August 1, 2008

Dear Sir/Madam

They say that success has a 1,000 fathers but failure is an orphan. The SDCARS system certainly proves that. I have been watching the news about the system for the last month. One of the things that has struck me is that no one is talking about HOW the system could have been so badly done.

I know that you are busy but I hope you will take a few minutes to read my letter and the attached article.

The immediate trigger for this letter is an article in the July 24th Pierre Capitol Journal that featured an interview with Secretary Paul Kinsman of the Department of Revenue. I've attached a copy of the article. There are a couple of things that I think are noteworthy in the article.

First, Secretary Kinsman says that the SDCARS system is based on software purchased from Unisys. It was software developed for the State of Indiana and we purchased it for $1.2 million and then worked on customizing it for a total cost of $2.3 million as of June 30.

This is only part of the cost though. In 2005 when the new law was enacted (SB 175) the fiscal impact statement said :
*The Department of Revenue and Regulation estimates it would cost $1,000,000 over two years to rewrite the motor vehicle license and registration system to accommodate this change in the system. The department is already planning to rewrite the system, and the appropriation in this bill would offset half of that in the first year. (http://legis.state.sd.us/sessions/2005/fiscal/fn175A.htm)

Despite the estimate I believe $2,000,000 was allocated for the project. The Bureau of Information Technology (BIT) decided that they could build the new license system themselves instead of putting the project out to bid. As part of the process they requested and received permission to hire six full time employees (FTEs) to work on the project. I believe this is referenced on page 35 of the 2006 budget report (http://www.state.sd.us/bfm/budget/rec06/FY06BudBook.pdf). Or page 2 of the Summary of Recommended Budget Adjustments.

A year later, by the summer of 2006, BIT admitted that they could not build the system despite having spent roughly 1/2 of their budget or about $1,000,000. I do not know if BIT "gave back" the FTEs they had been authorized for this project.

At this point the decision was made to purchase the existing system from Unisys. The proposal was that they would buy the software and hire a consultant from the company that developed it to help BIT customize the product for South Dakota..

Another year went by and in the spring of 2007 BIT realized two things. First, that the "ready made" package would need to have major revisions and second that it could not be done in time for the scheduled 2007 release. At that time an extension of one year was given. This brings us to this year and the well known problems that the system has had.

So, that means that a total of ~$3,300,000 was spent over the course of three years, not the $2,300,000 referenced by Secretary Kinsman. Note that the original estimate was $1,000,000 and two years. It took 50% longer and 330% more money.

The other thing that is striking about the article is that Secretary Kinsman keeps repeating the same basic theme "I didn't know the system didn't work". I have no doubt that this is true. The question is **why** didn't the Secretary know that system...

- Couldn't process boat or trailer registrations
- That some of the screens didn't fit on the monitors
- That the new system was more complicated that system it would replace and much slower
- That some of the fee calculations did not compute accurately
- Or that during some of the training sessions there were several times when the system crashed so badly that the training could not be completed.

Overall a picture is painted of a process that is without control or oversight.

You will note that I have not signed the letter. I realize you could dismiss this as slander from an anonymous whistleblower. However, the above information can be verified by the Legislative Research Council, BIT and the Department of Revenue. I resisted writing this because I did not want to be a whistleblower and maybe get people fired. However, I finally decided to write because it does not appear that anything is being done to keep this from happening again.

The first reaction from the administration in Pierre was that there was no real problem, that the problem was the local county staff, that there were just a few bugs.

This article is the only one that I have seen that reveals just how broken the system was. I find it interesting that on the Capitol Journal's website (http://www.capjournal.com), all of the major articles for the past 10 days are online EXCEPT for this one. In fact there is no reference to Secretary Kinsman that can be found on the site. If I was paranoid I would say that pressure was put on the paper to get rid of the story. (See screen shot at the end of this letter.)

It is also interesting to note that the people who were responsible for the work, BIT, are never mentioned, except to say how hard they are working to fix things. I mean, Secretary Kinsman and his organization need to be scrutinized. But BIT's role needs to be looked at.

Why didn't they report the problems to Secretary Kinsman? Why did it take them 3 years to produce something that was so fundamentally broken? Why didn't they put the effort into fixing things BEFORE they released it instead of making all the car owners of the state become guinea pigs? If a building contractor turned over to a client a building that was defective they would be sued. If this software had been delivered to a private company that private company wouldn't pay for it. One would hope that they would be able after three years to deliever something that worked. So, while Department of Revenue bears blame, their supplier, BIT, has shown that they are less than professional.

Even now, the focus is on "there just a few bugs to fix"; "people will like the system when it is done", etc. While I hope that we will like the system when it is done WHY did we get this? If I run over a person with my car, they won't be satisfied with "You will be okay once you get out of the hospital." They will want to know why I hit them; was I negligent or even criminal in my actions? We in South Dakota have been run over with SDCARS yet the attitude from the makers of this product is "stop your whining".

I write in hopes that someone will put enough pressure on the State to try to fix the system that produced this mess. I feel that without accountability for BIT there will only be more such time and money wasting problems. A major issue here is what internal checks and balance does BIT have, who holds BIT accountable to their "customers" in the State and who watches BIT to ensure they use good business practices?

If these questions are not answered who knows what future SDCARS messes will be created.

Of course another question is how could this problem have happened given BIT had three years to work on it and a model purchased from another state?

I think part of the problem, besides lack of accountability, is that the system is geared to eliminate competition. For example, look at how BIT prices its programming services. When compared to neighboring states BIT's rate structure is very low. For example, in Nebraska and North Dakota rates for junior level software programmers start at $61 and $58 per hour compared to South Dakota's $48 per hour for ALL programmers. (http://its.ne.gov/sla/pdf/sla_rates.pdf) (http://www.nd.gov/itd/billing/ratespro_datapro.html).

While this may seem like a benefit, the effect is that for a division manager or department head it makes it harder to contract out work to better qualified firms. The result is sometimes that the apparent savings means hiring less qualified services that cost more in the long run.

(A side issue is how can BIT provide senior programmers less than for what other states provide junior developers? Do they pay so little that all they can provide are junior programmers? Do they subsidize the programming side with charges for hooking to the network? In the late 90's the per computer charges almost doubled while the cost for programmers stayed flat. Does this mean State agencies are subsidizing programmer costs even if they don't use them?)

The problem is compounded by the way contracts are let. In the case of SDCARS the decision to do the work in house was made in part by BIT. However, their head sits on the committee that decides on which projects should be let to bid and which should be done by BIT. It is interesting to note that many states, for example Iowa, North Dakota and Montana, have a list of pre-approved vendors for state agencies to pick from. The result is that it provides competition. And competition tends to produce better results.

There are many highly qualified BIT developers and tech support people who provide wonderful service. However, the entire system is highly monopolistic, discourages competition and lacks accountability to "customers" in the state agencies. I think this the underlying problem with SDCARS.

Thank you for your time.

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