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State Agency Use of Computer Consultants

State government agencies in Wisconsin rely on information technology (IT) to carry out their responsibilities. In fiscal year (FY) 1998-99, they issued purchase orders totaling approximately \$320.5 million for IT-related goods and services. In the five-year period ending in that year, IT purchase orders increased 139.2 percent.

For executive branch agencies excluding the University of Wisconsin-System, expenditures for IT consulting services were almost \$93.6 million in FY 1998-99. These consulting services supplemented the work of 1,383 state IT professional employees, whose estimated salary and fringe benefits were \$87.8 million in FY 1998-99.

Attention Should be Given to Ensuring the Economical and Efficient Use of Consultants

Most agree that the State's use of private-sector IT consultants is economical and efficient for the design and development of large new information systems, such as the Department of Revenue's current project to integrate its 30 different tax programs into a single system that will simplify business and personal income tax filing. Similarly, consultants are often retained for short-term projects when expertise is not available among state staff, and to manage peak-workload periods. However, we found that consultants are regularly retained for routine, ongoing responsibilities that are also being performed by state employees. We noted several instances in which consultants had been retained in an agency for more than four consecutive years. In one case, an hourly contractor worked full-time in an agency for nine years. Contractors have been paid hourly rates that range from \$18 to \$195.

We reviewed a sample of 32 hourly contractors who were performing functions similar to those of state IT employees and found that 29 cost more than state employees. In four cases, the contractors were paid more than twice the hourly rate for comparable state employees.

State IT employees also occasionally resign from their state positions only to return immediately as contractors at higher pay. We identified seven examples of former IT employees returning to state agencies as hourly contractors. In each case the contracted hourly salary was more than twice the employee's former state salary, and in three cases it was more than three times greater.

State IT managers indicated that hourly contractors were hired in the past because of a tight labor market for IT professionals and ongoing restrictions on the number of state employees they are authorized to hire. In light of changes in the job market and the improved ability of the State to compete for and retain IT employees, we include a recommendation that agencies reassess all existing uses of professional IT consulting services.

Few Large-scale IT projects Are On Time and Within Budget

We reviewed seven large-scale IT projects with original budgets from \$345,400 to more than \$59.4 million. We found that only one—the CARES system used in the administration of Wisconsin Works, the Food Stamp Program, and subsidized child care—was reported to be completed on time, within its original budget, and with all intended functions. In contrast, the Wisconsin Statewide Automated Child Welfare Information System was originally scheduled to be completed in 2001 at a cost of \$53.8 million, but it is currently projected to be completed in 2004 at a cost of \$78.9 million. For a centralized human resources system for state employees, costs increased from an original budget of \$965,000 to a total of \$5 million. A series of best practices to increase the likelihood of project success is included in our report. These best practices include guidance in areas such as selecting between fixed-price and hourly contracts, careful specification of the desired product, and ensuring specialized project management skills.

A Department of Electronic Government Has Been Proposed

The Governor's 2001-2003 Biennial Budget Proposal would create a Department of Electronic Government, headed by a Chief Information Officer (CIO). The Governor has proposed transferring 227.3 full-time equivalent positions and an operating budget of \$132.4 million from the Department of Administration to the new department. Four new positions outside the classified service would be created: the CIO, a deputy, an executive assistant, and a division administrator. In reviewing the Governor's proposal, the Legislature will need to consider a number of issues, including the need for a state CIO and the potential scope of the agency's authority. The Governor has proposed that the new department have broader IT authority than is currently granted the Department of Administration. For example, the Governor's proposal provides the CIO authority to review and approve IT plans for all state agencies, develop projects within any agency, and transfer staff and funds among executive branch agencies without the agencies' or legislative approval.

Other states vary considerably in their management of IT activities. While some maintain CIO functions within various agencies, others have created separate IT agencies or commissions. CIOs in some states and municipalities have been perceived to contribute to the efficient functioning of IT activities throughout the government. However, the position and function of a CIO has not been universally accepted because of concerns about increased cost and perceived over-centralization of IT project authority.

[full report, PDF file \(296KB\)](#)