



July 8, 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: Resolution Status of
Prior Recommendations and Project Plan Not Effectively
Communicating Progress
Period Ending June 23, 2004
Audit Report No. 23-04-012-13-001

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 conclusions regarding 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 July 13, 2004 due to the significance of the issues presented and the need for timely closure.

Based on the information provided to the OIG in the OCFO's response and discussions held at the briefing of the draft report on June 23, 2004, we made minor changes to the original briefing to provide clarification and emphasis where appropriate. In addition, we relied on this information to finalize our conclusions regarding the briefing's recommendations:

Status of Prior Recommendations – Of the six prior recommendations, OIG has closed two based on the corrective actions taken by the OCFO. The remaining four recommendations include two that are in resolved status and two that remain unresolved. Further details related to these four recommendations follow.

Prior Recommendations - Resolved

Recommendation 3 and 4: 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.

OIG will continue to monitor the OCFO's relationship with the TRB, OCIO, and others throughout the duration of the project to determine OCFO's effectiveness in communicating with the e-Payroll stakeholders.

Prior Recommendations - Unresolved

Recommendation 5: 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. OCFO further stated that the budgets are complete and contain all material items.

OIG does not believe that the budget documents provided to us provide the level of detail necessary to properly manage the project. OCFO needs to develop 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: 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.

OIG will continue to monitor the OCFO's compliance with DOL's SDLCM throughout the duration of the project, including accomplishing major milestones, tasks, and subtasks and other related activities of OCFO's management and project team.

New Recommendations - There are two new recommendations resulting from the OIG's analyses of the e-Payroll project's progress. Based on the OCFO's corrective actions and response to the draft report, one recommendation remains unresolved, while the other recommendation has been resolved. Further details related to these two recommendations follow.

New Recommendation – Unresolved

Recommendation 1: Ensure that the project plan adequately reflects the project’s progress (i.e., completing blank fields, assigning resource names to tasks, and updating task completion percentages) and develop a plan structure that compares baseline project information to actual project information.

OCFO Response: The project plan is used by DOL primarily as a management tool. OCFO believes the project schedule does reflect the true status of the project. Although oversights occasionally occur, the plan is updated weekly and discussed with the Deputy CFO and other stakeholders. In regards to accountability, Resource Names were not issued for tasks completed prior to the creation of the Project Plan. Tasks occurring in the future will be given an Organization and Resource name once the task begins. Roll-up tasks are not assigned an Organization and/or Resource name because those individuals listed under resource name for the sub-tasks are all held accountable for the roll-up task completion. Other tasks without Resource Names belong to NFC.

OIG Conclusion: OIG is satisfied with OCFO’s explanation for the lack of Resource and Organization Name for some tasks, i.e., we understand that tasks belonging to NFC are considered the responsibility of NFC’s Project Leader. The OCFO, however failed to identify the development of a project baseline matrix. Although it is useless to develop one for tasks already complete, we recommend that the OCFO develop a plan that compares baseline and actual start and completion dates to better assist management in understanding project status. The OCFO also has not accounted for the inconsistent task percentage completions and apparent task slippage. If the project schedule accurately reflects the true status of the project as the OCFO stated in its response, then task slippage has in fact occurred for major milestones and other sub-tasks. We note that Parallel Testing has as of this writing been postponed by two weeks, confirming our concern regarding task slippage. Therefore, this **recommendation is unresolved** until further review of the effects of these tasks on the overall progress and completion of the project.

To resolve this recommendation, the OCFO needs to provide OIG with the documents submitted to the Deputy CFO at status meetings stating why one or more tasks or subtasks have slipped and presenting the project manager’s understanding of the potential effect on upcoming tasks. Further, the revised impact on completion percentages of affected task(s) in the Project Plan should be accurately reflected. The “Work Plan Reconciliation and IG Response” provided by the OCFO on June 17, 2004 noted that status reports to the Deputy CFO exist, and presumably can be relied upon to support such a representation of actual project status, including the impact of changes to the schedule.

New Recommendation – Resolved

Recommendation 2: Develop a methodology in accordance with best practices for approving changes to the Project Plan including appropriate documentation of the approval process, such as the date of the requested change, the person requesting the change, the approval of the change, the date of the approval, the implementation of the change, a quality assurance sign off and a risk analysis of the change.

OCFO Response: There have been no significant changes to the project plan. OCFO's change control methodology has been to discuss changes to the plan in daily and weekly status meetings and highlight them in green on each release of the project plan. IV&V contractors help analyze risk and quality assurance for each change.

In the future should any of the project position papers result in the need for a significant project schedule change, the OCFO will repackage their existing documents and use their existing methodology to suit the format recommended by the OIG.

OIG Conclusion: Based on the information provided by the OCFO to OIG, this **recommendation is resolved**. OIG received a Project Plan "change request" form from the OCFO.

To close this recommendation, the OCFO must demonstrate continued use of such "change request" forms for significant changes and impacts to the Project Plan.

Attachment

cc: Greg James
Patrick Pizzella
Barbara Burkhalter



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

The e-Payroll Quicksilver Project: Resolution Status of Prior Recommendations and Project Plan Not Effectively Communicating Progress Period Ending June 23, 2004

Audit Report No. 23-04-012-13-001
Date: JUL 8, 2004



The e-Payroll Quicksilver Project: Resolution Status of Prior Recommendations and Project Plan Not Effectively Communicating Progress

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

Resolution Status of Prior Recommendations:

- **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.

Status: *Closed*

- **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.

Status: *Closed*

- **Recommendation 3 and 4:** 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.

Status: *Resolved*

However, continued review of OCFO's involvement with the OCIO and TRB throughout the duration of the project will be monitored by the OIG



Executive Summary continued...

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

Status: *Unresolved*

Additional review of funding documents and the process of tracking project costs must be continued by OIG.

- **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.

Status: *Unresolved*

The OIG will continue to monitor OCFO's compliance with DOL's System Development Life Cycle Management (SDLCM) manual throughout the duration of the project.



Executive Summary continued...

Project Plan Not Effectively Communicating Progress:

- **Insufficient and/or inaccurate representation of project status portrayed by the Project Plan due to:**
 - Task slippage (postponement or setback of a scheduled task), including the following three major milestones:
 - Finalize Data Conversion Design
 - Finalize Interface Design for PeopleTime Time & Attendance Interface
 - Finalize Interface Design for PeoplePower HR Interface
 - Inconsistent task completion percentages in relation to estimated completion dates
 - Inconsistent task completion percentages in relation to task duration
 - Lack of task accountability
- **Lack of *formal* approval/documentation of project plan changes for:**
 - The date of approval
 - The implementation of the change
 - Quality assurance sign-off
 - Risk analysis of the change



Executive Summary continued...

To ensure effective management of the project, including meeting the current deadline of September 30, 2004, we recommend that the following occur:

- **Recommendation 1:** Ensure that the project plan adequately reflects the project's progress (i.e., completing blank fields, assigning resource names to tasks, and updating task completion percentages) and develop a plan structure that compares baselined project information to actual project information
- **Recommendation 2:** Develop a methodology in accordance with best practices for approving changes to the Project Plan including appropriate documentation of the approval process, such as the date of the requested change, the person requesting the change, the approval of the change, the date of the approval, the implementation of the change, a quality assurance sign-off, and a risk analysis of the change



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 March 23, 2004 to June 18, 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.



Status of Prior Recommendations from the OIG Interim Report Issued March 22, 2004

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.

Status: **Closed**

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.

Status: **Closed**



Status of Prior Recommendations from the OIG Interim Report Issued March 22, 2004 continued...

Recommendation 3 and 4: 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.

Status: **Resolved**

However, continued review of OCFO's involvement with the OCIO and TRB throughout the duration of the project will be monitored by OIG.



Status of Prior Recommendations from the OIG Interim Report Issued March 22, 2004 continued...

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

Status: **Unresolved**

Additional review of funding documents and the process of tracking project costs must be continued by OIG.

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.

Status: **Unresolved**

The OIG will continue to monitor OCFO's compliance with DOL's System Development Life Cycle Management (SDLCM) manual throughout the duration of the project.



1. ***The Project Plan is communicating misleading and/or inaccurate information regarding project progress.***
- **Final Project Plan versions being created with changes of start and final completion dates results in masking progress of project**
- **Slippage (postponement or setback of a scheduled task)**
 - Several tasks have slipped from their original estimated start and/or estimated completion dates based on a comparison of the first three e-Payroll Migration Schedules provided from the OCFO, submitted on 4/12/04, 4/30/04, and 5/24/04, respectively
 - Slippage Breakdown
 - 14 tasks slipped for Estimated Completion Date
 - » Includes the following 3 Major Milestones:
 - Finalize Data Conversion Design (WBS 4.1)
 - Finalize Interface Design for PeopleTime T&A Interface (WBS 5.1)
 - Finalize Interface Design for PeoplePower HR Interface (WBS 6.1)
 - 17 tasks slipped for both Estimated Begin and Completion Dates



1. *The Project Plan is communicating misleading and/or inaccurate information regarding project progress. (continued)*

• **Inconsistent Task Completion Percentages in relation to Estimated Completion Date**

- According to the Migration Schedule, several sub-tasks as of 5/24/04 should have been complete; however, their task completion percentages do not read 100%. Therefore, it cannot be determined if the project is on, ahead or behind schedule. Examples are listed below.

Milestone Slippage in Regards to Completion Percentage

Milestone	Org.	Resource Name	Duration	Est. Finish	% Complete
Plan Training		None	30 days	4/8	0%
System Requirements		None	5 days	4/9	0%
Establish Customer IT Infrastructure		None	50 days	5/20	12%

Note: *This listing does not include all cases of this occurrence*



1. The Project Plan is communicating misleading and/or inaccurate information regarding project progress. (continued)

• Inconsistent Task Completion Percentages in regards to Task Durations

- Task durations within the Migration Schedule are not always consistent with the completion percentages for each task. Therefore, it cannot be determined if the project is on, ahead or behind schedule. Examples are listed below.

Potential Milestone Slippage

Milestone	Org.	Resource Name	Duration	Est. Finish	% Complete
Finalize Agreements		None	202 days	6/7	38%
NFC Test Preparation		None	22 days	6/2	0%
NFC System Development		None	49 days	6/11	0%

Note: This listing does not include all cases of this occurrence



1. The Project Plan is communicating misleading and/or inaccurate information regarding project progress. (continued)

• Lack of Task Accountability

- The project plan is incomplete with respect to assigned accountability for milestone and sub-task completion
 - Resource name field is blank for several Major Milestones and sub-tasks indicating that no key individual is responsible for its completion

DOL WBS	Task Name	Org	Resource Names	Duration	Est Start	Est Finish	% Comp
9.3	<input checked="" type="checkbox"/> Pay Period 14	DOL		9 days	Mon 7/26	Thu 8/5	0%
	Evaluate Parallel Test Results and Prepare Sign-Off Document	NFC,DOL		5 days	Tue 8/3	Mon 8/9	0%
9.4	Obtain Customer Approval of Parallel Test Results (Customer Go/No Go Decision)	DOL		2 days	Fri 8/6	Mon 8/9	0%
10	<input type="checkbox"/> Go Live - Pay Period 17			28 days	Tue 8/10	Fri 9/17	0%

Note: Task 9.4 was indicated as a Major Milestone per Project Manager



Possible negative results if not addressed

- **Slippage within the project plan, even at the level of sub-tasks, may have a cumulative impact on the overall success of the e-Payroll migration. It potentially could lead to:**
 - project bottlenecks (set-back to tasks dependent on other tasks)
 - a false sense of security to management regarding progress
 - confusion; not only for individuals not involved with the project but even those working on the project on a daily basis including oversight groups (e.g., CIO, OIG) and Department Officials
 - critical sub-tasks being cut short to meet milestone objectives



2. Lack of formal approval or documentation of Project Plan changes

- **A schedule highlighting the tasks that have changed in one form or another was provided by the OCFO, however, it does not document:**
 - **the date of the requested change**
 - **the person requesting the change**
 - **its approval**
 - **the date of approval**
 - **the implementation of the change**
 - **quality assurance sign-off**
 - **risk analysis of the change**



Possible negative results if not addressed

- **Lack of communication of changes to the approved Project Plan could portray an inaccurate sense of project progress to key individuals within the DOL who are not involved on a daily basis with the overall progress of the development initiative. A formal approval process will ensure a proper risk analysis of the requested change to the project plan and, therefore, possibly avoiding:**
 - Negative impact to the security of the system
 - Endangerment of system functionality
 - Financial constraints
 - Time constraints
 - Difficulty retracing system development methodology



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:** Ensure that the project plan adequately reflects the project's progress (i.e., completing blank fields, assigning resource names to tasks, and updating task completion percentages) and develop a plan structure that compares baselined project information to actual project information
- **Recommendation 2:** Develop a methodology in accordance with best practices for approving changes to the Project Plan including appropriate documentation of the approval process, such as the date of the requested change, the person requesting the change, the approval of the change, the date of the approval, the implementation of the change, a quality assurance sign-off, and a risk analysis of the change



JUN 30 2004

MEMORANDUM FOR ELLIOT P. LEWIS

FROM:

Samuel T. Mok
SAMUEL T. MOK
Chief Financial Officer

SUBJECT:

The e-Payroll Quicksilver Project:
Resolution Status of Prior Recommendations
And Project Plan Not Effectively
Communicating Progress
Period Ending June 23, 2004
Audit Report No. 23-04-012-13-001

This responds to your request dated June 25, 2004, for comments on your draft report dated June 23, 2004. Enclosed are the OCFO's comments on the two recommendations contained therein.

Attachment

OCFO Response to OIG's June 23, 2004 Presentation on e-Payroll

OIG Recommendation 1: Ensure that the project plan adequately reflects the project's progress (i.e., completing blank fields, assigning resource names to tasks, and updating task completion percentages) and develop a plan structure that compares baseline project information to actual project information.

OCFO Response:

The project plan is used by DOL primarily as a management tool. For example, OCFO does not have a concern that resource names have not been assigned for tasks that occurred in the past - before the plan was created - and which are included only for historical reference. Assigning these names on our plan would be of limited use to our team.

We believe that the project schedule does reflect the true status of the project. When task end dates need to be changed, they are changed. When progress is made on DOL tasks, we update the percentage complete. Although oversights occasionally occur, the plan is updated weekly and discussed with the Deputy CFO and other stakeholders

Attachment A is another copy of the explanations of the blank field and blank resource Names you questioned. We provided this detail to the OIG on June 25, 2004 and narrative on June 23, 2004.

OIG Recommendation 2: Develop a methodology for approving changes to the Project Plan including appropriate documentation of the approval process, including documentation of the date of the requested change, the date of the approval, the implementation of the change a quality assurance sign off and a risk analysis of the change.

OCFO Response: Up to this time there have been no significant changes to the project plan. The only changes to the project plan have been minor or administrative in nature. Attachment B is another copy of the explanation of the changes and percentages of completion the OIG questioned. We provided this detail to you on June 25, 2004, and on June 16, 2004, with narrative on June 23, 2004.

As we explained, our change control methodology has been to discuss changes to the plan in daily and weekly status meetings and highlight them in green on each release of the project plan. Our IV&V contractors participate in all meetings and review all documents in order to assure quality and help the project manage risk. Representatives of the Office of Human Resources, the Office of Information Technology, and the Office of the Deputy Secretary attend the daily and other project team meetings as they deem necessary in order to assure that department-wide issues are not overlooked. And finally we review the project schedule monthly with OMB and OPM. We prepare position

papers for issues that come to our attention from any project participant. This change control process and methodology is working extremely well for all stakeholders.

In the future should any of the project position papers result in the need for a significant project schedule change, we will repackage our existing documents and use our existing methodology to suit the format recommended by the OIG. Attachment C is an example of the Change Request process recently implemented.