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'Shadow Elite': Information Is Power And Who's Controlling Our Information?

Janine Wedel's "Shadow Elite"--particularly her chapter on "U.S. Government, Inc."-- struck a familiar chord with me. She writes that our national and public interests risk being sold out because core government functions like running intelligence operations, controlling homeland security databases, and managing federal taxpayer monies doled out under the stimulus plans and bailouts are being outsourced to private contractors. Contracting is rampant: Today three-quarters of people working for the U.S. government are not government employees but private contractors. And it is no longer just printing and cleaning and food services that are being contracted out; it is the primary work of government.

Working for the last 17 years in information technology organizations for Missouri state government, I have seen a similarly alarming (and growing) trend on the state level. Over 25 years, as an information systems developer, manager, and administrator in both state and private organizations, I have increasingly come to the conclusion that we are putting our state's operations at risk and compromising the trust of the people of our state by outsourcing core government functions. And outsourcing does not come cheaply.

Let me explain from inside the world of IT. You might think that IT is one of those things like food services that can be easily spun off. Not so. When we talk about information systems and IT, we are not just speaking of geek technology. We are talking about the detailed mapping of an agency's operations into data and automated processes, which then embody and implement the functions of government. Information systems--encompassing software development, maintenance, and operations--hold the government's data, as well as the rules applied to that data and the business processes that make up government functions and services. These systems are also the source for most decision-making reports and analyses that guide decisions (other than those driven by politics or other power struggles). Almost always the analysts, designers, and programmers responsible for the software know the organization's business operations better than anyone else in the organization. When the IT function is outsourced, governments are put at risk. And so is the public's interest.

Here's why. In many of our agencies, at least one key software system was developed by an external organization with little substantial involvement from the state's IT staff. Once these systems are in place, there may be no one in the state's IT organization who knows the system well enough to maintain it. Thus I've witnessed, with alarm, such instances as these:

- Missouri's Medicaid agency has one of the largest budgets in the state. Beginning more than two decades ago, the agency outsourced the development and maintenance of the Medicaid payment system. The system is maintained through a contract that has to be rebid periodically, putting its operation at risk each time the contractor changes. Moreover, the maintenance cost for this system is disguised from public view (because its cost is recorded as a "Program Service," not as an "IT Service") and I believe it is much

more costly to taxpayers than doing this work in-house would be. In FY 2009 this cost taxpayers over \$55 million--far more than was spent by any other agency on information systems.

- Across the state, other key systems have been developed or configured by external companies and the dependence on those contractors periodically comes to the surface. After only about six years of operation of the state's accounting and human resources system, the contractor that was originally paid tens of millions of dollars announced that it was moving to a new technology and would no longer support our installed version. It has taken threats and negotiations to maintain support by the contractor for the last few years. There is still no long-term solution--and this is the state accounting system!
- After an unfavorable audit a few years ago, the Department of Health and Senior Services found itself in a crisis situation. The department's core public health system had been developed almost completely by contracted programmers and funding for most of those positions was cut off as a result of the audit. The agency had to scramble to create state IT positions so they could retain some of the development staff and their knowledge of the system. Had we lost those individuals, the Department would have struggled to manage the primary public health database in the state.
- The Missouri Department of Revenue, which has been more "political" than most departments, has a history of contracting for the development of information systems, including vital tax systems. Some of their development contractors are no longer in business, leaving the agency with programs they can maintain only with difficulty. At least one contractor knew it had the state in a compromised position and made an exorbitant bid for a system upgrade. Another tax system is running on a version of server software that is more than a decade old. Others of their systems still require desktop software that is out of date and cannot be supported much longer. Overall, it is hard to justify the condition of the systems in this department and, of course, the public has no idea of this situation.
- Most recently, the Office of Administration acquired a software system for tracking federal stimulus funds distributed through the state. For a few months this system appeared to be the most politically visible program in the state. The software package was configured and installed by a local contractor and subcontractor. They did an excellent job considering the deadlines they had to meet. As in most outsourcing situations, however, there was no time, and no dedicated staff, to assure that in-house IT staff understood exactly how to maintain the system. For any critical change or failure in that system, the state has to rely on the original contractor and sub-contractor to make corrections in a timely manner. But, the right people may not be available when they are needed. Their first obligation is to their business, not to the government.

Amazingly, Missouri was one of only three states given an "A" in management of information by Governing Magazine in their 2008 state rankings, so one can imagine the situation in most other states. Missouri's current IT leaders have indicated some intent to rely more on in-house IT staff and are making other attempts to improve control of IT systems. In addition, Missouri has often been fortunate to work with reliable IT contractors who employ local people, including some who have been state employees for part of their career, so the expertise stays "local" and some loyalty to the state may be preserved. But, if outsourcing expands or if different contractors are chosen, our current good fortune may end.

Tight budgets and political forces are driving Missouri and other state governments toward operating in an emergency mode and we respond by privatizing more government work. As illustrated by the examples given here, an increasing number of the people performing IT work are not state employees and therefore do not possess the unique knowledge of government functions and data and do not have the same priorities and loyalties. In the long run, this can't help but undermine the integrity and reliability of our government.