Wolf Administration Sues IBM Over Delayed, Costly Unemployment Compensation System Upgrade

March 07, 2017

Harrisburg, PA – Governor Tom Wolf today announced that his administration has filed a lawsuit against IBM for their fraud and failures related to the Unemployment Compensation Modernization System project. The project was awarded to IBM in a fixed-price contract for $109.9 million with a completion date of February 2010. The contract was allowed to lapse in 2013.

“All told, Pennsylvania taxpayers paid IBM nearly $170 million for what was supposed to be a comprehensive, integrated, and modern system that it never got,” Governor Wolf said. “Instead, the Department of Labor and Industry has been forced to continue to support many of its UC program activities through a collection of aging, costly legacy systems, incurring tens of millions of dollars in server, support and maintenance costs.”

As delays and costs mounted, a July 2013 independent assessment of the IBM project recommended that DLI not continue with the project because of the high risk of failure.

Accordingly, because IBM’s benefits system presented unacceptable risks and would be unreliable, DLI allowed the UCMS contract to lapse on its September 28, 2013 expiration date. At that point, the UCMS project was 45 months behind schedule and $60 million over budget.

The administration’s suit, filed on behalf of the Department of Labor and Industry, asserts claims for breach of contract, fraudulent misrepresentation, negligent misrepresentation, constructive fraud, and fraudulent concealment.

The lawsuit was filed today in the Dauphin County Court of Common Pleas.