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☛ Details: Public Hearing; Follow-up: 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

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

Wisconsin Technology Network

wistechnology.com

State technology chief endorses new approach to IT management

By Joe Vanden Plas • 10/02/07 • © WTN Media. For personal use only. No mass duplication or distribution.

Madison, Wis. - With the goal of putting an end to, or at least curtailing new and costly information technology implementation failures, the head of the state's Division of Enterprise Technology has issued a report that outlines new processes for information technology management in state agencies.

Referencing the 27-page report, titled "A New Approach to Information Technology Management, Oskar Anderson said the state is developing processes that will improve the performance of state agencies in delivering on expensive, high-risk IT implementations.

Anderson's report was compiled in response to a directive of the Legislative Audit Bureau, which earlier this year released a blistering audit identifying 184 information technology projects in state agencies - many of them plagued by delays and cost overruns - that cost a total of \$291.7 million.

New standards

According to the audit bureau, most problems occurred in planning for complex, high-risk projects, and Anderson's report provided an update on recommendations to improve project planning, monitoring, and oversight.

The report includes progress on a recommendation to select, in collaboration with executive branch agencies, a prescribed format for agencies' annual strategic plans for IT, and a methodology for identifying high-risk projects. Anderson said the state has come up with a template for IT plans, one that can be updated "on the go" rather than on an annual basis.

In collaboration with executive branch agencies and the IT Directors' Council, Anderson also set out to establish planning standards for large, high-risk projects, which have proven difficult to manage. He said the state will use a combination of state and federal standards to come up with a definition of high-profile projects, including any implementation that carries \$1 million or more in project costs.

The state also plans to mark high-risk projects with federal criteria such as:

- Those projects undertaken by a government agency that has not consistently demonstrated the ability to manage complex projects.
- Any project that is highly visible to the public, including those pertaining to public safety.
- Projects in which delays or failures would negatively affect the central mission of the agency.

IV&V treatment

To enhance project monitoring, Anderson has been in consultation with the IT Directors Council to develop a number of proposals to drive routine monitoring of high-profile projects. He said Wisconsin has developed an Independent Verification and Validation process in which personnel from other state agencies or, lacking that, a contractor would monitor projects in other agencies to determine whether there is anything "out of whack" with project management procedures or business-IT alignment.

The IV&V also would examine project documentation to ensure that implementations are delivering what was promised.

Anderson also was directed to establish policies for the use and monitoring of the state's master-lease program, which provides funding for agencies that need a capital financing mechanism for large IT projects. He said the Department of Administration, which includes the Division of Enterprise Technology, would issue an annual report on projects approved under the master-lease program, principle and interest paid, and which agencies have repaid debt.

Linda Barth, a spokeswoman for the DOA, said the state is attempting to create a better approach to IT management.

"Cumulatively, this shows there has been a high level of collaborative thought between the DOA and other state agencies to standardize how we proceed with these various IT projects," she said.

Barth noted the new processes are for IT projects going forward, which are in limbo because of the failure to adopt a new state budget. "We're wondering how many new projects will be going forward," she said.

Task masters

After wrapping up its investigation of state information technology failures, the Assembly Speaker's Task Force on those failures

recommended the creation of a bureaucratic post, state chief information officer, as a way of introducing more accountability to IT implementations.

In contrast, the audit bureau recommended that the Legislature consider reactivating the Joint Committee on Information Policy and Technology and the IT Management Board.

The Task Force's recommendation came before news that an already-postponed overhaul of the Medicaid computing system is the latest state IT project to be set back by delays and higher costs. The state revealed last month that completion of the Medicaid Management Information System project, which is being implemented with contractor EDS Corp. of Dallas, would be delayed another three months.

The state also said that while cost savings still are expected to offset those higher expenses after the system is implemented, the total price tag had risen to \$45.5 million on a project that originally was projected to cost \$32.3 million.

The Medicaid Management Information System, which is supposed to run the state's health insurance program for poor residents, was one of several projects identified as needing additional monitoring. The federal government is absorbing 90 percent of the system's costs, while state taxpayers will pick up the rest.

Democratic alternative

Whereas the Speaker's Task Force, which is comprised of Assembly Republicans and members of the private sector, has suggested a state CIO, the Doyle Administration is concentrating more on standardizing policies and procedures across state agencies. Matt Canter, a spokesman for the Governor, said the best way to increase accountability is to hold contractor's accountable, and he said the state must find the expertise to negotiate computer contracts that protect taxpayer interests.

Related stories

- Assembly Speaker's IT Task Force calls for state CIO
- GOP, Dems split over funding of state technology projects
- Technology audit rips poor planning and oversight
- Oskar Anderson to succeed Miszewski as head of state technology division
- Third Wave reports clinical growth, continued loss

Time to flip Data Center?:

October 2, 2007

Just read report hyperlinked in this article. Server consolidation has spent \$40 million so far. \$25 million more projected in FY08. Only \$5 million to be recoverable. Leaving \$60 million to be recovered as deficits over next 20 years. Don't know where the numbers came from, but this is what is cited in the report. The only business case for the project was cost savings. The objective was to minimally maintain the same level of service while costing less. Don't see how the state should let this project proceed, it has no business case. Berbee is building a new data center, perhaps they are looking for a good deal?

The numbers published in the report for email consolidation and IBIS don't look much better.

worker:

October 2, 2007

DOA is blowing smoke. Consolidation is a failure on several fronts. They certainly haven't saved anything, and the level of service hasn't been maintained.

It's time to get people in IT leadership that actually know how IT works in state government. There are many resources that could help - but none are near and dear to the heart of the Governor. As always - politicians play as their projects fail.

architect:

October 2, 2007

My initial read of the reported DOA plans is not very encouraging. It sounds like it will smother agile, effective initiatives, while not doing enough to detect and fix/halt big blundering money sinks...

I'm no manager, and have no suggestions about how to fix this. But I do have a pretty well-developed sense of how "oversight" of IT is often implemented in wrongheaded ways that don't actually accomplish the intended result.

I hope I'm wrong. This is a worthy goal.

Shawn Belling:

October 2, 2007

It's crazy to read about this ongoing saga. No one mentions that solid, basic project management practices embraced by experienced and certified professional project managers would help to prevent these fiascos. If the project management cannot be made independent of the politics, then the administrators and politicians must suffer the consequences.

Question from a taxpayer:

October 3, 2007

So, just how does the new approach to IT Management apply to server consolidation, email, and IBIS projects outlined in the report? Will the projects continue in light of what is being reported? I mean, spending \$16 million dollars just to improve the Purchasing Requisitions/Purchase Order process (is this how a state employee makes a request to purchase something?) Seems like

overkill? Can the state find better ways to spend \$16 million dollars?

Can someone please tell me how the new approaches outlined will affect server consolidation, email, and IBIS? How many other projects like this are going on? It seems projects like managing welfare benefits, or related to public safety, or reducing dependencies on fossil fuels, etc. cost less and should be of higher priority. Let's put the \$16 million to work on those kinds of things rather than on improving the process of how a state employee requests something to buy.

state worker:

October 6, 2007

Oskar had to issue some kind of report; LAB required it. All he is doing is hiring really expensive and more managers to surround himself with. Consolidation is about the same as musical chairs, moving people all around (lessens accountability, who did what?), and hustling to move as many servers out to the new data center as quickly as possible so as to make it look like they are doing something. Again.., cronyism is rampant within DOA/DET.

Why do you think nothing is getting done so darn fast? We've created a gang of managers who practically refuse to work with the employees.

Concerned Taxpayer (Sun Prairie Region):

October 7, 2007

Let's call the kettle black and quite insulting taxpayers. Here's the deal.

#1 - Where the Beef?

The report is really more for show than actions. Oskar Anderson has been CIO of the Department of Administration Division of Enterprise Technology (DOA DET) for over 6 months and what has he accomplished?

Accomplishment #1 - Slowed state progress down to a cripple.

It's pretty easy if you're the State CIO to stop/slow state projects and take credit and call it progress. However the true grade is what's done after and can be called "completed." Mr. Anderson fails to make the grade on this mark. Thanks for wasting my tax money. At least the last guy in charge had projects moving (a little too fast, not efficiently and cost effectively, but they were not dead in the water).

Accomplishment #2 - Created a report that says I promise to be a part of the problem by adding more bureaucracy and less operating efficiency (In English: "I'm going to put a process in place that will slow things down until I retire (which is soon). That way it's not my problem. Again thanks for wasting my tax dollars (why did you take the job?)

#2 - IV and V Approach

This is the touted "Independent Verification and Validation Approach" that is suppose to save the state more money and increase the time lines to accomplish anything of value. I guess it should not matter for Mr. Anderson, since accomplishment is not his objective (more...let's add more red tape so I can eventually retire before it becomes my problem). The IV and V approach acronym is a joke. Let's call it what it really stands for "Idiots Vision of Value."

#3 - Where is the Leadership?

Has anyone looked at Mr. Anderson's history.

History #1 - Sure he's the former IT Director for the Department of Revenue. Great! Hey wait a minute, wasn't Mr. Anderson the guy in charge during one of the worst DOR debacles. That was the time that the Social Security numbers were being printed on addresses and mailed to the general public. Wow he must be a big security fan. I'm glad we are giving him a bigger playground to be responsible for.

History #2 - IT Director Council Member - <http://itdirectors.wi.gov>

I hope he's not getting orders/advice from this group. They don't even keep their website updated. They have been meeting for years, what have they accomplished? Hmm...let's put things on paper and "not follow it" approach to leadership with a dash of "no accountability" recipe. Sounds good!

History #3 - Fluffy Leadership

Now if I were CIO for a day, I would hope the first thing I would figure out is how the prior CIO lost his job so I could avoid repeating the same problem. Here's some advice if Mr. Anderson is hoping to save the taxpayers money.

Advice #1 - Change your management team (Keep the good managers get rid of the cream puffs).

Why has Mr. Anderson management team at the DOA not changed? The same people who gave bad advice to the prior CIO are continuing to give advice to the new CIO. Is Mr. Anderson foolish or just very naive (don't lead by a majority vote, lead by doing what's right)?

Advice #2 - Who's Really the Boss?

It's apparent another manager (within DET) holds all the cards (Not Mr. Anderson). Come on, be brave and step up to the plate and make the management changes so it's apparent "you are in charge." Don't be scared of the politics, follow your morale principles of "doing the right thing" or else it's time to have someone else in charge.

Advice #3 - Listen

I noticed a lot of IT staff (state/public) making negative comments within the blogs. Listen to them and stop listening to the people "sucking up" to you. (It appears your management is looking after their own interest, not the state taxpayers interest).

Advice #4 - Efficient Workforce

To accomplish that state IT goals, you need a great workforce. Improve the State IT workforce by getting away from expensive contracting services and train state employees to do their jobs and help them maintain their knowledge base. Get away from contract employees that come and go taking the knowledge base with them. Like in any IT organization, you have good and bad employees. Work with your union and executive management to:

- Reduce your reliance on expensive contract IT staff and contract managers.

- Promote rewarding staff bringing organizational success.
- Recruit the best and brightest to work for your organization.
- Get rid of the dead weight employees (resistant to change) and riding the state tax dollar for a free ride.

Advice #5 - Stop the Scandal Activities

The state has lost too much money. You can bet plenty of misconduct in DET has led to this. I'm guessing if you look hard enough, several DET staff have violated enough state policy and procedures that would make the Chuck Chvala scandal for "misconduct in office" look silly. It's time to do the right thing before the Wisconsin State Journal, Capitol times (and other newspapers), and the Wisconsin Court System does it for you. (It's not that hard of a paper trail to follow).

In conclusion, it's time for Mr. Anderson to be a leader or step down. Taxpayers have lost enough money. We don't need another example of process, procedures, and negotiations similar to the budget battle (budget debacle) being dragged out for months/years impacting the well being of the state taxpayers.

A Consultant:

October 7, 2007

This is rich. \$40 million spent to date and only 149 servers have been consolidated into Femrite. An additional \$25 million to be spent this year to get how many agencies into Femrite? How much more will be spent on business continuity? The Femrite location seems awfully close to an Interstate highway and it only took one bomb to tear down the Murra Building in Okalahoma City. I wonder if the priorities are muddled.

Another citizen:

October 8, 2007

To Mr. Belling's point that professional Project Managers would these sorts of failures, please understand Independent Validation and Verification (IV&V) done by the Feds (notably the DoD) is not what is outlined in this report. Federal/DoD IV&V is a rigorous process that essentially duplicates a vendors QA/Test systems to ensure the product developed for the Government meets published REQUIREMENTS (i.e. the system shall do with



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State agencies will be paying for computer project for 20 years, report says

JASON STEIN
608-252-6129
October 16, 2007

State agencies will be paying off a questionable computer project for the next 20 years, according to a report by the state's top computer official. That's in spite of the fact the project was originally supposed to save the state millions of dollars over just a few years.

The report to the Legislature's Audit Committee provides updates on troubled state computer projects that are in some cases many times over budget, years late and at risk of not meeting their initial goals. It also details what Gov. Jim Doyle's administration is doing to try to prevent the problems from plaguing the state in the future.

The committee will hold a hearing Thursday on the report, which is responding to an April legislative audit that found waste and mismanagement in state information technology projects.

Audit committee member Sen. Rob Cowles, R-Green Bay, said that the report showed positive steps are being taken and that he never expected problems to be solved "lickety-split." But he added he remains "troubled" by the lengthy payments on the project overhauling back-office computers called servers.

"That one was supposed to have saved us money," Cowles said. "It just bleeds those agencies when there's problems."

The plan calls for requiring high, uniform standards and reporting across state agencies that will help hold officials accountable for IT projects. The state has spent more than \$180 million in recent years on troubled computer projects, according to a Wisconsin State Journal estimate based on state reports and interviews with state officials.

"Going forward, we're going to have a whole new way of doing business," said Linda Barth, a spokeswoman for the state Department of Administration.

State chief information officer Oskar Anderson, a veteran IT manager brought in to fix the problems, said he has started an internal Web site where state agencies can trade information about best practices. He said he will receive reports in December from agencies about all state projects that cost more than \$1 million as part of ongoing oversight of those "high-profile" projects. All that, he said, would help ensure that agencies know how to handle those complex, difficult projects and are

monitored to make sure they actually follow through on them.

Sen. Jim Sullivan, D-Wauwatosa, the audit committee co-chairman, said he thinks Anderson has done a good job so far in addressing the IT problems and hopes the benefits of the server project would extend as long as the costs.

'Overzealous' report

The daunting server overhaul was pushed through by a political appointee over the objections of state technical staff from several agencies, the State Journal reported in March.

Anderson expects to have most of the targeted servers from across state government moved to a new Far East Side data center by June 2010 — four years after a consultant's initial, over-optimistic estimate. The project will help the state keep its key computer functions running in the event of a disaster and allow fewer staff people to service them, Anderson said.

But the state is no longer sure how well it will meet a goal of becoming more efficient by cutting the actual number of servers, Anderson said. That's because the consultant's report was "overzealous" in describing how economically that could be done, he said. By June 2008, the state likely will have spent an estimated \$65 million on the server project. That's about five times the consultant's incomplete cost estimate, which also projected millions of dollars in savings from the project over just five years.

This year's spending still has to be approved as part of the late state budget, Anderson said. A final estimate on the project's ballooning costs is still not possible to do, he said.

The costs of the project currently far outstrip the payments that state agencies make to participate in it, according to the report. Those deficits mean that the program will have to be paid off through payments by agencies until 2028, the report said.

Outstanding projects

The new report also updates other outstanding projects, including:

- A move to standardize e-mail systems across state agencies is expected to be finished in 2008, at least 2? years after an initial projected end date. The state has spent \$9.7 million on the project so far and expects to spend \$13.6 million total on the project.

That total is five times the bid of an initial failed contract with a vendor, a bid that Anderson said was unrealistic. So far, about 21,000 of the state's 35,000 e-mail accounts, which have operated under a hodgepodge of software programs, have been switched over to a new Microsoft system.

- Officials are moving forward with a massive project to consolidate the state's business software for tasks such as buying goods and paying

bills. The first phase of the project is expected to cost \$16 million and finish by March 2009. An additional \$10 million has already been committed, mostly for software licenses. Like the server initiative, this project can't go forward unless the stalled state budget is passed, Barth said.

The state is having difficulty in finding state workers whose abilities meet the project's specific needs, Anderson said. That could lead to higher costs if it forces the state to use more expensive contractors, the report found.

- A Department of Workforce Development project to handle unemployment insurance benefits that had been suspended this year, after the state spent more than \$20 million on it, will be restarted with an in-house system instead of the packaged software the state had been trying to use. Initial cost estimates for this restart, which will replace a portion of the overall project, are for \$1.6 million with an 18-month timeline.
- Another DWD system to handle unemployment insurance taxes is being rolled out in phases in December and May, with projected costs now at \$47.2 million, up from an estimated \$46.4 million as of February as reported by the April audit and an initial cost estimate of around \$17 million.
- A Department of Revenue project to roll out new software to handle sales and use tax is on time and on budget, scheduled to start in December.

Summary:

The news: A report lays out how the state is responding to an audit that showed waste on computer projects.

The good news: The state is taking steps to provide better oversight of projects.

The bad news: The deficit from one questionable project will take state agencies two decades to pay off.

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Computer system for state prisons delayed

By JASON STEIN 608-252-6129
November 11, 2007

In December, the state will blow its fourth deadline for switching on the first phase of a complicated new computer system to run the state 's prisons, officials said.

The delays mean the more than \$25 million project will be at least 18 months behind schedule in its opening stage, with three more stages and years to go. The system is designed to make prisons safer and more efficient, state and union officials said.

It 's the latest in a series of troubled computer initiatives that have cost taxpayers more than \$190 million. The projects are delayed, over budget or don 't work as promised.

Officials with the state Department of Corrections said they haven 't overspent their budget for outside consultants working on the prison computer system, but acknowledge they can 't say whether the money spent on state workers is over budget.

"The timelines are a concern to us as they are to the public, " said Earl Fischer, who runs the DOC 's administrative division. "Yes, it has been delayed. (But) I am absolutely confident in this project being completed. "

The ambitious project, which has cost more than \$10 million since its start in 2003, replaces four existing computer systems that track 23,000 current prisoners as well as many more former prisoners and those released on probation or parole.

Those existing systems -- some of which are 25 years old -- track everything from the whereabouts and needs of prisoners to how much money they have in personal accounts.

The first stage of the project was supposed to be up and working in June. The latest estimate is January and the entire project likely won 't be finished until a year or two after the target date of May 2009, Fischer said.

The state is paying a fixed price for outside contractors and won 't pay more because of the delays, Fischer said. But the longer the project drags on, the more the state pays for the 30 to 40 DOC staff members currently working on the project -- workers taken away from other jobs such as maintaining existing computer systems.

The state has spent at least \$3.2 million for those state workers ' salaries through October, but can 't say if that 's over budget because the state never estimated the project 's staff costs for the budget in the first place, Fischer and DOC spokesman John Dipko said.

In April, a harsh Legislative Audit Bureau report criticized other agencies for failing to account fully for the use of state staff on large computer projects. Sen. Rob Cowles, R-Green Bay, an audit committee member, said that budgets and cost estimates on a project must include state staff time.

"Otherwise, it 's just a loose thing. How in the world can we track this? " Cowles said.

Those staff cost estimates are now being required on state projects started after October but not ongoing ones like the prison system, said state chief information officer Oskar Anderson.

Complicated project

The prisons initiative will lead to safer and more efficient prisons through improvements such as instantly providing a more complete criminal history on a new offender arriving at a prison, ending delays of a few days or even two weeks under the existing system, Dipko said.

The first phase of the prisons project will set up new infrastructure and replace an old system that tracks inmates ' locations in the department 's prisons along with other information, such as their expected release dates.

The initiative is one of the most complicated prison computer projects anywhere in the country, Fischer said. Peter Stoecklin, a vice president with state contractor Marquis Software Development of Tallahassee, Fla., agreed the project is more complicated than others by Marquis in other states.

The complications arise in part because, unlike many states, Wisconsin has one agency to handle adult and youth prisoners as well as those released under probation and parole, Dipko said.

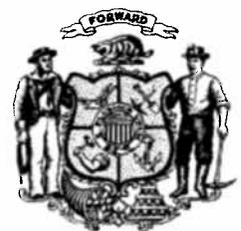
Jim Johnson, chairman of the Massachusetts IT consulting firm The Standish Group, said making a computer project too complicated is a common mistake. The state should reconsider the project and see whether it needs to make its goals more manageable, he said.

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Accenture, Elections Board settle dispute

JASON STEIN

608-252-6129

December 26, 2007

The developer of a troubled multimillion-dollar state voter registration system has reached an agreement with the state to end its involvement in the project by Feb. 28, a state elections official said Wednesday.

The Wisconsin State Journal and later a legislative audit reported last month that the State Voter Registration System still can't do federally required checks to help prevent voting by dead people and felons and won't be able to do so in time for the Feb. 19 presidential primary.

Those functions still won't be used for the April 1 state Supreme Court and county board elections because even if they are ready, there won't be enough time to train municipal clerks to use them, Elections Board Executive Director Kevin Kennedy said Wednesday.

Under the agreement, the contractor, Accenture, forgos \$1.95 million in payments the company had said it was owed by the state and agrees to pay the state \$4 million to head off a lawsuit. The agreement was approved by a unanimous vote Wednesday by the five members of the Elections Board present, Kennedy said.

The state will use the money to go forward on its own to try to complete the system that handles the records of 3.3 million active voters in state elections. So far \$23.4 million in mostly federal money has been spent on Accenture, other consultants and state employees working on the system, or about \$19.4 million after accounting for the promised payment from Accenture.

"The Elections Board worked really hard to come up with what we thought was the best solution for the voters and for the local elected officials," said Kennedy, adding that the agreement avoids a costly and lengthy lawsuit. "This puts us in a good position for the 2008 and 2009 elections."

Accenture officials have maintained the system has performed with partial functions for four statewide elections and that the company held up its end of the bargain.

"We were pleased with the resolution and we just reiterate that we were not at fault in this matter," Accenture spokesman Jim McAvoy said in a statement.

The agreement with Accenture also requires the company to do repair work on the voter system to help ensure it complies with federal law and to provide the state with the source code for the system so the state can make its own changes. Accenture, which was supposed to deliver the voter system with full functions by March 2006, was supposed to provide maintenance and support until June 2010 under the contract being ended, Kennedy said.

Mike McCabe, executive director of the Wisconsin Democracy Campaign, said the agreement was a "good Christmas present for taxpaying citizens" because it removed Accenture from the project. But the state, which stayed with Accenture while other states such as Kansas, Colorado and Wyoming dropped the company, should have taken that step much sooner, McCabe said.

The move is likely the final action for the Elections Board, which will dissolve in January and be replaced by a new Government Accountability Board, which will also be headed by Kennedy. He said Elections Board officials wanted to resolve the standoff with Accenture and not hand the problem over to the Accountability Board.

Accenture has already been paid a little more than \$9 million by the state of what was a \$14 million contract, and will end up with a little over \$5 million after making its payment to the state, Kennedy said.

Kennedy said state employees would work to complete the system and he hopes the system will be able to do the checks for dead people and felons for the November presidential election.

Other problems reported with the system in the past include difficulties sending out absentee ballots and complaints by municipal clerks that it takes too long to perform certain functions.

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Medicaid computer price tag now tops \$64 million

Original cost for tardy state system \$32 million

By PATRICK MARLEY
pmarley@journalsentinel.com

Posted: Dec. 27, 2007

Madison - A new computer system to run the state's Medicaid program will cost \$64.2 million, twice as much as originally projected, officials said Thursday.

The system won't be finished until October, almost two years behind schedule. The project originally was to cost \$32.3 million and be finished by January 2007.

State computer projects have faced a spate of long delays and cost overruns in recent years. Thursday's announcement came a day after the State Elections Board severed a contract with computer vendor Accenture for a problem-plagued voter registration system.

Auditors warned legislators in April that they should monitor the Medicaid project because it had the potential to face delays and higher costs.

"They were right," said Sen. Rob Cowles (R-Green Bay), a member of the Legislature's Audit Committee. "Once again, we've had a large overrun. We've got a ways to go."

Auditors also recommended that the Legislature reactivate a long-dormant committee to oversee computer projects. Democrats who control the Senate made appointments to the committee, but Assembly Speaker Mike Huebsch (R-West Salem) has not done so, blocking the committee's formation.

Increases now disclosed

The increases for the Medicaid Management Information System include \$18.7 million in expenses that have not been previously disclosed. In recent months, the Journal Sentinel reported on the other increases, which were caused by new rules and laws governing Medicaid. Medicaid is the state and federal healthcare program for elderly, disabled and low-income people. The new computer system will manage the finances of the program, processing 30 million claims a year for 51,000 providers of SeniorCare, BadgerCare and other programs. It will replace a 30-year-old system now in use.

Testing focus

Much of the latest increase stems from policy changes approved by the Legislature, as well as a new focus on testing the computer system, said Jason Helgerson, the state's Medicaid director.

He said state officials decided to do the additional testing because they want to know upfront if there are any problems with the program. "We're in for the long haul with this system," he said.

"I think at the end of the day we're going to get a system that's worth the money," he added.

The federal government, which is picking up about 90% of the new system's costs, still has to approve paying the new expenses. Helgerson said he expects the federal Center for Medicare & Medicaid Services to do so by March. State taxpayers will pay the other 10% of the project.

The contractor building the system, EDS Corp. of Plano, Texas, will get \$44.8 million for the job, about twice its original contract. Despite the increases, EDS will lose money on the project, Helgerson said.

Helgerson said the state was paying only for new work that it had asked for and that the new payments would not cover past mistakes or delays caused by the contractor.

Cowles, the senator from Green Bay, said the state Department of Health and Family Services should have long ago disclosed the potential for a large increase in the project's costs.

"If (the state) is saying it was all because we added new requests, why didn't this come out as an issue a long time ago?" Cowles said. "To find out now and bill the federal government as if it's an endless pot of money is pretty troubling."

Despite the higher expenses to build the system, the project is driving down the state's operational costs. In addition to developing the system, EDS has a contract with the state to serve as its Medicaid fiscal agent. The state negotiated lower payments under that contract because of the computer upgrade, saving \$18.6 million a year.

Shared responsibility

EDS spokesman Bill Ritz said the state and the contractor shared responsibility for the delays and increased costs. The project was originally expected to take 400,000 hours but now will take about 1.1 million hours, he said.

Most of the core work under the contract is done, and about 285 EDS employees are now focusing on the new work requested by the state, he said.

The new system could last as long as 25 years, depending on what health care policy changes the state and federal governments make in the coming decades, Ritz said.

Another contractor, New York-based Deloitte Consulting, will also see its payments nearly double, from \$4.8 million to \$9.3 million.

Tim Nuckles, a Wausau technology lawyer who served on an Assembly task force on IT issues this summer, said the state has poorly managed other computer projects. But he said rising costs are to be expected on Medicaid computer systems because of the array of changing rules and laws that run the health care program.

He said the state had chosen a good contractor for the job because of its long relationship with the state and its expertise in the area. EDS, founded in 1962 by one-time presidential candidate Ross Perot, runs Medicaid

computer systems in 21 states.

State officials would not say during testimony before the task force who was responsible for problems with various projects, Nuckles said. "There never was a good answer," he said.

To increase accountability, the state should create a cabinet-level "technology czar" and appoint members to the legislative committee, he said.

Democrats who control the Senate agreed to form that committee this year, as auditors suggested. But Huebsch has not yet done so.

Huebsch aide Jodi Jensen said the speaker was waiting until he receives a report from the Assembly task force early next year before making appointments.

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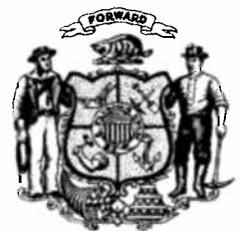
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State cost doubles for computers

By Jason Stein
608-252-6129
December 27, 2007

The estimated price tag for a delayed computer system to run the state's Medicaid health programs has doubled -- an increase of \$31.9 million over initial estimates, a state official said Thursday.

The project will also blow its third deadline and likely won't be completed until October 2008, 22 months after its initial projected finish date, the official with the state health department said.

The news follows other Wisconsin State Journal reports that the state has spent more than \$180 million in state and federal money on troubled computer projects.

The state will get needed changes to the system and some added functions as part of the extra costs, said Jason Helgeson, Medicaid director for the state Department of Health and Family Services.

"This has been a challenging project but we feel we are in a much better place today than we were even three or four months ago," Helgeson said.

Delays on the project have come in part because the contractor, EDS of Plano, Texas, failed to deliver on time, state officials have said. But costs and delays also ballooned as the state requested 186 changes to the EDS contract to reflect changes in federal and state law and the state's own goals for the system.

State officials didn't always have a good handle on the resulting cost hikes. The single biggest increase came as a result of a change Helgeson said in July wouldn't seriously affect costs.

Plan to fix

The project is now expected to cost \$64.2 million, with the federal government picking up 90 percent of the tab, leaving \$6.9 million, or about 10 percent, for state taxpayers.

Sen. Rob Cowles, R-Green Bay, a member of the Legislature's audit committee, said state lawmakers should have been better informed of the changes and potential added costs.

"I'm troubled by that whether it's federal or state money," Cowles said of the added costs. "We have to be just as careful with federal money as

we are with state money. "

Helgerson acknowledged the project faced problems but said the state and EDS now have a good plan to fix them. He said the state would only pay for new work outside of the original contract and not for EDS delays.

The state 's current system is 30 years old and must be replaced, Helgerson said. EDS, which has worked with the state for all those years, has already put in place similar systems in Oklahoma, Kansas, Pennsylvania and Kentucky.

The complicated new system will provide Medicaid benefits to 850,000 people in the state and should help state officials run one of the state 's biggest programs more efficiently.

Additional work, costs

EDS spokesman Bill Ritz said the company was on track to meet the new October 2008 deadline for the Wisconsin project, which was originally supposed to be finished in January 2007. Ritz said the state had contributed to delays in the project by adding work that wasn 't in the original contract with the company.

"With additional work comes additional costs, " Ritz said.

In July, Ritz said the costs for the project would rise if the state approved BadgerCare Plus, a major expansion of the state 's Medicaid programs. At that time, Helgerson said the effect of BadgerCare Plus would be modest.

Thursday, Helgerson said the costs for the project associated with BadgerCare Plus, which was approved by the Legislature in October as part of the state budget, would actually be \$4.5 million in federal and state money.

"It 's a little bit more than I expected it would be, " he said.

In all, Helgerson said the project would run an additional \$22.6 million in estimated costs over what the State Journal reported it would cost in July, although part of that increase was for state staff costs that aren 't new. The state is still seeking federal approval to pay the majority of the new costs and would only add them if federal officials agree, he said.

Itemized extra charges

Besides BadgerCare Plus, other new costs included:

\$2.7 million for added testing of the system.

\$3.7 million to study how the state uses the Medicaid system to find better ways to do so.

\$1 million to support an expansion of the state 's Family Care program

to provide Medicaid long-term care for the elderly and disabled.

\$4.5 million in added costs for another contractor, Deloitte Consulting, that is helping the state manage the project and protect its interests.

\$3 million in new costs in state worker salaries as well as \$6 million in worker salaries that was previously known but not publicly disclosed.

Cowles said lawmakers should have known about new costs associated with the BadgerCare Plus and Family Care expansions when they voted on them in October.

Helgeson said paying now for a better system would lead to savings for taxpayers in the long run. The state has already negotiated \$18 million a year in savings on separate work by EDS to run the state's existing Medicaid system, savings the state expected to get when the new system is in place, he said.

In all, EDS has received at least \$6 million from the state for the project and stands to receive a total of \$44.8 million, but even so, the company would likely lose money on the project because of added costs from the delays, Helgeson said.

Ritz declined to comment on that but said the company was committed to working with the state to see the project through.

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