

# Managing IT Consultant Costs:

## Achieving Cost Savings, Efficiencies and Results

Submitted in Accordance with Conn. Gen. Stat. § 4d - 14

State of Connecticut Department of Information Technology  
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Diane S. Wallace, Chief Information Officer



## ***USING TECHNOLOGY CONSULTANTS***

*It is more cost-effective and operationally advantageous for the State to hire full-time employees than IT consultants for longer-term projects.*

*Per-hour rates are lower, knowledge is retained in-house, and risk reduced through reduced reliance on a non-State entity.*

# Introduction

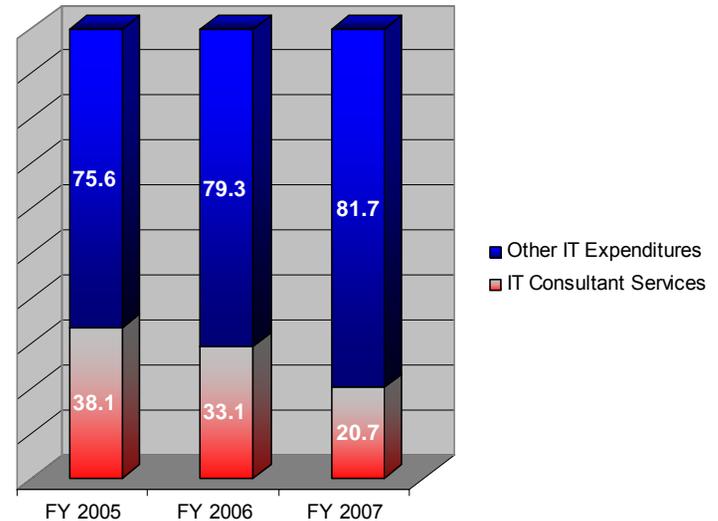
Over the past three fiscal years (FY 2005 – 2007), State of Connecticut agencies spent \$328.7 million on information technology (IT) goods and services.\* Twenty eight percent – or \$92 million – were used to secure IT consultant services.

DOIT's increased attention to IT consultant costs has influenced reductions over the past two years\* - and there is still significant potential for additional reductions and efficiencies with the execution of a statewide IT consultant management strategy to:

- ▶ **Reduce Reliance on Consultants** by addressing underlying factors contributing to consultant retention, including current administrative hiring processes and State IT salary levels;
- ▶ **Increase Consultant Accountability, Maximize Results** through improved system development requirements, rigorous consultant oversight and knowledge transfer to state employees.
- ▶ **Minimize Consultant Duration** through knowledge transfer to State employees

This report, submitted in accordance with Conn. Gen. Stat. § 4d-14, will focus on these elements of a successful statewide IT consultant management strategy, provide status on steps taken and recommend future execution steps consideration in order to realize continued savings and efficiencies.

IT Expenditures 2005 – FY 2007  
(In Millions)



*IT consultants are generally retained to perform functions for which in-house resources – staff and/or expertise – are not available.*

*They may be skill-based, performing project management, application or system development tasks, or support-based, providing ongoing support and maintenance of ongoing systems or projects.*

\* Based on data extracted from Core-CT system

# Reduce Reliance on Consultants

Compensation and administrative factors create disadvantages for the State's recruitment and hiring process, and make it difficult to attract applicants with high-demand or specialized IT skills and experience.

These factors increase the likelihood that an agency will seek external IT consultants rather than hiring full-time staff.

*Review of these factors, and identification of realistic adjustments, are recommended steps to increase the State's ability to recruit and hire talent when needed, and reduce reliance on IT consultants.*

***Progress was made in FY 2007 to start bolstering the State's recruiting position as follows:***

**IT Job Classifications Modernized** DOIT partnered with the Department of Administrative Services (DAS) and the Office of Policy and Management (OPM) to modernize and refine IT job classifications to promote additional opportunity within the State IT workforce.

**New Recruiting Website Launched** A new IT recruitment website ([www.ct.gov/itcareers](http://www.ct.gov/itcareers)) was launched by DAS providing potential applicants with one-stop access to highlights and benefits of State IT employment, and application procedures.

***Recommended areas of action and focus for FY 2008 and beyond include:***

**Review and Adjustment of IT Classification and Hiring Processes** A review and identification of potential adjustments in current administrative processes and restrictions would be an important first step to facilitate and/or expedite State applicant processing and hiring. Recommended for inclusion in the review would be position classification procedures, employee headcount limitations, and new HR requirements instituted in 2005/2006 requiring applicants to undergo new procedures before even being able to apply for competitive IT positions.

**Review and Adjust IT Salary Levels** Low base salaries make it difficult for the State to recruit top talent into the IT workforce. Reviewing and adjusting compensation levels would bolster recruiting efforts and compliment non-monetary benefits inherent in State employment .



# *Reduce Reliance on Consultants* continued..

## **Convert Existing Consultants to State Employees Where Possible**

Consultant expenses are typically 30% more expensive when compared to the salary for a State employee-equivalent position. In addition to their compensation, the State typically provides consultants with office space, phone support and the IT tools to complete their assignments. The length of these assignments is typically five or more years.

## **DOIT strongly recommends transitioning consultant positions and functions to full-time State positions.**

In FY 2009, DOIT's authorized Revolving Fund headcount will increase by 21, enabling the agency to begin the process of converting 21 existing IT consultant positions to permanent State employee titles. The positions will be funded through savings achieved. Estimated savings per position (consultant cost vs. state employee cost) range from 83 to 325 percent.



### ***Critical Success Factor:***

***The State must classify the positions properly in order to attract equally qualified candidates, and must offer flexible starting salaries for experienced hires.***

# Increase Consultant Accountability, Maximize Results

The launch of a new system development methodology, project review meetings, and education and outreach to managers and business owners reflect DOIT's increased emphasis on IT consultant management to promote tighter oversight and accountability.

## New System Development Methodology Launched

In FY 2007, DOIT launched a new, seven phase system development methodology (SDM) required for IT projects in excess of six months work effort or costing more than one million dollars. The SDM provides a methodology to ensure information systems meet mission objectives; are compliant with current and planned standards; and are designed and documented so they are easy and cost-effective to enhance and maintain.

When fully implemented, the SDM will facilitate the management of IT consultants and measurement of results, providing greater accountability and controls on projects.

## Technology Project Review Process in FY 2008

In FY 2008, a new Technology Project Review process will be launched. The forums - to cover both application and infrastructure projects in excess of \$1 million - will include standard, consistent reporting formats on ongoing projects. The forums will complement the SDM process and ensure progress and status is communicated.



## Education/Outreach

In 2007, the SDM, Tools for Consultant Management, including *“Thirteen Steps of Vendor Management,”* were presented at the DOIT IT Leadership Conference.

## 13 Steps of Vendor Management

1. Maintain a detailed, written audit trail of all discussions and agreements.
2. When documenting vendor bids, the operative phrase is "No vendor shall."
3. Get a written commitment on vendor team members, schedules, etc.
4. Roles and responsibilities are clearly written and agreed to.
5. Roles of engagement should include create attendance requirements.
6. Implementation strategies are mutually agreed upon.
7. Reserve the right to review vendor changes and request changes.
8. Project plans are submitted in advance for your approval.
9. Test plans are submitted in advance for your approval.
10. Specify documentation required from the vendor, including media and format.
11. Specify support and maintenance to be provided.
12. Prearrange change control processes and pricing to address scope creep.
13. Any training provided by the vendor must be preapproved by you.

# *Minimize Consultant Duration Through Knowledge Transfer*

Consultants can serve an important and critical role to help the State of Connecticut with its IT efforts. There are times when it makes sense to use a consultant rather than hire another full-time employee:

- When introducing a new technology or skill set to the State, an experienced consultant can mitigate the project risks involved and accelerate knowledge transfer to our employees.
- When additional resources are needed for short-term projects and part-time employees cannot be hired.

**However, all consultant contracts:**

- Should include specific, defined deliverables that are time and cost-bound
- Should be for brief and finite periods of time
- Should require consultants conform to State-established IT standards and methodologies
- Should require that knowledge transfer to State staff take place throughout the project



In addition, a program should be established and monitored to ensure proper documentation and knowledge is transferred to State employees, reducing an agency's reliance on a consultant to perform a task.