STATE OF WISCONSIN

Legislative Audit Bureau

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State Auditor

DATE: March 22, 2006

TO: Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee

FROM: Janice Mueller
State Auditor

SUBJECT: Proposed Audit of Information Technology Systems Projects—Background
Information

At your request, we have developed some background information the Joint Legislative Audit
Committee may find useful in considering an audit of information technology (IT) systems
projects in state agencies. Concerns have been expressed regarding large projects in several
agencies, including the Department of Transportation (DOT), the Department of Revenue,
the University of Wisconsin (UW) System, and the Wisconsin State Elections Board. Those
concerns have been varied, but generally relate to delays in implementation, operational
problems upon implementation, and final costs exceeding those agreed upon at the time of
initial vendor contracting.

Some large-scale IT systems development projects provide new functions as well as new
technologies to allow for more efficient processing of business functions. For example,
DOT notes that the $36 million Registration and Titling System is part of a larger redesign
of technologies initially deployed in the early 1970s. Similarly, the $26 million Appointment
Payroll and Benefits System project at UW System is intended to consolidate human resource
functions and achieve efficiencies through reduced staffing levels. However, the expected
efficiencies have been absent in the early implementation of the new system at DOT, and
UW System has not yet implemented the payroll project.

In contrast, the sales and use tax distribution portion of the $37 million Integrated Tax System
at the Department of Revenue has been implemented, but processing errors have been identified.
The Department has been working with counties and is reporting monthly to the Committee on
its progress in resolving the processing errors. The voter registration database represents the
development of an entirely new system, with the work to be completed primarily by a contractor.
The $14 million contract, which is being administered by the Wisconsin State Elections Board,
is not on schedule, resulting in the failure to meet at least one federal deadline.

In report 01-6, State Agency Use of Computer Consultants, we reviewed expenditures for IT
consulting services, compared the costs of using state employees to the costs of hiring consultants
in various situations, and identified a series of best practices that could increase the likelihood of

large-scale IT project success. In fiscal year (FY) 1998-99, purchase orders totaling $320.5 million were issued for IT-related goods and services. Current estimates for annual expenditures exceed $740 million.

An audit of contracting and information technology systems projects in state agencies could include:

- an inventory of projects currently in progress in each executive branch agency, identifying project budget and scope, start date, and expected completion date;

- an inventory of projects completed at each executive branch agency in FY 2003-04 and FY 2004-05, identifying total expenditures and whether the project was completed within budget and according to schedule;

- case studies of selected major projects, in order to identify the nature of problems that have occurred and the reasons for them; and

- 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.

If you have any questions regarding this information, please contact me.

JM/KW/bm

cc: Senator Robert Cowles   Representative Samantha Kerkman
    Senator Scott Fitzgerald   Representative Dean Kaufert
    Senator Mark Miller   Representative David Travis
    Senator Julie Lassa   Representative David Cullen

    Stephen Bablitch, Secretary
    Department of Administration

    Frank Busalacchi, Secretary
    Department of Transportation

    Kevin Kennedy, Executive Director
    Wisconsin State Elections Board

    Michael Morgan, Secretary
    Department of Revenue

    Kevin Reilly, President
    University of Wisconsin System