor, Paradigm 4, in Amendment 2" and that this is "...by far the driving factor..." The only open item of which I am aware with regard to the architecture is whether the NYPD will have their own data center or whether they will utilize the FISA facility. If you are referring to Work Order 2, the issue that the City raised was the timing of the procurements. The City did not want to purchase equipment before it was needed. SAIC's response to this issue was to divide the Work Order into three parts - A, B and C, - each of which required internal SAIC review and City approval.

I fail to understand how this Schedule, which SAIC developed in a void and the City rejects out of hand, presents any value. The City must reject using this document as a point of discussion or reference. For SAIC to use this document to define the playing field is unacceptable. It is not the City who "...is not really interested in such a discussion, but rather simply wishes to dictate...requirements and demand(s)..." SAIC is relying solely on the interpretation of their Executive Project Manager who is attempting to "dictate... requirements and demands." Remember, it was SAIC's Executive Project Manager who developed this Schedule without consulting with the City.

I have stated before and will continue to state that the City and I respectfully request that SAIC and the City jointly develop a Schedule, Work Control, Plan and Deliverable Schedule which are mutually acceptable within the existing contract. This would provide a mutually agreed upon baseline which both parties can agree upon.

I appreciate that you once again state SAIC's desire to "do all it reasonably can to comply with ...'my'...direction." I also want to work with SAIC to have a successful project. Should the City identify requirements outside the scope of the currently amended contract, the City would have conversations with SAIC to pursue price and schedule adjustments as we have in the past.

I do not agree with your interpretation of the December 2003 Pilot Deployment date. I am informed that the date is binding unless the parties agree to further amend the contract. I reiterate, the City and I respectfully request that SAIC work with the City to jointly develop a Schedule, Work Control Plan, and Deliverable Schedule, which are mutually acceptable within the existing contract.

Regarding the assessment of the current situation - you state four itemized points in your letter. I believe they are misleading and inaccurate. I will provide the City's interpretation of these events:

1. As the prime contractor responsible for system integration, you have the responsibility to deliver a functional system. As part of the Release Acceptance Test, you are expected to conduct system level tests, including system security, performance, and stress tests. While we changed from client server, two-tier architecture to a web-based three-tier architecture, corresponding changes were not incorporated into the Requirements Traceability Matrix (RTM) to reflect these changes.

There are many deficiencies that exist due to SAIC's failure to adequately maintain and thoroughly update the project's working documents. The fact that SAIC is now attempting to update the Project Schedule, Work Control Plan, and the Deliverable Schedules show how out-of-date they have been allowed to become. SAIC puts forward a proposal (design, etc.) and then retrofits requirements to fit the proposal. That's not the way it is supposed to work. In systems development, the requirements always come first. To date, in spite of repeated efforts by my project manager, SAIC has not come to the table for discussions to finalize the RTM for these areas. A certain level of professionalism and compliance with acceptable industry standard practices is expected of a contractor responsible for the execution of a \$100M+ project. Instead the City is told that SAIC will test the system for performance/ stress by transmitting a single transaction - this for a system that is to ultimately have 150,000 users on the system. If this doesn't question SAIC credibility, I'm not sure what will.

2. Based on the changes necessitated by Amendment 2, OPA and P4/ (Prime), jointly in consultation with City representatives, identified equipment related deliverables (such as journal printers/CSU/DSUs) that were no longer necessary for the web-based architecture and marked them for deletion. This made funds available for some of the changes arising out of Amendment 2. This was done by means of CR 41 - Price Adjustment, which was subsequently registered as part of Amendment 3.

3. In the summer of 2001, it was suggested that SAIC do a "phased" pilot so that some aspect of CityTime could be implemented before the change in Administration. This was conditional on SAIC completing the Pilot Phase 1 by year-end, viz. December 2001. The City agreed that the first phase of the pilot agencies could be just OPA and FISA. SAIC was to roll out these agencies by the end of the calendar year. But the City later discovered that the status of the builds had been misrepresented. Build 4A was nowhere near completion. This contrasted drastically with what had been represented to the City. It's been a year and a half since then and SAIC is yet to complete the Release 1A test; and of course OPA and FISA have yet to be implemented. In fact the date for their implementation has been delayed three times, totaling 11 months.

Never was a "bottoms up review" requested by the City. From the City's limited view it was yet another of SAIC Corporate reviews. What I know about these never ending bottom up - top down reviews is that they are many and often. They are not shared with the City. The City can tell that they are going on because progress on the project seems to stall. We know when they are over because progress starts up again. I have complained about them ever since SAIC purchased the contract. These reviews appear to be conducted by whomever from Corporate has staff sitting around not doing anything. From the City's perspective their effect have been only to further delay the project and, of course, increase SAIC's costs.

In April 2002, after OMB orally approved the pending change orders, Tim Holmes (SAIC's attorney) wanted to reduce scope. The strange thing is that just two weeks prior to that, SAIC was part of a presentation to OMB requesting the \$25M and no scope changes were suggested. Tim continued to work on it, despite the City's efforts to dissuade him. He said that SAIC had an idea of dropping some agencies. He was very firmly told by OPA that such a change in scope would not be allowed. So, if you wasted 8000 hours doing this "reduction", you have no one to blame but yourselves.

4. Last April, when the City agreed to increase the contract amount for the additional scope, for the sake of expediency, I had requested this be done in two stages:

\* To use the proposed CRs already submitted to obtain funding approval for the \$25M as Amendment 4, so that the work could progress,

\* Changes to the contract Terms and Conditions to be done as a separate amendment. In order to facilitate quick turnarounds, we agreed to set up a work order process, to put through changes to known areas such as electrical cabling, equipment changes where the originally proposed equipment is no longer available, etc.

Since the City's Contract Amendment process is cumbersome and time consuming, this suggestion was meant to streamline the process and improve turnaround.

SAIC chose to ignore this suggestion and moved ahead with incorporating a number of changes into Amendment 4, and in the process delay the Amendment. It also did not further the process by sending Mr. Holmes who served as a legal messenger. Had the City been able to negotiate directly with someone in authority the whole process would have been far shorter. SAIC's path wasted much precious time and contributed to the present delays. Unfortunately, instead of progress, we are now bogged down in the quagmire of SAIC's internal bureaucracy! Most work orders to date are in draft form, requiring weeks of SAIC review by various Committees. WO2 A was presented to me for the first time with prices and I was "asked" to approve it without even reading it.

SAIC has repeatedly been late on virtually every deliverable. The inability of SAIC to deliver on time has resulted repeatedly in wasted City resources. As an example, how late is the Schedule for Release 1A and 1B? These were promised by you, taking three weeks for each. Both the City's QA vendor and the City's staff have been awaiting these Re-baselined Schedules. To date, I still have not received the latter. In an attempt to expedite UAT, the City requested an environment. I was told that it would require a hardware upgrade and requires an expenditure of \$30,000. The City was promised it the beginning of January. The City hired additional staff, including a high priced consultant in order prepare and load the test cases. To date, the hardware still is not here. I could give you many more such examples.

SAIC has been guilty of producing deliverables far below acceptable standards. The City has found that SAIC's commitment to quality is almost non-existent and is reflected from the top down. This lack of commitment to quality permeates matters both great and small. It wastes a tremendous amount of time for my staff and is of much concern to us when it relates to important things, like the hierarchical report sort issue or the costing of hardware where prices have been off by 400%.

I do recognize that you are on a fixed price contract. This is one of the reasons I am at a loss to understand why SAIC is opposed to implementing OPA and FISA earlier. It appears to the City that SAIC seems to think that this is a time and materials contract and hence SAIC could take as long as possible to finish an activity. In practice, when estimating activity duration, three possible times are considered: the optimistic time, the pessimistic time and the most-likely time. In the Release 1A Schedule SAIC developed, the pessimistic projections seem to be used. So we start with the worst case scenario and then to top it off the Schedule adds float - not once, but

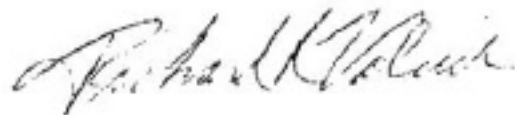
multiple times. SAIC allowing such a schedule to be drawn up makes me think that SAIC does not understand that they are on a fixed price Contract.

The City of New York has spent approximately \$35M on CityTime and does not have a tangible system to show for it. The City is facing a major fiscal crisis and would like to take advantage of the potential savings that can be achieved through a fully implemented system. I am open to full and frank discussions. Please do remember that the City is your client, and CityTime System should be fully functional and meet the City's requirements. The City wants to progress to implement Release 1B because it is in implementing the uniform agencies that the greatest benefits are realized.

I would clarify the "current impasse": the City disagrees with the SAIC Executive Project Manager's one-sided interpretation of the Contract. I, too, "hope to be able to work together in a constructive manner in order to develop and implement a reasonable work plan." I also "believe we must immediately start working in concert, instead of in opposition, to develop such a plan."

I am sure that our whole Team wants to successfully deliver CityTime for the people of New York City at this Post 9/11 time of severe need.

Sincerely,



Richard R. Valcich