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**Location:**

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**ACCENTURE CONTRACTS**

By: Kristin Sullivan, Associate Analyst

You asked for a description of any penalties imposed on Accenture during the last five years by public authorities with which it had contracts valued at over \$ 5 million.

**SUMMARY**

We searched state and federal docket information using Westlaw, Pacer, and Justia, and newspaper articles using several sources, but did not find any state or other public entity that has either imposed a civil penalty on, or filed a lawsuit against, Accenture for a contract violation. However, we did find eight public entities that had problems with Accenture contracts. Four, Colorado, the U. S. Marine Corps, Texas, and Wyoming, terminated their contracts. The termination agreements in at least two of these states, Colorado and Wyoming, required Accenture to issue refunds. The remaining four public entities did not take any formal action, though two audited the contract and one appears to be in the process of doing so now. Table 1 provides a description of issues with Accenture's public contracts and any steps taken to resolve them.

**BACKGROUND**

Accenture, formerly Andersen Consulting, is a global management consulting, technology services, and outsourcing company. It has acted as a consultant to various Connecticut state agencies, including the Office of the State Comptroller for services related to CORE-CT, the state's integrated financial, human resources, and payroll system. In June 2007, Accenture was working with the Ohio Office of Budget and Management (OBM) when a backup computer tape containing financial information from CORE-CT was stolen from an OBM intern's car. Accenture was using the information to develop a similar information system for Ohio.

On September 16, 2007, Governor Rell directed the Office of Policy and Management, the Department of Information Technology, and the Department of Administrative Services to review Connecticut's contract with Accenture to determine whether the company had a right to use information from CORE-CT on any other project, such as the one in Ohio. If the review shows the contract permits Accenture to use the information, Governor Rell said she plans to seek a change in the contract terms to prohibit such actions in the future (Office of the Governor, September 16, 2007 Press Release: <http://www.ct.gov/governorrell/cwp/view.asp?A=2791&Q=395426>). In addition, Attorney General Blumenthal announced his office will file a civil complaint against Accenture.

**Table 1: Description of Issues with Accenture Contracts**

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<b>Entity</b>	<b>Contract Description</b>	<b>Issue</b>	<b>Final Action</b>
<b>Colorado</b>	<p>In 2002, the Department of Labor and Employment awarded Accenture a \$ 39. 6 million contract to help reengineer the state's unemployment insurance system; this amount increased to \$ 40. 8 million after the addition of 14 bilateral contract change orders and six contract amendments.</p> <p>In 2004, the secretary of the state contracted with Accenture for \$ 10. 5 million to help design a centralized voter registration system (CVRS).</p>	<p>The unemployment insurance system was supposed to be online in 2004. By December 2005, Accenture had only completed three of five subsystems and the two largest components, the Unemployment Tax and Unemployment Benefits components, were still incomplete.</p> <p>Concerning the CVRS, the secretary of the state said the system was not reliable and that the company would not meet the deadline under the federal Help America Vote Act (HAVA), which required the system to be in place by January 1, 2006.</p>	<p>Concerning the unemployment insurance system, the labor department declared Accenture in "breach of contract" and launched confidential negotiations with the company to resolve the matter. According to terms of the termination settlement, Accenture refunded \$ 8. 2 million of the \$ 35. 7 million the state paid for the system up to that date. In addition, the state withheld the remaining payments.</p> <p>The secretary of the state terminated the state's contract with Accenture after paying \$ 2 million. The termination agreement, effective December 2005, included a release of claims and a refund for expenditures incurred on the system.</p>
<b>U. S. Marine Corps</b>	<p>In July 2005, the U. S. Marine Corps entered into a six-month, \$ 4. 5 million contract with Accenture to design and implement a new global supply chain and maintenance system.</p>	<p>Generally, Accenture did not meet the contract's requirements, terms, and conditions. It failed to deliver substantial documentation in support of the system's detailed design review phase. The company also did not comply with cost, schedule, and performance baselines and risk assessments for the next phase of the program.</p>	<p>The Marine Corps issued a (1) stop work order in December 2005 and (2) termination-for-cause letter in January 2006.</p>
<b>New York</b>	<p>In 1996, the Department of Social Services (predecessor agency to the Office of Children and Family Services' (OCFS)) contracted with Accenture (Andersen Consulting, at that time) for \$ 37. 5 million to design, develop, install, and maintain the software programs needed to coordinate CONNECTIONS—the federally-required single statewide system for managing child welfare programs. The contract provided for developing and releasing the software in five stages.</p>	<p>CONNECTIONS was initially scheduled for completion by September 1997. The contract was amended five times to provide for extensions and cost overruns. Work under the contract ended on June 3, 2002 but the case management and reporting functions were not operational until about September 2005. The state comptroller estimated the total cumulative cost of the contract would exceed 300% of its original cost.</p>	<p>The state did not take formal action. However, the CONNECTIONS project was audited by the Office of the State Comptroller, examined by the governor and the legislature, and studied by technology consultants. In their reports, these entities found that inadequate planning, ineffective design, and poor communication with users had produced a high-cost, incomplete system that did not meet the needs of the OCFS users who coordinate the state's child welfare services.</p>
<b>Ontario, Canada</b>	<p>In 1997, the government signed a \$ 180 million contract with Accenture to design a computerized welfare system. This was followed by a \$ 32 million contract e to operate and maintain the system.</p>	<p>The initial contract's cost eventually rose to \$ 284 million. Employees experienced problems with the system and considered it cumbersome. At one point, it was down for 16 days, costing taxpayers \$ 2. 4 million. In addition, a government auditor found Accenture's billing rates "substantially higher than the corresponding amounts charged by the Ministry of Community, Family, and Children's Services."</p>	<p>Ontario did not take formal action but in 2004, closed its Accenture-designed call centers.</p>
<b>Pennsylvania</b>	<p>In July 2002, the Department of State entered into a contract with Accenture</p>	<p>Local election officials, among others, testified against the CVRS at the State</p>	<p>The state did not take formal action. However, the Department of State was</p>

	to design, develop, and implement a CVRS that was compliant with HAVA and state law by January 1, 2005 (the state-mandated deadline). The Pennsylvania General Assembly allocated \$ 8.5 million to cover initial system development costs and \$ 2 million per year for ongoing development and maintenance.	Government Committee's public hearing citing: <ol style="list-style-type: none"> <li>1. slow response time,</li> <li>2. difficulty printing poll books,</li> <li>3. error messages,</li> <li>4. batch imaging,</li> <li>5. an equipment shortage, and</li> <li>6. an increase in overtime due to the amount of time it took to input data.</li> </ol>	concerned that the CVRS, as Accenture developed and implemented it, was not fully compliant with HAVA or state law. It hired an independent, third-party consultant to conduct a quality assurance review. Among other things, the consultant found (1) an aggressive schedule that introduced risk to the project, (2) software and data conversion problems, and (3) the vendor did not deliver a documented Project Management Plan developed according to published industry standards.
<b>Texas</b>	In June 2005, Texas' Health and Human Services Commission (HHSC) awarded Accenture an \$ 899 million contract that required it to operate an integrated eligibility determination system for state health and welfare programs. The contract covered call center operations, children's health insurance processing and eligibility determination, integrated eligibility computer system maintenance, and enrollment broker services.	At the request of three legislators, the comptroller of public accounts audited the contract between the state and Accenture. Among other things, she found that (1) the project was behind schedule and \$ 100 million over budget, (2) Accenture had not met its performance requirements and HHSC had not held the firm accountable, and (3) clients were reporting delays and inaccuracies in processing their applications. In October 2006, the comptroller recommended terminating the contract with Accenture immediately.  In November 2006, after receiving numerous complaints about the system, HHSC renegotiated the contract, scaling it back from \$ 899 to \$ 546 million and moving the termination date up by two years to 2008.	In March 2007, HHSC and Accenture announced the dissolution of their contract. In a statement, Accenture said that the two parties could not agree on changes to implement a "rebalancing" of the contract agreed to in 2006.
<b>Wisconsin</b>	In November 2004, the State Elections Board entered into a contract valued at \$ 13.9 million with Accenture to design, develop, implement, and maintain a HAVA-compliant CVRS.	Testing ran behind schedule and software errors found during the initial phase prevented county clerks from completing tasks such as setting up a poll book. Thus, the state could not pilot the system and missed the January 1, 2006 HAVA deadline. Most, though not all, municipalities had the system in place for the September 2006 primary. However, several functions were not in place, including those that would allow election officials to easily identify convicted felons under state supervision who were not entitled to vote or people who tried to vote twice.	A state senator recently requested an audit of this and other state computer contracts.
<b>Wyoming</b>	In February 2004, Wyoming contracted with Accenture for \$ 3.9 million to implement and host its CVRS.	Accenture failed to meet the January 1, 2006 HAVA deadline.	In March 2006, the state and Accenture agreed to terminate their contract and Accenture returned most

			of the \$ 3. 9 million it had already received in payments.
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