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☞ Details: Legislative Audit Bureau Report 07-5: A Review: Information Technology Projects

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2007-08

(session year)

Joint

(Assembly, Senate or Joint)

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- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (October 2012)

Matthews, Pam

From: Handrick, Diane
Sent: Thursday, February 22, 2007 10:44 AM
To: 'jim jeskewitz'
Subject: FW: Wisconsin's failing Data Processing systems

From: Tom/Diane Worcester [mailto:t-dworcester@sbcglobal.net]
Sent: Thursday, February 22, 2007 10:35 AM
To: Rep.Jeskewitz; Sen.Lehman; Rep.Vos; jsmetro@journal sentinel.com
Subject: Wisconsin's failing Data Processing systems

Representative Jeskewitz
Representative Vos
Senator Lehman
Milwaukee Journal Sentinel

After reading the article in this morning's Journal Sentinel, I must say that I was not really surprised about the fruitless expenditure on Wisconsin agency's computer systems.

The fact that DOR , Workforce Development and the University of Wisconsin have decide to eliminate the new systems after an exorbitant expenditure of taxpayers dollars. Perhaps this shows that there are bureaucrats that are not suited or qualified for their positions.

However, my main intent in communicating with you, is to advise you that perhaps the computer system in the Department of Transportation also needs looking in to.

Some well placed contacts of mine in the State Patrol advise me that not too long ago, the DOT spend a huge sum of money to upgrade their system and that it is not working up to expectations.

Case in point: the State is losing millions of dollars in revenue because the DOT computers are incapable of distinguishing the weight classification on pickup trucks through the VIN number. As a result many, many owners are registering their heavy weighted trucks as half-ton pickup trucks.

Being a retired Racine County Sheriff's Deputy, every time I see a "dualie" (which should have at least a "D" plate) running around with an "A" plate on it, I become really up set.

I have a pickup truck and I register mine for the proper weight requirements, yet thousands opt to register at a lower weight requirement to "save money".

Example: "A" plate rated for only 4500 pounds costs \$48.50
"B" plate rated for only 6000 pounds costs \$61.50
"C" plate rated for only 8000 pounds costs \$77.50
"D" plate rated for only 10,000 pounds costs \$161.00

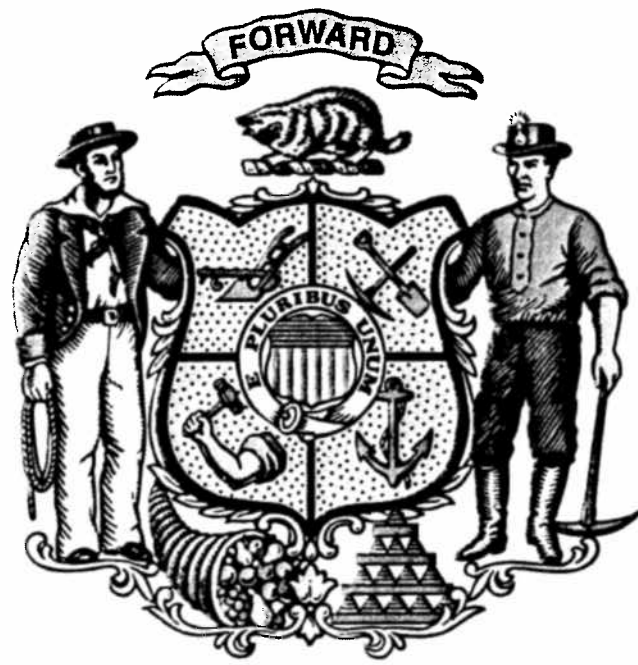
Using the above criteria, if I have "dualie" and only register it for an "A" plate, I am saving myself \$123.00 per year.
Rather I am cheating the State of \$123.00 per year.

With the Legislature trying to find ways to get more fees for vehicle resistration, perhaps if the registration

requirements were enforced by DOT and their faulty computer software, then all those owners would be required to pay the proper amount for their registration fees and there would be no need to increase the existing fees.

Yours truly

Thomas A. Worcester
2738 Rebecca Dr.
Racine, Wisconsin 53402-1645
(262) 681-7716
woo2738@sbcglobal.net



Matthews, Pam

From: TIMOTHY NUCKLES [olivecg@verizon.net]
Sent: Tuesday, March 27, 2007 8:14 PM
To: Rep.Jeskewitz
Cc: Rep.Cullen; Rep.Jeskewitz; Rep.Kerkman; Rep.Parisi; Rep.Rhoades; Sen.Cowles; Sen.Decker; Sen.Lasee; Sen.Lassa; Sen.Sullivan; Warren, Linda
Subject: Re: WISCONSIN IT PROJECT AUDITS

Sue,

Thanks for your reply.

I would be happy to participate in the public hearing, and I will watch for release of the report(s) and a public hearing date.

I learned from Ms. Mueller and Ms. Wade (Audit Bureau) that the audits are mostly complete at this time, save writing of the report(s). I had hoped to become involved as a volunteer--were that possible--during the field-work stage of the audits. I have a knack for knowing where to look for problems within an IT project and the underlying procurement structure. I also know that what is not found is often more important than what is found.

Although I am confident the audits are a step in the right direction, I have a sneaking suspicion that they will miss the bulk of what I have to contribute to this matter. For example, in Ms. Mueller's March 22, 2006 acknowledgment of your Committee's audit request, she refers to a possible scope of audit as including: 1) inventory of in-progress projects; 2) inventory of completed projects; 3) case studies of selected major projects; and 4) a review of oversight structures established in state law, as well as current contracting procedures as they pertain to IT projects, including mechanisms employed by other states.

I presume this initial possible scope of audit was refined and particularized at least somewhat prior to conduct of the actual audits, but I question whether the Audit Bureau has at its disposal a set of technology procurement "best practices" against which to audit the IT projects that drew the attention of your Committee. Were these best practices known to the Audit Bureau, their inclusion (or a reference to them) in Ms. Mueller's March 22, 2006 acknowledgment would have been logical and appropriate.

In any event, I should wait to see the official report(s) before reaching conclusions, and I will do that. However, if the report(s) and findings leave us with a bit of an empty feeling, I will remain interested to help your Committee's efforts in some fashion. Forgive my ignorance, but maybe something like an *ad hoc* Citizen's Committee could be established, with members receiving no remuneration. I have a number of professional colleagues (IT professionals, including both sellers and buyers of technology) who would be honored to serve on such a committee. Naturally, the State could always hire an outside consultant (or two or three) to review the State's technology procurement practices, but it may be wise not draw more water from the well until after we have fixed the hole in the bucket. A panel of experts, working without remuneration, might be the easiest sell for you.

Again, thank you for your reply and your interest in my concerns and willingness to help.

Respectfully,

Tim Nuckles
 Wausau, WI
 (715) 574-0534

----- Original Message -----

From: Rep.Jeskewitz
To: TIMOTHY NUCKLES
Cc: Rep.Cullen ; Rep.Jeskewitz ; Rep.Kerkman ; Rep.Parisi ; Rep.Rhoades ; Sen.Cowles ; Sen.Decker ; Sen.Lasee ; Sen.Lassa ; Sen.Sullivan
Sent: Tuesday, March 27, 2007 3:57 PM
Subject: RE: WISCONSIN IT PROJECT AUDITS

03/28/2007

Mr. Nuckles:

Thank you for your email, which I understand was also received by some members of the Joint Legislative Audit Committee and State Auditor Janice Mueller.

As you know, we have directed the Legislative Audit Bureau to conduct a comprehensive audit of information technology systems projects in the executive branch of state government. The audit will identify project budget and scope, start date, and expected completion date. In addition, the audit will inventory completed projects to identify total expenditures and determine whether the project was completed within budget and according to schedule. In order to identify the nature of problems that have occurred and the reasons for them, the audit will include case studies of selected major projects. Finally, the audit will include a review of the effectiveness of oversight structures established in state law as well as current contracting procedures that pertain to IT projects, including mechanisms employed by other states.

When the Legislative Audit Bureau completes its work, which is expected shortly, we anticipate that the Joint Legislative Audit Committee will hold a public hearing on the findings, and work diligently with the administration to follow-up on the audit recommendations. At the public hearing, we would welcome your testimony on the audit findings and your insights about next steps. Once a date for the public hearing is determined, an announcement will be posted on the Legislative Audit Bureau's Web site at www.legis.wisconsin.gov/lab.

Thank you for your interest.

Sincerely,

Sue

From: TIMOTHY NUCKLES [mailto:olivecg@verizon.net]
Sent: Monday, March 19, 2007 7:36 PM
To: Rep.Jeskewitz
Subject: WISCONSIN IT PROJECT AUDITS

Honorable Representative Jeskewitz:

I am a Wisconsin attorney whose practice is dedicated exclusively to technology matters.

Within my practice I offer a comprehensive technology procurement strategy, as well as a novel approach to remediation of stalled development and implementation projects. I have experience with the workout of \$80K projects at the low end, and a \$32M project at the high end.

I was wondering if there might be a role for me as a volunteer with respect to the ongoing audits of various state IT projects. I would be happy to participate in one or more of these audits upon your terms and conditions (including confidentiality), with no expectation as to any present or future fee engagement.

I would find this a valuable experience, and I may have some valuable insights for your audit committee.

If you have any interest in discussing this possibility further, you may reach me in reply to this e-mail or at (715) 574-0534.

Regards.

Timothy J. Nuckles
Attorney at Law
Wausau, WI

03/28/2007





JIM DOYLE
GOVERNOR

MICHAEL L. MORGAN
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
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April 9, 2007

Ms. Janice Mueller
State Auditor
Legislative Audit Bureau
22 E. Mifflin Street, Suite 500
Madison, WI 53703

Dear Ms. Mueller:

On behalf of the Department of Administration (DOA), I thank the Legislative Audit Bureau (LAB) for its thorough evaluation of the State's information technology (IT) initiatives. The department's and other agencies' work with the LAB on this report signifies our commitment to being responsive to legislators and others regarding IT management within the executive branch. As a steward of public funds, DOA must improve the efficiency, effectiveness and success rates of state-agency IT initiatives. The LAB's report is an important first step in improving accountability for IT initiatives.

In its evaluation, the LAB makes a series of recommendations that DOA generally views as reasonable and appropriate. DOA will comply with the recommendations as outlined in the report. We believe the LAB's recommendations will strengthen the State's management of IT initiatives, and DOA will produce the requested plans and reports by October 1, 2007, for consideration by the Joint Committee on Audit.

In the IT profession, it is common to hear concerned management discussions about the high failure rates of projects; in fact, these are some of the most-quoted numbers in the industry. Less discussed is the fact that many projects are very successful, and most businesses could not function without the systems that automate many tasks and operate continuously with little attention. Although we know we must improve our management of IT initiatives, we resolve always to investigate thoroughly and responsibly any opportunities technology provides to better serve Wisconsin residents.

It should be noted that major system initiatives require a large commitment of calendar time and resources. Given this passage of time and the dynamics of the information technology (IT) environment, mid-course project corrections are a critical part of managing these programs. The Department of Administration will work with agencies to define a standard process for evaluating progress of major programs and applying corrections. However, we must ensure an environment throughout state government, including in the Legislature that not only allows but encourages mid-course corrections within a project. The information technology business is a dynamic and constantly changing field that demands flexibility in order to be successful. However, the state budget process requires that agencies request funding almost two years in advance. Incorporating shorter projects within the overall IT program will reduce the exposure between peer reviews, and therefore mid-course corrections

April 9, 2007

Page 2 of 3

associated with scheduled reviews will be less likely to be viewed negatively and as a risk to program continuation. The impact of new laws and technology, as well as the effectiveness of the approach being applied to the current and future projects, will be evaluated at project reviews.

The audit correctly points out that we need to improve accountability for IT initiatives. DOA will work to establish and implement clearly defined and practical IT governance processes. These processes must recognize the varying business requirements and resources of executive-branch agencies and identify action steps, roles, responsibilities and necessary outcomes.

DOA will create a bureau within the Division of Enterprise Technology (DET) to help support and monitor key programs being managed within DOA and the other executive-branch agencies. This bureau will provide project management and technical resources to monitor key programs identified in agency IT plans, and also collaborate with other agencies to address any project issues. We will work with agencies through the Information Technology Directors' Council (ITDC) to adopt project management standards that create quantifiable project performance measures. DOA will utilize methods that agencies have in place for assuring linkage between the fiscal note process, business plans and the project plan. DOA will also utilize the defined methods for regular reporting on all key programs.

Industry research shows that identifying the most effective method of costing an IT project is a difficult but essential task. The demand for complex IT project work will only increase, and cost management will be a critical success factor. We will carefully consider criteria developed by the U.S. Government Accountability Office, the federal Office of Management and Budget, and other proven frameworks when developing guidelines and methodologies to standardize IT cost management among state agencies. It should also be noted that as part of Governor Doyle's 2007-2009 biennial budget he has proposed to consolidate the State's attorneys. This proposal will provide the state with a team of attorneys that would concentrate solely on contracts and procurement which in turn will help ensure that the taxpayers of the state receive the benefits of every state contract.

The supply of technical support workers in Wisconsin is limited, and the number of people being trained to support systems has dropped dramatically during the past several years. Due to this situation it is imperative that Wisconsin take the necessary steps to become more efficient. Server consolidation will promote standardizing the base software required to support state applications. This software standardization will help the state deal with the shortage of skilled resources, and allow agencies to concentrate staff on developing and supporting business applications that run on the base system software. In conjunction with the interagency Executive Steering Team for server consolidation, DOA is currently evaluating additional approaches for consolidating the application environment. When this analysis is complete, a revised cost and cost recovery model will be constructed.

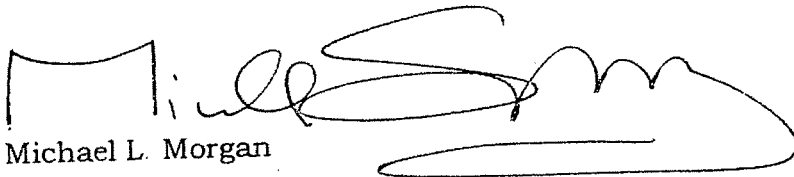
The ITDC last year launched several initiatives to promote commonality in systems development among agencies. The group established teams to address application best practices, shareable software and contract administration. Presentations of different system development methodologies used in agencies, comparison of project management techniques, and demonstrations of vendor products and agency systems are all part of the program to communicate standardization and sharing. DOA will

continue to work with these teams in defining standard methods to manage and control projects, as well as to share software and system architecture. A shared software team will also promote a common method for evaluating software packages that can be purchased rather than developed. Standard methods for analyzing the gaps identified with packaged software, with a view toward limiting customization, will help control project size and maintenance burden. These ongoing ITDC efforts will provide essential support for all of the State's major IT programs.

Finally, the method for creating a state strategic information technology plan has not been satisfactory to DOA or the other agencies, although it has been through several iterations. DOA has been working with the ITDC this year to define a new method for reporting IT tactical and strategic plans. A draft for this new format and method was developed by a sub-team of the ITDC and will be discussed by the full council at its April meeting. This new method will adopt a procedure for ongoing updates in recognition of the dynamic nature of the plan. The new planning process will play a major role in standardizing application platforms and identifying major programs that will benefit from peer monitoring and support.

I know that it took considerable time and staff resources over many months to produce this audit. I commend and thank your staff for conducting this review in a thorough and professional manner. I appreciate this opportunity to comment on the LAB's findings and recommendations, and I am confident we can take our management of IT initiatives to a high level of effectiveness and accountability.

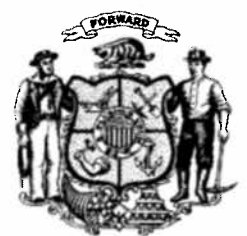
Sincerely,


Michael L. Morgan
Secretary

cc: Dan Schooff
Pat Henderson
Oskar Anderson



WISCONSIN STATE LEGISLATURE





STATE OF WISCONSIN
Legislative Audit Bureau

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Janice Mueller
State Auditor

DATE: April 16, 2007

TO: Lewis Rosser and Pamela Matthews
Committee Clerks to the Joint Legislative Audit Committee

FROM: Kate Wade *Kate Wade*
Program Evaluation Director

Bryan Naab *Bryan Naab*
Deputy State Auditor for Financial Audit

SUBJECT: Report 07-5: A Review: Information Technology Projects; and
Letter Report: Sales and Use Tax Distributions

Enclosed is our review of the State's Information Technology (IT) Projects, as requested by the Joint Legislative Audit Committee. We include information on 184 projects that state agencies have recently begun or completed. The estimated cost of 103 projects completed in the last two fiscal years is \$90.6 million. For 81 projects underway at the start of Fiscal Year (FY) 2006-07, costs are expected to reach \$201.1 million.

We conducted a detailed review of seven large, high-risk projects, including two involving the Department of Workforce Development's administration of the unemployment insurance program (SUITES and EnABLES); the Department of Transportation's vehicle registration and titling system (RaTS); the Department of Revenue's (DOR's) Integrated Tax System (ITS); and three statewide projects managed by the Department of Administration (DOA)—server consolidation, e-mail consolidation, and the integrated business information system (IBIS). For all seven projects, we found inadequate planning that has increased costs and compromised timeliness. The complexities of these projects may well require mid-course corrections, as Secretary Morgan notes in his response to the report, and this reinforces the importance of increased accountability for these projects. We recommend reports to the Joint Legislative Audit Committee by October 1, 2007, for each of them.

The State's master lease program, which allows agencies to make semi-annual payments to DOA for debt service costs incurred through the issuance of bonds, has become an important financing method for IT projects. We identified \$294.5 million in IT equipment and systems costs financed under the master lease program. However, there are neither mechanisms in place to monitor those projects that have been financed through master leasing, nor regular reporting on the amounts financed. We recommend DOA report to the Joint Legislative Audit Committee by October 1, 2007, on its progress in establishing policies for the use and monitoring of the master lease program to fund IT costs.

The Legislature has two oversight mechanisms not currently in use that we recommend it consider reactivating. First, the Joint Committee on Information Policy and Technology is authorized to require semiannual reports from DOA on IT projects with anticipated total costs of \$1.0 million or more. Second, the IT Management Board, whose membership includes the co-chairs of the Joint Committee on Information Policy and Technology and the Governor, or their designees, is authorized to advise DOA on the management of IT assets and monitor progress on IT projects. We also recommend DOA improve its IT project oversight.

We have also enclosed our letter report containing the results of our follow-up to concerns about sales and use tax distributions to counties and sports districts. Based on our analyses, and those of the vendor that implemented ITS, we provide reasonable assurance that the errors discussed in our December 2005 letter report have been addressed. We believe ITS is now accurately calculating sales and use tax distributions.

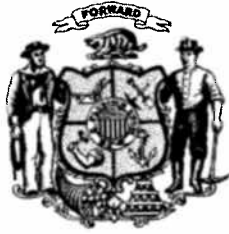
We reviewed the Green Bay/Brown County Professional Football Stadium District in some detail and determined that distributions declined during 2006 primarily because of lower sales and use taxes reported for the district, changes in sales and use tax law, and a reporting error by a large business entity.

DOR has made special distributions to resolve some of the errors identified in our December 2005 letter report. However, as of March 31, 2007, 25 counties and the two sports districts owe the State a total of \$8.6 million. DOR has already informed the counties and the two sports districts of its intent to recover some of these overpayments. However, DOR has not yet informed several counties of the need to recover additional overpayments due to tax-filer reporting errors. Given the considerable discretion DOR has exercised over timing of the recovery of these funds, we include a recommendation for DOR to clarify its policies in this area.

Both of these reports will be released on Tuesday, April 17, at 9:00 a.m. Please contact us if you have any questions.

KW/BN/bm

Enclosures

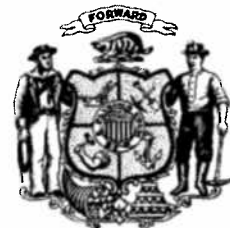


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Most large publications have been added to the Dr. H. Rupert Theobald Legislative Library collection. Search the LRB library catalog (LRBCat) (<http://lrbcatalog.legis.wisconsin.gov/>) for availability.

For further assistance, please contact the reference desk at (608) 266-0341 or email lrb.reference@legis.wisconsin.gov.

State of Wisconsin - Legislative Reference Bureau
1 East Main Street, Suite 200
Madison, WI 53703



**Report 07-5
April 2007**

A Review

Information Technology Projects

2007-2008 Joint Legislative Audit Committee Members

Senate Members:

Jim Sullivan, Co-chairperson
Julie Lassa
Russell Decker
Alan Lasee
Robert Cowles

Assembly Members:

Suzanne Jeskewitz, Co-chairperson
Samantha Kerkman
Kitty Rhoades
David Cullen
Joe Parisi

LEGISLATIVE AUDIT BUREAU

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Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 22 E. Mifflin Street, Suite 500, Madison, WI 53703, call (608) 266-2818, or send e-mail to leg.audit.info@legis.wisconsin.gov. Electronic copies of current reports are available on line at www.legis.wisconsin.gov/lab.

State Auditor – Janice Mueller

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CONTENTS

Letter of Transmittal	1
Report Highlights	3
Introduction	9
Expenditures and Staffing	10
Projects Reviewed	12
Completed and Ongoing Projects	15
Project Costs and Funding	15
Large, High-Risk Projects	17
Cost and Timeliness Standards	23
Other Best Practices	26
Reviews of Selected IT Projects	29
Registration and Titling System	30
Sales and Use Tax Software	34
Unemployment Insurance Systems	40
SUITES	42
EnABLES	46
Statewide DOA Initiatives	50
Server Consolidation	52
E-mail Consolidation	58
Integrated Business Information System	62
Improving Project Oversight	67
Identifying and Planning for Large, High-Risk Projects	68
Improving Project Specifications and Standards	69
Monitoring and Evaluating Progress	72
Legislative Oversight	73
Master Lease Program	75
UW System Projects	78

Appendices

Appendix 1—Software Projects Completed in FY 2004-05 or FY 2005-06

Appendix 2—Software Projects Ongoing at the Beginning of FY 2006-07

Appendix 3—Agency IT Profiles

Appendix 4—IT Systems Financed under the State's Master Lease Program

Response

From the Department of Administration



STATE OF WISCONSIN

Legislative Audit Bureau

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Madison, Wisconsin 53703
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Janice Mueller
State Auditor

April 17, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

We have completed a review of information technology (IT) projects that describes and provides cost and funding information for 184 projects in 28 executive branch agencies. We identified 103 projects that were completed in the past two fiscal years at an estimated cost of \$90.6 million, and 81 projects that were ongoing at the start of fiscal year 2006-07 and are expected to cost \$201.1 million upon completion.

Individual projects with costs of \$1.0 million or more represent 92.7 percent of the expected costs of ongoing projects. These large projects are typically complex and entail a significant risk of exceeding estimated costs and time lines. We note particular concerns with six ongoing projects that are expected to cost a total of \$122.7 million upon completion and have already experienced difficulties.

In a detailed review of selected large, high-risk projects, we found evidence of inadequate planning that increased costs and compromised timeliness. Estimated costs for one project to customize software for administering the Unemployment Insurance program increased by \$18.7 million, and another project was suspended after \$23.6 million had been spent. In addition, sales and use tax software with a cost of at least \$24.9 million is being replaced only five years after implementation. Two statewide IT consolidation projects have experienced significant delays and cost overruns. A third, intended to replace approximately 100 types of administrative software and projected to cost at least \$66.6 million upon completion, requires close monitoring.

The Department of Administration (DOA) has broad statutory authority to oversee and coordinate state IT projects. However, its oversight has been inadequate. We include recommendations to improve DOA's collaboration with other agencies in identifying high-risk projects and establishing planning standards, including quantifiable performance measures. We also include recommendations to enhance legislative oversight of high-risk IT projects.

We appreciate the courtesy and cooperation extended to us by officials and staff of DOA and other agencies. DOA's response follows the appendices.

Respectfully submitted,

Janice Mueller
State Auditor

JM/KW/ss

Report Highlights ■

We identified and describe 184 IT projects that state agencies have recently begun or completed.

Most problems occurred in planning for complex, high-risk projects.

Oversight of high-risk projects has been inadequate.

Our report includes recommendations to improve project planning, monitoring, and oversight.

Since the early 1990s, the State of Wisconsin has rapidly expanded its use of information technology (IT) to collect, store, process, and report information related to the programs and services it provides and the management of its operations. State agencies use IT systems when they establish eligibility for various public benefit programs, register motor vehicles, issue licenses to drivers and others, collect fees and payments, and manage administrative functions such as accounting and budgeting for state operations. We identified 184 IT projects completed in fiscal year (FY) 2004-05 and FY 2005-06 or ongoing at the beginning of FY 2006-07. At completion, their costs are currently expected to total \$291.7 million.

Some state agencies have experienced widely reported difficulties in completing complex and costly IT projects within budget and according to schedule. To address the resulting concerns of legislators and the public, and at the direction of the Joint Legislative Audit Committee, we:

- estimated IT-related expenditures and staffing for executive branch agencies in FY 2005-06;
- compiled an inventory that describes each of the 184 projects we identified and provides information on their costs and timeliness;
- identified large, high-risk IT projects and reviewed the development of 7 of these projects in some detail; and

- assessed the Department of Administration's (DOA's) initiatives to consolidate certain IT infrastructure and software, as well as structures in place to ensure appropriate oversight by both DOA and the Legislature.

Inventory

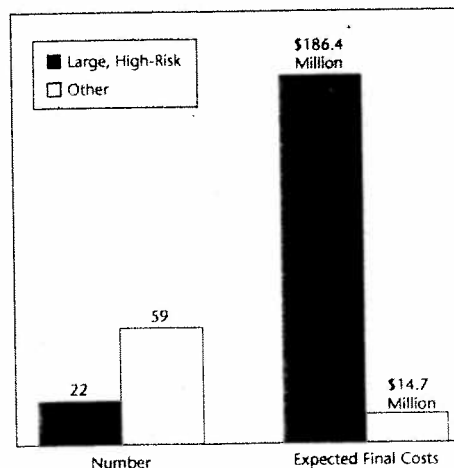
The IT projects we reviewed were undertaken by executive branch agencies, with their own IT staffs or with the aid of contractors. Statutes authorize DOA to ensure that these agencies develop and use clear standards for project development and that they employ sound project management practices. The legislative and judicial branches of state government generally operate IT systems independently from DOA, and statutes largely exempt the University of Wisconsin (UW) System from its oversight.

Each of the 184 projects in our inventory required at least 1,000 hours of effort. Many involved the customization or development of software, including modifying existing programs. The final costs of 103 projects that were completed in FY 2004-05 and FY 2005-06 totaled \$90.6 million. The final costs of 81 projects that were ongoing at the start of FY 2006-07 are expected to total \$201.1 million.

Ten agencies are responsible for more than three-quarters of the projects in our inventory. With 43 projects, the Department of Workforce Development (DWD) is responsible for the largest number of projects and the highest total costs: \$88.9 million. We identified 22 ongoing projects with costs of \$1.0 million or more as large, high-risk projects. The expected final costs of these projects totaled \$186.4 million as of February 2007, as shown in Figure 1.

Figure 1

Ongoing Projects



We noted particular concerns with six ongoing projects that have experienced difficulties and delays. The combined costs of these projects are currently estimated to be \$122.7 million at completion. A seventh large, high-risk project—DWD's customization of software for its Enhanced Automated Benefits and Legal Enterprise System (EnABLES)—was suspended in February 2007, after five years of effort. Only one of six planned components has been implemented, at a cost of \$23.6 million. DWD is currently re-evaluating the project's feasibility.

Review of Selected Projects

Difficulties with agencies' software customization or development projects typically involved:

- inadequate planning, including underestimating a project's complexity and failing to adequately define its final functions;
- unanticipated costs; or
- delays in implementation.

For example, DWD did not clearly identify the functions to be included in the State Unemployment Insurance Tax Enterprise System (SUITES). That project is currently four years behind schedule and \$18.7 million over budget.

Similarly, a Department of Revenue (DOR) contractor underestimated the complexity of adapting the sales and use tax software component of DOR's Integrated Tax System. Doing so contributed to significant programming errors, which increased costs by \$5.7 million and compromised the accuracy of sales and use tax distributions to counties and professional sports districts.

A separate letter report describes DOR's efforts to address the sales and use tax distribution errors we identified in December 2005. The sales and use tax software, which was implemented in December 2002, is expected to be replaced in December 2007.

The Department of Transportation (DOT) initially estimated its Registration and Titling System (RaTS) would cost \$9.4 million. When project plans were significantly revised, it did not adjust this estimate. Further, DOT and a vendor underestimated the complexity of the customer database conversion and had problems with service delivery after the project was implemented.

Two of three DOA projects that involve statewide consolidation of IT resources have also been hindered by poor planning. DOA originally planned to complete a statewide consolidation of server hardware and software, which is dedicated to managing shared IT resources, by May 2006. However, as of April 2007, DOA had not fully consolidated servers for any agency, nor had it revised its project plan or re-estimated the project's costs.

Similarly, DOA originally planned to complete statewide e-mail consolidation in June 2005. However, as of September 2006, only four agencies were using new e-mail software. Furthermore, expenditures exceeded the project's expected five-year costs of \$2.6 million.

Early planning efforts have been effective for DOA's third consolidation project. The Integrated Business Information System (IBIS) is intended to replace approximately 100 types of existing administrative software. However, because DOA continues to significantly revise the project's expected costs and benefits, close monitoring will be important.

Enhancing Oversight of Large, High-Risk Projects

DOA has broad responsibility for monitoring and controlling the IT projects of executive branch agencies. This responsibility includes establishing performance measurements for evaluating progress. However, since at least November 2003, DOA's IT management efforts have focused on its own troubled e-mail and server consolidation projects.

As a result, DOA has not adequately collaborated with agencies to identify and monitor large, high-risk projects. Our report includes recommendations to assist state agencies and DOA in project planning and management, and in better identifying and monitoring large, high-risk projects.

The State's master lease program has become a significant financing tool for IT systems. Since its inception, executive branch agencies have used the program to fund \$294.5 million in IT costs. We include a recommendation for the development of policies and procedures to guide its use for this purpose. We also identify options for increasing legislative oversight of large, high-risk projects, including those within UW System.

Recommendations

To enhance legislative monitoring, our report includes recommendations that agencies responsible for the seven large, high-risk projects we reviewed report to the Joint Legislative Audit Committee by October 1, 2007, on:

- ☑ whether waiting times for Division of Motor Vehicles services have declined since June 2006 (DOT, *p. 34*);
- ☑ the status of the conversion to new sales and use tax software (DOR, *p. 40*);
- ☑ detailed plans, including cost information, for implementing SUTES and maintaining or customizing EnABLES or other software for administering unemployment insurance systems (DWD, *pp. 46 and 49*);
- ☑ revised time lines and cost information for the server and e-mail consolidation projects (DOA, *pp. 57 and 62*); and
- ☑ the status of the IBIS project, including costs to date, estimated completion, and the status of efforts to limit software customization (DOA, *p. 66*).

In addition, we include recommendations for DOA to report to the Joint Legislative Audit Committee by October 1, 2007, on its progress in:

- ☑ selecting, in collaboration with executive branch agencies, a prescribed format for agencies' annual strategic plans for IT and a methodology for identifying high-risk projects (*p. 69*);
- ☑ establishing, in collaboration with executive branch agencies and the IT Directors' Council, planning standards for large, high-risk projects (*p. 71*);
- ☑ enhancing project monitoring (*p. 72*); and
- ☑ establishing policies for the use and monitoring of the State's master lease program to fund IT systems costs (*pp. 77-78*).

Finally, we include recommendations for the Legislature to:

- ☑ consider reactivating the Joint Committee on Information Policy and Technology and the IT Management Board (*p. 74*); and
- ☑ consider requiring regular reports from UW System on its plans, budget, and schedule for implementing new IT systems for human resources and procurement (*p. 81*).





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
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For Immediate Release

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Audit Recommends Actions to Increase Oversight of State IT Projects

(Madison) Today, the nonpartisan Legislative Audit Bureau (LAB) released its review of information technology (IT) projects in executive branch agencies. In a comprehensive report, LAB estimated IT-related expenditures and staffing for these agencies in fiscal year (FY) 2005-06; compiled an inventory of the cost and timeliness of IT projects; reviewed seven large, high-risk IT projects in detail; and assessed the Department of Administration's (DOA's) initiatives to consolidate certain IT infrastructure and its oversight of IT projects.

LAB's inventory found 184 IT projects that are ongoing or that were completed in the past two fiscal years. LAB also categorized 22 ongoing projects with costs of \$1.0 million or more as large, high-risk projects. As of February 2007, the expected final costs of these projects totaled \$186.4 million. LAB noted particular concerns with six of these ongoing projects that have experienced difficulties and delays. A seventh project was suspended in February 2007 after five years of effort and a cost of \$23.6 million. LAB recommends that state agencies update the Joint Legislative Audit Committee on the status of each of these seven projects by October 1, 2007.

In its review, LAB illustrates how inadequate planning has increased costs and compromised timeliness. The complexities of IT projects may require mid-course corrections, which reinforces the importance of increased accountability and oversight for these projects. LAB also recommends that DOA develop policies and procedures to guide the use of the State's master lease program, which has funded \$294.5 million in IT costs since its inception.

Today, LAB also released a separate letter report describing the Department of Revenue's efforts to address the sales and use tax distribution errors first identified by LAB in December 2005. LAB's review indicates the errors previously identified have been effectively addressed.

Co-chairs Sullivan and Jeskewitz intend to hold a hearing on both audit reports on Wednesday, May 2. Interested members of the public are invited to testify before the Joint Legislative Audit Committee at that time. Copies of both audit reports may be obtained from LAB's Web site at www.legis.wisconsin.gov/lab or by calling (608) 266-2818. A podcast of the report highlights for report 07-5 is also available on LAB's Web site.

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