

FINANCIAL MANAGEMENT SYSTEMS

Lack of Disciplined Processes Puts Effective Implementation of Treasury's Governmentwide Financial Report System at Risk

Why GAO Did This Study

For the past 9 years, since the first audit of the consolidated financial statements of the U.S. government (CFS), one of the major impediments to our ability to render an opinion on the CFS is that the federal government has not had adequate system, controls, and procedures to properly prepare the CFS. To address some of the internal control weaknesses identified in our audit report, Treasury began developing the Governmentwide Financial Report System (GFRS). The goal of this new system is to directly link information from federal agencies' audited financial statements to amounts reported in the CFS, a concept that we strongly support. We reported internal control weaknesses and GAO recommendations regarding the preparation of the CFS, along with progress made in this area in a separate report. This report provides our assessment of Treasury's ongoing effort to develop and implement GFRS and makes recommendations for reducing the risks associated with the development of GFRS.

What GAO Recommends

GAO is making three recommendations focused on reducing the risks associated with the development of GFRS. Treasury stated that it concurs with the recommendations in this report and is working to adopt them.

www.gao.gov/cgi-bin/getrpt?GAO-06-413.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gary Engel at (202) 512-3406 or engelg@gao.gov.

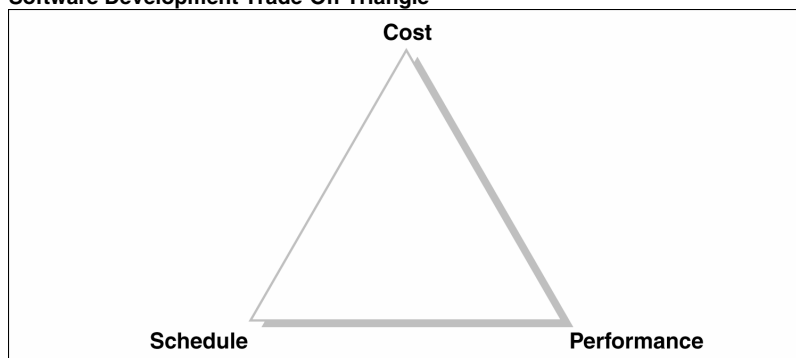
What GAO Found

Treasury's development of GFRS is a positive initiative and Treasury has made progress towards preparing the CFS based on agencies' audited financial statements, which has been one of our principal concerns. Treasury, though, has not yet effectively implemented the disciplined system development processes necessary to provide reasonable assurance that GFRS will meet all of its performance, schedule, and cost goals and result in the most efficient and effective means of preparing the CFS. Specifically, Treasury has not

- developed a concept of operations or any other document that adequately defines or documents the expected performance of GFRS;
- developed a detailed project plan and schedule through completion of GFRS;
- developed a budget justification for GFRS in its Capital Asset Plan and Business Case (commonly referred to as the Exhibit 300), as called for in Office of Management and Budget (OMB) Circular No. A-11; and
- implemented the disciplined processes necessary to effectively manage the GFRS project, which has contributed to usability problems encountered by its users.

A disciplined software development and acquisition process can maximize the likelihood of achieving the intended results (performance) within established resources (costs) on schedule. Because of this relationship, these factors can be viewed as an equilateral triangle as shown below.

Software Development Trade-Off Triangle



Source: GAO.

In our work at certain other federal agencies, we have found that project deficiencies such as those we have identified with the GFRS project have led to a range of problems, from increased cost and reduced functionality to system failure. Going forward, it will be important that Treasury better mitigate its risks so that long-standing internal control weaknesses regarding the preparation of the CFS can be eliminated and, more importantly, Treasury ends up with a system that fully meets its and agencies' needs.