

\$139M Boondoggle Goes Full Speed Ahead

by Irene Wrenner, Revised January 7, 2025

Who doesn't want the newest and shiniest software solution on the block?

Count me in! said the State of Vermont's CIO back in May 2022, as he sought a cloud-based replacement for Vermont's aging, server-based HR, Finance, Budget, Labor and Transportation systems.

Vermont, among several other states, worked through a third party to examine the available integrated software systems to help their governments function better.

State officials signed a contract with Workday ERP (Enterprise Resource Planning), a suite of AI-enhanced applications to help optimize business operations and processes, for \$29 M over 10 years.

Just one problem: The procurement didn't abide by the state's strict bid process, in which multiple vendors and products are measured against defined business needs.

Therefore, this software subscription "with AI at its core" may or may not address Vermont's needs. Before it can be installed, someone will have to define what are those needs, and analyze what are the expected sizable gaps in functionality.

They will also need to estimate the cost of adapting Vermont's way of doing business to Workday and determine how we will store and maintain existing data to honor

public records requests or respond to litigation.

If we find that existing Department of Labor and Agency of Transportation systems don't fit with Workday, as expected, we will need to spend tens of millions of dollars more on separate systems for them.

If we determine that at least part of Workday is viable, the process of transforming our business processes to match Workday will begin.

Oversight

I serve on the six-member Joint Information Technology Oversight Committee, which is charged with reviewing such projects and releasing money that the legislature has allocated toward the ERP.

Four days before the November 25th JITOC meeting – our first since June – I received a complex 33-page document detailing the dilemma and the risks we're facing. That review estimated a total cost of nearly \$72 M to get this system up and running by 2031.

The IT expert who authored that review works for the Joint Fiscal Office of the Legislature. She reviewed the situation and summed up her findings as follows:

Overall Status (The Implementation Vendor [PIV] is qualified, but the deferment of a gap analysis until the requirements phases of the PIV and Business Process Re-engineering contracts means the total cost of the project is unknown and the

clarity of purpose is undefined, and there are concerns in the technical approach for this project.): WEAK

1. Project Justification (Is the project necessary and beneficial?): STRONG
2. Clarity of Purpose (Is the definition of success established?): POOR
3. Organizational Support (Does the business fully support the project?): WEAK
4. Project leadership (Does the project have strong and effective leadership?): WEAK
5. Project management (Is the project management staff appropriate and will they conform to state standards?) POOR
6. Financial Considerations (Is funding secure and sufficient for the anticipated life of the system?) POOR
7. Technical Approach (Are the proposed technical solutions achievable, realistic, and appropriate for the project?) POOR

I noticed this was not the independent review, as required by statute, that I expected. That report arrived a day later, after a direct request.

A consulting firm from Michigan seems to have done a thorough job in their 69-page report, which raised numerous red flags, and a higher cost estimate: \$88 M.

I must say, for a Governor who rails about AFFORDABILITY, I'm not seeing FRUGALITY from his administration. I have seen his

appointed staff repeatedly violate statutory IT “guardrails” and transparency requirements with costly impacts.

For example, the law requires that for this project, administration staff shall provide JITOC with any independent reviews, contracts and change orders within three business days.

JITOC, however, received the independent review three days prior to our November meeting, although it was published in April.

This unlawful delay severely limited our ability to comprehend or research the details before voting on an \$11.8 M expenditure.

JITOC members were expected by our chair to make a decision to move forward with Workday on short notice, despite all the red flags.

There's no clear path to getting this computer system transition done right, no matter how much we spend. And it pains me to type those words. I know Vermonters are reeling from tax increases.

The administration official who signed the Workday contract in 2022 has moved on. Those who remain have few viable choices. Legislators are being handed a costly dilemma about this ERP platform.

At the JITOC meeting, I asked how much money had already been spent. The Secretary of the Administration and the Secretary of Digital Services agreed that

it's less than \$4 M, if we were to halt or pause the project now.

Total expected costs through 2031, for a system that is not guaranteed to work as expected: \$88 M.

Going forward, the state estimates we will pay another \$5 M per year in operating costs post-2031.

Outcome

I voted No on proceeding.

Four members voted Yes, and a fifth was absent.

Afterword

Since that JITOC meeting, I have requested several related documents that have not yet been provided.

A new source has estimated ERP project costs at \$139.2 M over 10 years.

Other states who signed on to Workday are having limited success, if any. Maine (\$55 M) and Iowa (\$16 M) have cancelled their contracts already, according to press reports.

https://www.theregister.com/2021/03/31/maine_Workday_dispute/

<https://legislature.maine.gov/doc/9046>

<https://www.thegazette.com/state-government/iowa-ends-contract-with-Workday-company-chosen-without-traditional-competitive-bidding/>

<https://iowacapitaldispatch.com/briefs/scrapped-financial-system-cost-taxpayers-15-7-million/>

Contrary to the statement made to JITOC by the Secretary of Digital Services, Denise Reilly-Hughes, the currently-used software is not at end-of-life.

Legislators need to consider the possibility of funding upgrades to existing software, while we complete our due diligence on this enormous set of proposed changes.

We don't yet have answers on the costs of a gap analysis, historic data retrieval, labor and transportation systems conversions, and what we would own if a change in vendors were needed at a future point.

Vermont's focus on saving millions of taxpayer dollars shouldn't just be on Education. Technology spending offers potentially huge savings if we pause to examine it closely and implement effective oversight.