



IT upgrade for state dogged by delays

Francesca Jarosz January 7, 2012

The state missed a Dec. 15 deadline to complete a complicated technology overhaul of its unemployment insurance system—the latest in a series of delays that have added years to the project and led to more than \$18 million in cost overruns.

Indiana's Department of Workforce Development signed a contract with locally based Haverstick Consulting to complete its Unemployment Insurance Modernization Project in September 2005. It set April 2008 as the original date for implementing the project.

Nearly four years later, the effort to shift from a hodgepodge of archaic IT systems to one that automates the agency's processes for employers and those claiming unemployment benefits remains unfinished.

Meanwhile, the project's costs have almost doubled, from the original \$23.9 million to \$42 million as of last June. The modernization is funded by federal tax dollars, as are virtually all of workforce development's expenses.



Everson

Workforce development officials say a torrent of unemployment claims and changing federal mandates regarding unemployment insurance contributed to the delay. In addition, DWD Commissioner Mark Everson said the department opted to increase the project scope when needed.

"The decision was made to be more, rather than less, ambitious," said Everson, who has led the department since June 2010.

A review of contract amendments for the project shows that other factors—including massive turnover among personnel assigned to the project and a shuffling of subcontractors—also played a role in the delays and cost overruns.

IBJ.COM EXTRA

[Click here to see a time line of the growing debt.](#)

And the ramifications of delaying the project go beyond time and money, experts say. Because computer technology increases speed and capacity every 18 months, dragging out such a project can create a self-perpetuating cycle in which delays spark the need for additional upgrades.

“Those technology pieces become old and outdated. You can still run them, but you get to a point where they put an additional load on the system,” said Matt Heller, founder and CEO of Browsium, a Redmond, Wash., firm that helps organizations adopt new technology. “You end up with hidden costs of buying a bunch of stuff that needs to be updated and upgraded.”

Everson said he doesn't anticipate that missing the most recent completion date would add cost to the project. The contract has been amended with a completion date of Feb. 29.

'Constant changes'

Workforce development undertook the modernization project to make the system, which handles the claims for those laid off from jobs, more accessible to users and employees.

Some of the changes under the new system include allowing unemployed residents to file for benefits through an online portal, letting employers protest claims online, and automating accounting.

Those functions are being rolled out in phases, so employees already can, for example, file for benefits online.

Once completed, all of the department's unemployment insurance functions will be tied together, which will make it the first integrated system in the country, Everson said.

But the road to completion has been fraught with hold-ups.

The first big delay—which pushed the implementation date to November 2008—was detailed in an August 2007 contract amendment. It said the project needed to increase in scope to expedite delivery of certain services and to implement the modernization in phases. Those changes added \$4.5 million to the project's cost.

A year later, a new feature designed to automate certain manual tasks was added, increasing the cost by \$100,750.

Experts say such additions are common in large-scale technology projects. The constant availability of additional technology makes it tempting for public- or private-sector clients to add features.

And especially in government IT projects, organization leaders are likely to underestimate the cost and time needed to complete a project.

“You try to predict the cost and resources it's going to take,” said Alan Webber, a principal analyst at California-based technology consultancy Altimeter Group who has worked on federal technology modernization projects. “That's actually very difficult to do.”

Everson said factors outside the state's control drove the additional time and cost.

For example, over the last few years, the federal government has frequently changed mandates regarding the duration of benefits, and those changes require alterations to the system's software and testing. That adds time to the project and cost for extra manpower.

On top of that, when the economy crashed in 2008, the department's unemployment claims increased 300 percent. That required the department to upgrade its computers to accommodate the increased claim volume, taking resources away from modernization efforts.

“You don't have a static set of conditions,” Everson said. “You have these constant changes that are taking

place.”

Contract amendments in 2009, 2010 and last summer detail legislative changes and increased system demand as factors that contributed to the delay in implementation and the need to increase the scope of the project.

Technology experts agree those factors likely played a role in the delay and cost additions. But Ram Sundaram, a principal at Michigan-based IT strategy firm X by 2, said proper planning at the beginning of a project can help organizations avert hold-ups associated with extra demand.

“In systems it’s very meaningful to ask, will my usage of the system change five years from now?” Sundaram said. “It’s a logical explanation for the [delay], but you wouldn’t be in that situation if architectural people thought about these things the right way upfront.”

Shifting personnel

Cost overruns and delays certainly aren’t rare in large-scale modernization projects. A survey released in 2008 of 800 IT managers conducted by research firm Dynamic Markets found that 62 percent of IT projects ran behind schedule, and 49 percent were over budget.

But experts who weighed in on Indiana’s modernization project said both the size of the cost overruns and length of delay are on the higher end for such projects.

“Seven years for an IT project is really, really long,” Heller said. “Microsoft has released two operating systems in that time.”

High turnover also contributed to the delay. A contract amendment from July 2009 showed nine of 20 people assigned to the project had resigned. Three others were listed as “unavailable,” while another accepted a promotion.

Eric DeMarco, president of Kratos, which purchased Haverstick in 2007, said virtually all the employees who left worked for the project subcontractor, Virginia-based Tier Technologies Inc., and were replaced by Kratos employees or contractors.

A March 2010 contract amendment detailed that, in February 2009, Tier informed Haverstick it had agreed to sell its unemployment-insurance unit to Missouri-based RKV Technologies. It went ahead with the deal even though the state’s agreement barred the reassignment of subcontracts without its approval, which it didn’t grant. Haverstick later terminated the Tier subcontract for default.

Then, in December 2009, the new contractor, RKV, told Haverstick it sold the assets it purchased from Tier to another company, India-based HCL Technologies. A spokeswoman for DWD said HCL no longer is involved in the project. She would not elaborate on the subcontractor shuffle.

When asked whether such personnel shifts have affected the timing and cost of the project, DeMarco responded, “Unequivocally, yes.”

“[Tier] had multiple people leave and turn over—this caused some challenges in getting this done,” he said.

Experts say heavy turnover isn’t uncommon, particularly since demand is high for software developers. But they say those changes cause delays, both because new staffers need to be brought up to speed and because many come with their own ideas about how things should be done.

In addition, turnover affects morale, which can dampen employees’ enthusiasm for the project, Sundaram

said.

“If the people that fully understand the vision turn over, the vision can get diluted with the next group of people that comes in,” Sundaram said.

“Imagine if midway through the football season, you change a team’s key players. What hopes do you have of making it to the Super Bowl?”•

[Recommend](#)

[Tweet](#) 0

[Share](#)