



Highlights of [GAO-06-184](#), a report to congressional requesters

Why GAO Did This Study

Billions of dollars have been spent governmentwide to modernize financial management systems that have often exceeded budgeted cost, resulted in delays in delivery dates and did not provide the anticipated system functionality when implemented. GAO was asked to identify (1) the key causes for financial management system implementation failures, and (2) the significant governmentwide initiatives currently under way that are intended to address the key causes of financial management system implementation failures. GAO was also asked to provide its views on actions that can be taken to help improve the management and control of agency financial management system modernization efforts.

What GAO Recommends

To help reduce the risks associated with financial management system implementation efforts, GAO recommends that the Director of OMB place a high priority on the four concepts and underlying key issues needed to help facilitate the implementation of the financial management line of business and realignment initiatives across the government. OMB agreed with GAO's recommendations and described its planned approach and steps underway to improve financial management system modernization efforts.

www.gao.gov/cgi-bin/getrpt?GAO-06-184.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-9095 or Keith Rhodes at (202) 512-6412.

FINANCIAL MANAGEMENT SYSTEMS

Additional Efforts Needed to Address Key Causes of Modernization Failures

What GAO Found

GAO's work has linked financial management system implementation failures to three recurring themes: (1) disciplined processes, (2) human capital management, and (3) other information technology (IT) management practices. The predictable result of not effectively addressing these three areas has been numerous agency systems throughout the federal government that did not meet their cost, schedule, and performance objectives. Problems related to disciplined processes included requirements management, testing, data conversion and system interfaces, and risk and project management. Human capital management issues included strategic workforce planning, human resources, and change management. Other areas of IT management identified as problems included enterprise architecture, investment management, and information security.

The Office of Management and Budget (OMB) has undertaken a number of initiatives to reduce the risks associated with acquiring and implementing financial management systems and addressing long-standing financial management problems. Some of these initiatives are in collaboration with others and are broad-based attempts to reform financial management operations governmentwide. First, OMB has developed and continues to evolve Federal Enterprise Architecture products and has required a mapping of agency architectures to this federal architecture. Another key OMB initiative is referred to as the financial management line of business which established centers of excellence to consolidate financial management activities for major agencies through cross-servicing arrangements. Finally, certain financial management activities and responsibilities have been reassigned to OMB, the Financial Systems Integration Office, and a Chief Financial Officers Council Committee.

OMB's initiatives for reforming financial management systems governmentwide could help address the key causes of system implementation failures, but further actions are needed to fully define and implement the processes necessary to successfully complete these initiatives. OMB has correctly recognized the need to implement financial management systems as a governmentwide solution, rather than individual agency stove-piped efforts designed to meet a given entity's needs. Based on industry best practices, GAO believes that four concepts are integral to OMB's approach and key to successfully implementing financial management systems:

- a concept of operations provides the foundation,
- standard business processes promote consistency,
- a strategy for implementing the financial management line of business, and
- disciplined processes to help ensure successful implementations.

GAO recognizes that implementing these concepts is a complex undertaking and raises a number of issues that have far-reaching implications for the government and private sector application service providers.