

REVIEW OF THE PLANNED TRANSFORMATION
OF THE G S A OFFICE
OF THE CHIEF FINANCIAL OFFICER
REPORT NUMBER A030245/B/6/F05001
NOVEMBER 1, 2004

Date : November 1, 2004

Reply to
Attn of : Heartland Field Audit Office (J A-6)

Subject : Review of the Planned Transformation of the G S A Office of the Chief Financial Officer
Report Number A030245/B/6/F05001

To : Kathleen M. Turco
Chief Financial Officer (B)

This report presents the results of our review of the planned transformation of the G S A Office of the Chief Financial Officer (O C F O). The review assessed the actions taken by the O C F O in working toward achievement of goal three (and subsequently goals one and two) reflected in the O C F O five-year plan covering Fiscal Years (F Y) 2003 through 2007.

Our review did not extend beyond the survey phase.

Background.

The Chief Financial Officers (C F O) Act of 1990 established the Chief Financial Officer position at (G S A). This same Act spelled out the authority and functions of the (G S A C F O). These duties include:

- Oversight of all financial management activities relating to programs and operations of the agency;
- Development and maintenance of an integrated agency accounting and financial management system, inclusive of financial reporting and internal controls;
- Direction, management, and policy guidance and oversight to agency financial management personnel, including preparation and implementation of a five-year financial management plan;
- Preparation and transmission of the annual audit report; and
- Monitoring the financial execution of the agency budget in relation to actual expenditures and preparing timely performance reports.

The C F O Act of 1990 also requires that the Office of Management and Budget (O M B) prepare a government-wide financial status report and five-year financial management plan. The G S A C F O is required to prepare and annually update the agency plan to implement the O M B five-year plan.

Shortly after her arrival at G S A in August 2002, the new agency C F O identified the need for a comprehensive five-year plan for the (G S A O C F O). Accordingly, the G S A O C F O subsequently prepared and published its Five-Year Plan (Plan) covering F Y 2003 – 2007. The Plan states that “G S A has achieved smooth running of day-to-day financial operations and now can shift attention and resources to developing financial strategies that improve organizational performance; transforming the O C F O from a transaction-based operation or “bookkeeper” to a value-added advisor and business partner directly involved in and driving decision-making.” As stated in the Plan, the goals and strategies in the Plan provide the framework for this transformation.

Objective, Scope and Methodology.

The objective of the review was to assess the status of goal three of the Plan. Goal three is “Reliable financial management systems and innovative solutions.” According to the Plan, goal three of the plan must be accomplished in order to achieve goals one and two. Goal one is “Deliver World Class Financial Management Services to G S A and External Customers.” Goal two is “Timely and Accurate Internal and External Financial Analysis and Reporting.”

To achieve our objective, we reviewed the C F O Act of 1990, the F Y 2003 G S A Annual Performance and Accountability Report, a draft version of the Pegasys Post Implementation Review report, G S A performance measure tracking system, various budget related documents and reports, and prior reports issued by the Office of Inspector General. We also distributed an electronic survey to the G S A Chief Information Officer (C I O) and the C F O and C I O of G S A Public Buildings Service (P B S), Federal Technology Service (F T S), and Federal Supply Service (F S S). Further, we issued an electronic survey to the O C F O and held discussions with O C F O associates. Finally, we determined the costs of O C F O system related projects through electronic queries of the G S A Financial Management Information System (F M I S).

The review was conducted in accordance with those generally accepted Government auditing standards applicable to the survey phase of an O I G project.

Results of Review.

Our survey noted that the G S A O C F O is attempting to accomplish a significant number of initiatives concurrently in an effort to fully implement the C F O Act of 1990. We also noted that (1) the G S A C I O and the C F O and C I O of the G S A Services indicated a generally positive relationship with O C F O through continued communication and cooperation, and (2) other factors could impact future O C F O transformation efforts.

Given the number of initiatives underway, we do not believe that work beyond a survey is merited at this time.

G S A O C F O has Multiple Initiatives Underway.

Our survey noted that the O C F O has established 22 initiatives related to achievement of the strategic goals in the Plan. Within the systems development area alone, the O C F O has eight separate initiatives. The O C F O has documented initiative start dates, percentage of completion, importance, targeted end dates, actual end dates (if applicable), ownership, and in some cases, subtasks that reflect the same attributes as main tasks.

One of the 22 initiatives for F Y 2004 is the establishment of an O C F O Program Management Office (P M O). G S A Order A D M 5440.578 dated December 23, 2003 formally established the P M O within the (O C F O). The stated function of the P M O is to develop project management policies and procedures. The P M O is responsible for consistency in project planning, budgeting, management, and control throughout their lifecycles. At the time of our review, the O C F O was hiring P M O staff so that the organization could be fully functional in F Y 2005.

The C F O's Enterprise Architecture (E A) initiative is scheduled for completion in F Y 2005. The O C F O expects to start the process of partnering with the Office of the C I O (O C I O) on the One G S A Enterprise Architecture Project on October 1, 2004 with a targeted completion date of April 1, 2005. Our discussion with O C F O associates confirmed the status of this initiative. They stated the O C I O has established an organization for coordinating all future E A efforts within the agency. We further noted that G S A Order C I O 2110.1 dated July 23, 2004 prescribed the agency-wide policy, principles, roles and responsibilities for the establishment and implementation of the One (G S A E A). Included in the Order is the establishment of the Enterprise Architecture Program Management Office, which will be responsible for coordinating the development, use and maintenance of the One (G S A E A).

Full implementation of the Pegasys application and related activities is critical to the achievement of O C F O goals one through three. We focused on four financial management system related initiatives that, if accomplished, represent significant progress toward O C F O strategic goal achievement. These initiatives are: asset management, cost allocation, accounts receivable/billing, and systems integrity.

The Asset Management Implementation Project is comprised of three tasks (titled Business Requirement, Market Research, and Business Case). The remaining task to be accomplished, Business Case, is scheduled for completion by February 1, 2005. At a July 2004 Pegasys conference, O C F O associates indicated they were gathering customer requirements, setting preliminary time schedules, and performing market analysis of software packages.

The Pegasys Cost Allocation Module Implementation Project is also comprised of three tasks (Business Requirements, Development, and Implementation).

The Implementation task is scheduled for completion by June 1, 2005. A July 2004 Pegasys conference presentation disclosed that user requirements for this effort are currently being defined and reviewed, dependent on the user involved.

The Accounts Receivable/Billing Implementation Project currently reflects a single task – scoping of the project. The recorded start date for this task is July 1, 2004. The targeted end date is December 1, 2004. The C F O advised us that a contract would be awarded to define the requirements in September or October 2004.

The Financial Systems Integrity initiative is focused on correcting system related concerns identified and reported by G S A financial statement auditor, PricewaterhouseCoopers (P w C). During its F Y 2003 audit, P w C identified several internal control issues related to the financial management systems. In following up on the internal control issues during the F Y 2004 audit, P w C reported that most of the previously reported issues have been resolved. Upon completion of the F Y 2004 financial statement audit, the status of financial management system internal control issues will be more definitive.

In addition to the 22 initiatives related to the O C F O Plan goals, our review of F Y 2006 budget documents revealed that the O C F O is requesting additional funding for three independent business process re-engineering studies. The studies relate to (a) financial operations and workflow, (b) financial systems operation and maintenance, and (c) organizational structure and human resources needs. During an August 2004 meeting, the C F O advised us that O C F O decided to begin the studies now instead of waiting until F Y 2006.

Survey of O C F O Customers.

As part of our effort, we sent an electronic survey to the C F O and C I O of each major G S A organization (P B S, F S S, and F T S) as well as the G S A C I O to assess the type and extent of the working relationship between the O C F O and its internal (G S A) customers.

We asked several questions addressing coordination and communication related to development of financial management systems, development of the financial management enterprise architecture, implementation of Pegasys, e-government initiatives, and business process re-engineering.

The results of our survey indicated a generally positive relationship between the O C F O and its internal customers. We specifically noted that the written responses to our questions reflected an environment of cooperation and communication.

Financial System Costs.

As noted above, full implementation of Pegasys and related systems is critical to achievement of O C F O goals. Until full implementation is accomplished,

G S A will continue to spend money on two financial operating systems (Pegasys and NEAR) to maintain required functionality.

During our review, we queried G S A F M I S to identify the costs associated with Pegasys and NEAR. For F Y 2003, G S A spent \$27 million on Pegasys and NEAR. Of this amount, G S A spent approximately \$21 million on Pegasys and \$6 million on NEAR. Through August 18th of F Y 2004, G S A spent \$15 million and \$5 million on Pegasys and NEAR respectively. We did not include internal G S A costs in our totals.

During our August 2004 discussion, the C F O indicated that G S A would need to continue operation of the NEAR system through F Y 2005.

Additional Potential Influences.

During our survey, we identified several additional factors that could influence the O C F O's successful accomplishment of its strategic goals.

G S A recently established the Business Systems Council (B S C) as a subset of the Executive Committee. The purpose of the B S C is to determine the direction, interface, and impact of information technology on achieving business objectives for G S A. The B S C is to coordinate its efforts with several other established G S A management processes. Because of the newness of the B S C, its impact on the O C F O and its strategic goal achievement is not yet known.

As part of G S A independent verification and validation services for Pegasys, the agency contracted with Titan to perform a post implementation review on the system. The March 2004 draft report disclosed several findings including (1) F Y 2003 operations and maintenance costs were considerably above estimates, (2) the need to develop pertinent performance measures, and (3) the need for more project configuration management. In addition to long-term recommendations, Titan recommended that several actions be completed within the next year. These short-term activities included use of survey results to improve Pegasys and performance of a detailed root cause analysis for the findings in the report.

O I G Observations on the G S A Five-Year Plan.

As part of the survey, we discussed our results and observations with the G S A C F O. As part of that discussion, we provided several suggestions to improve the five-year plan. Our suggestions included:

- Annually updating the five-year plan including (1) discussion of the O C F O initiatives included in G S A Performance Measure Tracking system and (2) identification and discussion of factors outside the control of G S A that influence accomplishment of the goals in the plan;
- Ensure that recorded information for O C F O initiatives is current, accurate, and complete;

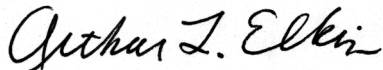
- Include in-house costs in all future financial system cost estimates; and
- Look into implementing the recommendations included in the draft Pegasys Post Implementation Review Report.

The C F O generally concurred with our results and indicated our suggestions for improvement would be useful when updating the O C F O five-year plan.

Internal Controls.

Due to the nature of the project, we did not perform an evaluation of the internal control environment.

If you have any questions or would like additional information regarding this report, please contact Mike Capper or me at 816-926-7052.



Arthur L. Elkin
Regional Inspector General for Auditing
Heartland Field Audit Office

APPENDIX

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