

**The e-Payroll Quicksilver Project:
Status and Concerns
Period Ending March 22, 2004**

**Report No. 23-04-010-13-001
Date Issued: March 31, 2004**



March 31, 2004

MEMORANDUM FOR: SAMUEL T. MOK
Chief Financial Officer

Elliot P. Lewis

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: The e-Payroll Quicksilver Project: Status and Concerns
Period Ending March 22, 2004
Audit Report No. 23-04-010-13-001

The attached report is submitted for your action. This report incorporates the Deputy Chief Financial Officer's response to the draft report briefing and the auditor's conclusion to the response. In addition, the Deputy CFO's response is attached to this report in its entirety. We request a response to this report by April 23, because of the significance of the issues presented.

In her response to the draft report, the Deputy CFO stated that the audit staff had not asked for information/documentation which has now been made available as part of the agency's response to the draft report. The OIG and its contract auditor requested information on a number of occasions, the most recent of which was the potential notification of findings meeting that was discussed on March 12, 2004, and provided in advance of the meeting on March 9, 2004.

From the information provided to the OIG in the OCFO's response and discussions held at the briefing of the draft report on March 30, 2004, certain small changes were made to the attached briefing involving clarifications and changes of an editorial nature. In addition, this information was used to develop the following OIG conclusions and resolution determinations for the briefing's recommendations:

RECOMMENDATION 1 – Obtain a written confirmation from NFC that the conversion can be completed by September 30, 2004 for DOL. Insist on reviewing NFC project plans and maintain periodic discussions with NFC management to confirm continuously that NFC is on schedule to meet DOL's deadline.

OCFO Response: The OCFO received February 11, 2004, written confirmation from NFC the conversion can be completed by September 30, 2004.

OIG Conclusion: Based on the information provided to OIG, **this recommendation is closed.**

RECOMMENDATION 2 – Develop a detailed conversion plan that indicates the process and milestones that ensures all payroll and retirement data validation will be completed and how the conversion of the data to NFC will be accomplished.

OCFO Response: The OCFO provided OIG an updated conversion plan and information related to the OPM Retirement Systems Modernization project.

OIG Conclusion: The conversion plan provided to the OIG is still a draft; therefore, **this recommendation is unresolved.** To resolve this recommendation, the OCFO must finalize the e-Payroll conversion plan and provide the OIG the plan of action and target date the OCFO will accomplish this step.

RECOMMENDATION 3 - Brief the TRB on the status of the e-Payroll project on a regularly scheduled basis to gain added insight and advice from knowledgeable and experienced Department-wide IT managers.

OCFO Response: The OCFO did not respond to this recommendation.

OIG Conclusion: As a result of the OCFO not responding to this recommendation, **this recommendation is unresolved.** To resolve this recommendation, the OCFO needs to provide OIG with a description of how OCFO will involve the TRB and the timing of such involvement.

RECOMMENDATION 4 - In accordance with the *DOL Guide to IT Capital Investment Management* (May 2000), commit to having the OCIO and TRB involved in the e-Payroll project and take advantage of the OCIO's authority to leverage DOL's IT resources to ensure project success.

OCFO Response: The OCFO states the CIO has been and continues to be involved in the project. The OCFO states that the Deputy CIO is the CIO's representative to the e-Payroll project status meetings with OMB and OPM and forwards the e-Payroll project business case to OMB. The OCFO states it will work with the CIO to assure each complies with statutes that govern their respective oversight roles. In addition, the OCFO is following *DOL's System Development and Life Cycle Methodology*.

OIG Conclusion: OIG acknowledges the OCFO is planning to involve the OCIO. **This recommendation is unresolved.** To resolve this recommendation, the OCFO needs to provide OIG with details on how the OCFO will involve the CIO and the timing of such involvement.

RECOMMENDATION 5 – Commit to developing an updated project migration budget indicating expected costs of migration.

OCFO Response: The OCFO developed in February 2004 a project budget as part of the analysis of the migration options.

OIG Conclusion: Based on the information provided to OIG, **this recommendation is unresolved.** To resolve and close this recommendation, the OCFO needs to provide OIG a detailed project budget showing major cost activities, such as: contractors, experts, staff, non-CFO agencies, travel, etc.

RECOMMENDATION 6 – If these actions cannot be taken within a reasonable amount of time, the DOL should reevaluate its ability to achieve the September 30, 2004 deadline.

OCFO Response: The OCFO achieved the actions recommended by OIG and took many other important actions. In January 2004, data mapping began in the Department's payroll system to the NFC system and was substantially completed in early February 2004.

OIG Conclusion: **This recommendation is unresolved.** The OCFO believes it has achieved many of the actions recommended by OIG. While data mapping is a critical step towards migrating to NFC by the September 30, 2004 target date, there remain significant key milestones that must be met in the very near future. Without a finalized DOL conversion plan and the OCFO's commitment as to how and when the TRB and OCIO will become involved in the effort, the project has added risk and could result in lost opportunities. To resolve this recommendation, the OIG will assess OCFO's compliance with DOL's SDLC policies and guidelines and follow up on the corrective actions of the OCFO in response to recommendations 1 through 5 above.

If you have any question concerning this audit report, please contact Keith Galayda, Director, Office of Information Technology Audits, at 202-693-5259.

Attachment

cc: Patrick Pizzella



U.S. Department of Labor
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United States Department of Labor Office of Inspector General

The e-Payroll Quicksilver Project: Status and Concerns Period Ending March 22, 2004

Audit Report No. 23-04-010-13-001
Date: March 31, 2004



The e-Payroll Quicksilver Project: Status and Concerns

This audit was performed by Urbach Kahn & Werlin Advisors, Inc., under contract to the Office of Inspector General, and, by acceptance, it becomes a report of the Office of Inspector General.



Executive Summary

The following concerns were identified:

Lack of Preparedness of NFC including:

- *Lack of equivalent technological capability at NFC*
- *Financial and time strain to build required NFC interfaces*
- *Lack of availability of NFC to exchange critical information*
- *Hard-set NFC deadline requirements*
- *NFC admission of possible deadline failure due to priority conflicts*

Lack of Preparedness of DOL including:

- *Delays in making conversion alternative decision*
- *A data validation process is needed prior to conversion*
- *Lack of detailed conversion plan*



Executive Summary continued...

The following concerns were identified:

Project Management concerns including:

- *Budget estimates for migration appear unreasonable*
- *Lack of user involvement in project development*
- *Limited involvement of the Office of the Chief Information Officer (OCIO) and the Technical Review Board (TRB)*



Executive Summary continued...

To ensure effective management of the project, including meeting the current deadline of September 30, 2004, we recommend the following must happen immediately:

- Recommendation 1 - Obtain written confirmation from NFC that the conversion can be completed by September 30, 2004, for DOL. Insist on reviewing NFC project plans and maintain periodic discussions with NFC management to confirm continuously that NFC is on schedule to meet DOL's deadline.
- Recommendation 2 - Develop a detailed conversion plan that indicates the process and milestones that ensures all payroll and data validation will be completed and how the conversion of the data to NFC will be accomplished.
- Recommendation 3 - Brief the TRB on the status of the e-Payroll project on a regularly scheduled basis to gain added insight and advice from knowledgeable and experienced Department-wide IT managers.



Executive Summary continued...

To ensure effective management of the project, including meeting the current deadline of September 30, 2004, we recommend the following must happen immediately:

Recommendation 4 - In accordance with the *DOL Guide to IT Capital Investment Management (May 2000)*, commit to having the OCIO and TRB involved in the e-Payroll project and take advantage of the OCIO's authority to leverage DOL's IT resources to ensure project success.

Recommendation 5 - Commit to developing an updated project migration budget indicating expected costs of migration.

Recommendation 6 - If these actions cannot be taken within a reasonable amount of time, the DOL should reevaluate its ability to achieve the September 30, 2004 deadline .



Executive Summary continued...

- Attached to this report is the Deputy CFO's response in its entirety. As part of the CFO's response, it was stated that the auditors had not requested certain documentation which has now been made available as part of the agency's response. On the contrary, the OIG and its auditor requested the basic planning information through its data requests, through our notification of potential finding, and through a pre-briefing with the OCFO's project team and official.



Audit Objective

To determine whether the conversion and migration effort of the Department's Payroll functions are being effectively managed to ensure the project will meet the target date of September 30, 2004; as directed by the President's Management Agenda quicksilver project, "e-Payroll: Payroll Processing Consolidation"



Audit Scope

For this interim report, we audited the project management activities of the Office of the Chief Financial Officer (OCFO) located in Washington, DC, and related supporting documentation that is being used to achieve a September 30, 2004, implementation date for the e-Payroll conversion and migration project including:

1. the completeness of documentation required by DOL's SDLCM or a SDLC methodology approved by the OCIO;
2. project management compliance with activities specified within the DOL SDLCM or another OCIO approved SDLC methodology;
3. project management involvement of DOL Business Sector decision making authorities and;
4. responsibilities and progress of any third party agencies involved with the conversion/migration.

This report is not based on an assessment of all management controls that could be considered as the audit progresses.

Compliance/noncompliance of any of the above will be reported using interim reports as well as an overall report at the conclusion of the audit. This interim report is based on our work from February 6, 2004 to March 22, 2004.

The audit period for this engagement is January 1, 2004 – September 30, 2004



Audit Methodology

We have:

- Assessed the activities and documentation developed for each SDLC phase
- Assessed project management activities during the course of preliminary system development
- Reviewed conversion and migration documentation developed during the decision making process
- Conducted interviews with key DOL personnel, including members of the OCFO, OASAM and AO groups
- Obtained and analyzed OCFO Fit-Gap reports
- Performed preliminary interviews and assessments of outside parties hired to provide resolution
- Adhered to the Government Auditing Standards outlined in GAO's "Yellow Book"



Reporting

This report is an interim report. As additional work is performed, further interim reports could be developed during the audit including our final report at the conclusion of the audit.



Condition

An aggressive timeline is being pursued for start-to-finish implementation of the system given the preparedness of NFC and DOL. The current deadline for completion is September 30, 2004.



Areas of Concern

Preparedness of NFC

- **Lack of equivalent technological capability at NFC**
 - NFC currently does not have system capabilities in place to allow for a “wholesale” migration of all DOL payroll and Human Resource functions
 - If DOL was required to transfer all of its current payroll and HR systems, including but not limited to the functionality of payroll, Time and Attendance and WebPARs, to NFC, functionality would be lost (i.e., NFC cannot support the paperless process that DOL currently has in place)
- **Financial and time strain to build required NFC interfaces**
 - Since DOL has decided to migrate to NFC using a “Phased” approach, interfaces need to be built to communicate with NFC
 - Building these interfaces will require a commitment of time and resources that would be unnecessary if NFC maintained an equivalent technological capability to DOL



Areas of Concern continued...

Preparedness of NFC

- **Lack of availability of NFC to exchange critical information**
 - In the early project stages NFC did not readily make themselves available to discuss the development of a methodology for successful conversion/migration
- **Hard-set NFC deadline requirements**
 - NFC has stated that a successful conversion of this magnitude requires approximately 6-9 months



Areas of Concern continued...

Preparedness of NFC

- **NFC admission of possible deadline failure due to priority conflicts**
 - According to the **Risk Management Matrix** there is a high probability that the following will occur:
 - **“If there are other Federal or legislative mandates that are required to be implemented within the same timeframe and are competing for the same human resources within NFC, then the migration schedule may be delayed.”**
 - A high probability is defined as “more likely to happen than not”
 - NFC’s Mitigation strategy for the above risk:
 - **“Utilize a sound issue management process and treat new legislative or regulatory mandates as issues. If NFC and DOL cannot resolve an issue, then escalate the issue to OPM in accordance with the Issue Management Plan.”**



Areas of Concern continued....

Preparedness of the Department of Labor

- **Delays in deciding on conversion options due to research of conversion/migration alternatives**
 - Conversion alternatives were still being researched in early 2004 and a final Decision Paper was not signed until March 1, 2004
 - The extensive research of the alternatives was valuable to the project, nonetheless, it increased the risk to complete the project by September 30, 2004
 - While alternatives were being reviewed, the Department did proceed with data mapping efforts
- **An adequate data validation process is necessary prior to full conversion/migration**
 - HR files must be reviewed for correctness prior to transfer
 - Current estimates are indicating that this data review and validation will cost approximately \$2 million



Areas of Concern continued....

Preparedness of the Department of Labor

- **Delay in creating conversion plan due to delay in making final conversion decision**
 - A detailed conversion plan has not been completed for the project
 - A consulting firm has been hired to research and develop the conversion plan along with assisting the conversion process and developing interfaces



Project Management Concerns

- **Budget Issues**

- Based on information supplied by the Department: Office of the Assistant Secretary for Administration and Management, initial estimates for the payroll migration project was approximately \$1.5 million. However, current project expenses include the following:
 - \$1 million task order issued by OCFO to Deloitte for consulting
 - \$455,000 still to be paid to NFC by DOL
 - \$2 million data validation (estimation)
 - \$400,000 to be paid by DOL for (I.C.A.M.S.) support
 - \$3,855,000 is the total forecasted amount to this point with a possibility for further expenditures once the project is underway due to unforeseen circumstances

- **Lack of user involvement**

- Based on documentation obtained from the Administrative Office (AO) committee, early communication with the AO committee was not forthcoming. Multiple memos were sent by the AO group to the OCFO requesting more information.
- Current information provided to AOs is lacking detail and is not presented in a discussion format that allows for value-added decision making by the AO committee



Project Management Concerns continued.....

- **Limited involvement with Office of Chief Information Officer (OCIO) and the Technical Review Board (TRB)**
 - To date, the OCIO has not been involved with any decision making aspects of the project
 - This project is a Threshold 3 initiative that requires involvement by both the OCIO and TRB:

The *DOL Guide to IT Capital Investment Management* (May 2000) states the following as criteria for a Threshold 3 initiatives:

- *“Acquisition costs exceed \$5m annually OR initiative impacts more than one DOL agency, OR involves highly visible/sensitive systems, OR sets a new technological direction, OR impacts a financial system.”*



Possible negative results if not addressed

- **Increased risk of design errors in development remaining unresolved until late in the project. For example, by not spending a significant amount of time mapping out current DOL requirements, the final design may not work as needed due to an omission of certain finite details.**
- **Time available for testing is decreased. For example, if the development phase for defining business processes is running very close to the deadline, less time will be available for testing multiple scenarios and situations for unique business processes. Even if comprehensive test plans are in place, as the time table approaches the deadline, testing of unique business processes may be dropped to meet the deadline if the basic payroll system is working.**
- **Increased likelihood of inadequate control focus due to lack of adherence to a checkpointed SDLC methodology. If controls are not designed in the project plan, they are less likely to be implemented during the actual development phase due to a lack of time for consideration. For example, if it is decided not to design segregation of duties controls early in the process due to lack of time to consider user profiles and user trust levels, a system may be created having little or no controls regarding user access.**
- **Increased likelihood that project will focus on minimum set of objectives needed to meet the deadline versus fully ensuring that all DOL objectives are met efficiently and cost effectively. For example, if the deadline is approaching and the system can only come on-line if only basic payroll services are utilized, then value-added services (i.e., Time and Attendance and other interfaces) may be bypassed just to allow the system to go-live as of September 30, 2004.**



Recommendations

To ensure effective management of the project, including meeting the current deadline of September 30, 2004, we recommend immediate action on the following:

Recommendation 1 - Obtain written confirmation from NFC that the conversion can be completed by September 30, 2004 for DOL. Insist on reviewing NFC project plans and maintain periodic discussions with NFC management to confirm continuously that NFC is on schedule to meet DOL's deadline.

Recommendation 2 - Develop a detailed conversion plan that indicates the process and milestones that ensures all payroll and retirement data validation will be completed and how the conversion of the data to NFC will be accomplished.

Recommendation 3 - Brief the TRB on the status of the e-Payroll project on a regularly scheduled basis to gain added insight and advice from knowledgeable and experienced Department-wide IT managers.



Recommendations continued...

To ensure effective management of the project, including meeting the current deadline of September 30, 2004, we recommend immediate action on the following:

Recommendation 4 - In accordance with the *DOL Guide to IT Capital Investment Management* (May 2000), commit to having the OCIO and TRB involved in the e-Payroll project and take advantage of the OCIO's authority to leverage DOL's IT resources to ensure project success.

Recommendation 5 - Commit to developing an updated project migration budget indicating expected costs of migration.

Recommendation 6 - If these actions cannot be taken within a reasonable amount of time, the DOL should reevaluate its ability to achieve the September 30, 2004 deadline.

Attachment
OCFO's Response to Draft Report

(Auditor's Note: Attachments were provided as a part of the OCFO's response to the draft report. This documentation is voluminous and is not included as part of this report.



March 31, 2004

MEMORANDUM FOR ELLIOT P. LEWIS**FROM:***Barbara Burkhalter*
BARBARA BURKHALTER
Deputy Chief Financial Officer**SUBJECT:**Audit Report No. 23-04-010-13-001 "The e-Payroll Quicksilver
Project: Status and Concerns" Period Ending March 22, 2004

This responds to your request for comments on the subject report. Your representatives in a meeting on March 30, 2004, at 3 P.M., distributed the report to OCFO staff. At that meeting, we were informed that you desire to issue this report in final tomorrow, March 31, 2004, so that it can be included in your Semiannual Report to Congress.

It was our impression at the meeting today that there were many factual inaccuracies and misleading statements in the report that need to be corrected. To assist you with making those corrections, we agreed to provide you with documentation that you had not previously requested. The documentation is included as exhibits. In addition, here is our written response to your concerns and recommendations.

OIG Recommendation: Obtain written confirmation from NFC that the conversion can be completed by September 30, 2004. Insist on reviewing NFC project plans and maintain periodic discussions with NFC management to confirm continuously that NFC is on schedule to meet DOL's deadline.

OCFO response: On February 11, 2004, we received written confirmation from NFC that the conversion can be completed by September 30, 2004, if we meet certain dates, which we have met. A copy of the letter is attached as Exhibit 1. We receive regular updates to the NFC project plan. A copy of the March 15, 2004, update is attached as Exhibit 2. We maintain periodic discussions with NFC management. The most important meeting is where DOL and NFC meet with OMB and OPM. The most recent meeting was on March 15, 2004. The minutes of that meeting are attached as Exhibit 3.

OIG Recommendation: Develop a conversion plan that indicates the process and milestones that ensures all payroll and retirement data cleanup will be completed and how the conversion of the data to NFC will be accomplished.

OCFO Response: We developed a conversion plan in Microsoft Project to expand the DOL tasks on the NFC overarching migration plan. A copy of the DOL tasks is attached as Exhibit 4. The conversion of the retirement records to OPM is not part of the e-payroll project. A copy of the OPM Retirement Systems Modernization project is attached as Exhibit 5 to confirm the exclusion.

OIG Recommendation: Brief the TRB on the status of the e-payroll project on a regularly scheduled basis to gain added insight and advice from knowledgeable and experienced department-wide IT managers. Commit to having the OCIO and TRB involved in the e-payroll project and take advantage of the OCIO's authority to leverage DOL's IT resources to ensure project success.

OCFO Response: The OCIO has been and continues to be involved in the project. The Deputy CIO is the CIO's representative to the e-payroll project status meetings with OMB and OPM. The Deputy CIO's office is responsible for forwarding the e-payroll project business case and capital investment plan to OMB after they are satisfied with it. The OCFO oversees the development or enhancement of all financial management systems in accordance with the CFO Act. The OCFO will work with the OCIO to assure each complies with statutes that govern their respective oversight roles. The E-payroll project is following the implementation and documentation phases of the Department's Systems Development and Life Cycle Methodology as illustrated at Exhibit 6.

OIG Recommendation: Commit to developing an updated project migration budget indicating expected costs of migration.

OCFO Response: The project migration budget was developed in February 2004, as part of the analysis of the migration options and with the involvement of appropriate DOL individuals. A copy is attached as Exhibit 7.

OIG Recommendation: If these actions cannot be taken within a reasonable amount of time, the DOL should re-evaluate its ability to achieve the September 30, 2004, deadline.

OCFO Response: As described above, the OCFO has already achieved the actions recommended by the OIG. In addition, OCFO staff took many other important actions. Beginning in late January 2004, they mapped the data in the department's payroll system to the NFC system. This was substantially completed in early March 2004. A copy of the index to the data mapping files along with a sample of the content is included as Exhibit 8.

This is not a complete listing of all the corrections needed to the report in order for it not to be misleading or inaccurate. Those other changes were communicated to your representatives in the meeting today and they assured us that they would be revised. If you have any questions about the information presented above or any other questions of the OCFO about the e-payroll project, please contact Barbara Burkhalter at 693-6834.

Attachments