
The Statewide Systems Project Has Been Moderately Successful Despite Higher Than Anticipated Costs

SUMMARY

According to a study by the Legislative Auditor's Office, the Statewide Systems Project (SSP), which developed new computer software programs for the state's basic business functions, has been "moderately successful." Virtually all of the components of the project are now performing their intended functions, and many benefits have been achieved. However, there have also been numerous problems, including higher than anticipated costs, unrealistic projections of savings and benefits, and user frustration and disappointment. The new procurement system has additional shortcomings and needs to be re-examined.

Developing computer systems is a complex and difficult activity, and Minnesota's experience with SSP has been more positive than many similar efforts in both the private and public sectors.

The departments of Finance, Administration, and Employee Relations sponsored SSP and, with several consultants,

helped guide the development of the new accounting, procurement, human resources, and

payroll computer systems. In addition, the project developed an "information warehouse" that brings together data from the new systems and enables users to generate custom reports.

The cost estimates for the Statewide Systems Project grew as the project developed, and by the time the systems became operational between mid-1995 and early 1996, the project had funding of nearly \$36 million--over 50 percent more than anticipated when the project was originally conceived. The development costs rose largely because components were added and there were changes to the original specifications. Operating costs are also more than three times higher than originally estimated, although the state has made a number of efforts to reduce them.

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Key Findings

- The Statewide Systems Project (SSP) has been moderately successful, and many benefits have materialized, although costs have been higher than anticipated.
- The costs rose from what was originally anticipated largely because components were added and there were changes to the original specifications.
- Legislative expectations about the budget, timeline, and benefits of SSP and user expectations about its functionality and operation were set too high.
- Users were more satisfied with the human resources and payroll systems than with the accounting and procurement systems.

Recommendations:

- The state should carefully review the likelihood that benefits will result from any future project and require that the project sponsors establish measurement systems to evaluate the benefits after implementation.
- The state should formally re-examine the use of the new procurement system.

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Project sponsors anticipated a wide variety of savings and benefits. The Legislative Auditor's study found that many of the original objectives were probably unrealistic and have not been met, contributing to user disappointment and dissatisfaction. Nevertheless, benefits have materialized from the Statewide Systems Project, including greater access to information, improved agency computer systems and networks, new accounting features that give a more accurate picture of the state's financial status, and a new, easy-to-use human resources/payroll system.

The study found mixed levels of satisfaction with the new systems among users, who were generally unconvinced that the new systems have saved time, paper, or money. Users were more satisfied with the human resources and payroll systems than with the accounting and procurement systems. The major problem with the new human resources and payroll computer systems is poor system response time during some time periods. Users and managers were particularly concerned about the new procurement system, which they believe is difficult to use. The sponsoring agencies have attempted to solve the problems, especially in recent months. The study recommends that the state should formally re-examine the use of the new procurement system (AGPS) and also review how it collects sales taxes on purchases by state agencies.

The study also recommends that the state should (1) carefully review the likelihood that benefits will result from a proposed project and (2) require that the project sponsors establish measurement systems to evaluate the benefits after implementation. Also, the Legislature should fund projects in smaller phases and should require an external risk assessment for any future large scale computer development projects. Finally, the study cautions that investment in computer systems is an on-going, rather than a one-time, expenditure, especially for large complex organizations like Minnesota state government. Continual investment should be made in the systems in order to increase their functionality and future benefits.

Copies of the report, *Statewide Systems Project*, may be obtained from the Office of the Legislative Auditor. The report is also on the World Wide Web at <http://www.auditor.leg.state.mn.us/pe9705.htm>. For further information, contact Tom Walstrom or Roger Brooks at the Office of the Legislative Auditor (612/296-4708).