



Highlights of [GAO-04-1008](#), a report to congressional requesters.

## Why GAO Did This Study

In June 2001, the Secretary of HHS directed the department to establish a unified accounting system that, when fully implemented, would replace five outdated accounting systems. GAO was asked to review HHS' ongoing effort to develop and implement the Unified Financial Management System (UFMS) and to focus on whether the agency has

- (1) effectively implemented disciplined processes;
- (2) implemented effective information technology (IT) investment management, enterprise architecture, and information security management; and
- (3) taken actions to ensure that the agency has the human capital needed to successfully design, implement, and operate UFMS.

## What GAO Recommends

GAO makes 34 recommendations that focus on helping HHS reduce the risks associated with its implementation of UFMS. These recommendations are aimed at establishing strong, disciplined processes, addressing information security weaknesses, and strengthening human capital.

In its comments, HHS indicated that it has implemented some of our recommendations but disagreed with our conclusion that a lack of disciplined processes puts UFMS at risk. HHS also commented on issues such as implementation methodology, testing, requirements management, program management, IT management, and our review.

[www.gao.gov/cgi-bin/getrpt?GAO-04-1008](http://www.gao.gov/cgi-bin/getrpt?GAO-04-1008).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sally Thompson (202) 512-9450, [thompsonsg@gao.gov](mailto:thompsonsg@gao.gov) or Keith Rhodes (202) 512-6412, [rhodesk@gao.gov](mailto:rhodesk@gao.gov).

# FINANCIAL MANAGEMENT SYSTEMS

## Lack of Disciplined Processes Puts Implementation of HHS' Financial System at Risk

### What GAO Found

HHS has not followed key disciplined processes necessary to reduce the risks associated with implementing UFMS to acceptable levels. While development of a core financial system can never be risk free, effective implementation of disciplined processes can reduce those risks to acceptable levels. The problems that have been identified in such key areas as requirements management, including developing a concept of operations, testing, data conversion, systems interfaces, and risk management, compounded by incomplete IT management practices, information security weaknesses, and problematic human capital practices, significantly increase the risks that UFMS will not fully meet one or more of its cost, schedule, and performance objectives.

With initial deployment of UFMS at the Centers for Disease Control and Prevention (CDC) scheduled for October 2004, HHS has not developed sufficient quantitative measures for determining the impact of the many process weaknesses identified by GAO and others to evaluate its project efforts. Without well-defined requirements that are traceable from origin to implementation, HHS cannot be assured that the system will provide the functionality needed and that testing will identify significant defects in a timely manner prior to rollout when they are less costly to correct. The agency has not developed the necessary framework for testing requirements, and its schedule leaves little time for correcting process weaknesses and identified defects. HHS has focused on meeting its predetermined milestones in the project schedule to the detriment of disciplined processes. If HHS continues on this path, it risks not achieving its goal of a common accounting system that produces data for management decision making and financial reporting and risks perpetuating its long-standing accounting system weaknesses with substantial workarounds to address needed capabilities that have not been built into the system. Accordingly, GAO believes these issues need to be addressed prior to deployment at CDC.

Beyond the risks associated with this specific system development, HHS has departmental weaknesses in IT investment management, enterprise architecture, and information security. Because of the risks related to operating UFMS in an environment with flawed information security controls, HHS needs to take action to ensure that UFMS benefits from strong information security controls. HHS is modifying its IT investment management policies, developing an enterprise architecture, and responding to security weaknesses with several ongoing activities, but substantial progress in these areas is needed to prevent increased risks to cost, schedule, and performance objectives for UFMS.

In human capital, many positions were not filled as planned and strategic workforce planning was not timely. HHS has taken the first steps to address these issues; however, ongoing staff shortages have played a role in several key deliverables being significantly behind schedule.