



OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

EPA Needs to Improve Oversight of Its Information Technology Projects

Report No. 2005-P-00023

September 14, 2005

Report Contributors:

Eric Lewis
Rudolph M. Brevard
Michael Wall
Dwayne Crawford
Rae Donaldson
Neven Morcos

Abbreviations:

CAMDBS	Clean Air Markets Division Business System
EPA	Environmental Protection Agency
FinRS	Financial Replacement System
IGMS	Integrated Grants Management System
IRM	Information Resources Management
OEI	Office of Environmental Information
OIG	Office of Inspector General
OMB	Office of Management and Budget



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We sought to determine whether the processes used by Environmental Protection Agency (EPA) managers to oversee the development of information technology projects helped produce intended results. We also sought to determine how well Agency management monitored these projects.

Background

To help ensure EPA manages its information systems in a cost-effective manner, life cycle development guidance requires management involvement at key decision points. These decisions must be documented by EPA management in the system decision documents before the system may advance from one phase of development to the next.

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:

www.epa.gov/oig/reports/2005/20050914-2005-P-00023.pdf

EPA Needs to Improve Oversight of Its Information Technology Projects

What We Found

EPA's Office of Environmental Information (OEI) did not sufficiently oversee information technology projects to ensure they met planned budgets and schedules. The increased cost and schedule delays for the projects we reviewed may have been averted or lessened with adequate oversight. PeoplePlus cost at least \$3.7 million more than originally budgeted and took 1 year longer than planned to deploy. Modifications to developing the Clean Air Markets Division Business System have already increased costs about \$2.8 million and extended the target completion date by 2 years.

Following implementation of the Clinger-Cohen Act, the Agency did not revise procedures under Chapter 17 of the *Information Resources Management (IRM) Policy Manual* to have the Chief Information Officer evaluate information technology program performance. Also, EPA did not include responsibilities under its *Interim Policy* that required the Chief Information Officer to evaluate the performance of the Agency's information technology program. In addition, requirements under the Agency's Capital Planning and Investment Control Process, governed by OEI, did not ensure necessary project documentation. Consequently, OEI did not know that System Sponsors did not require System Managers to completely document risks associated with system development. The lack of project documentation prevents the appropriate level of oversight for the different phases of development, and results in decision makers not having the information needed to make fully informed decisions regarding project risks.

What We Recommend

We recommend that OEI revise its *Interim Policy* to include the Chief Information Officer having responsibility for conducting independent reviews of Agency information technology projects. We also recommend that OEI revise procedures under the *Interim Policy* to define requirements of specific life cycle documentation and address risk elements. Further, OEI should ensure formal procedures are followed to make certain that System Managers prepare required system life cycle documentation, and that System Owners review and approve that documentation before projects advance between life cycle phases. During our review, OEI officials acknowledged their oversight of information technology projects could be strengthened, and said they would initiate corrective action.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

September 14, 2005

MEMORANDUM

SUBJECT: EPA Needs to Improve Oversight of Its Information Technology Projects
Report No. 2005-P-00023

FROM: Rudolph M. Brevard /s/
Acting Director, Business System Audits

TO: Kimberly T. Nelson
Assistant Administrator for Environmental Information
and Chief Information Officer

This is our final report on the oversight of information technology projects audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This audit report contains findings that describe problems the OIG has identified and corrective actions the OIG recommends. This report presents the opinion of the OIG, and the findings in this report do not necessarily represent the final EPA position. EPA managers, in accordance with established EPA audit resolution procedures, will make final determinations on matters in this report.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 90 calendar days of the date of this report. You should include a corrective action plan for agreed upon actions, including milestones dates. We have no objections to further release of this report to the public. For your convenience, this report will be available at <http://www.epa.gov/oig>.

If you or your staff have any questions regarding this report, please contact me at (202) 566-0893 or Dwayne E. Crawford, project manager, at (202) 566-2894.

Table of Contents

At a Glance

Chapters

1	Introduction	1
	Purpose	1
	Background	1
	Scope and Methodology	3
	Results in Brief	4
2	OEI Needs to Improve Oversight of Information Technology Project Development	6
	Oversight of Information Technology Projects Is Required	6
	Various Factors Caused Cost Increases and Delays	7
	Lack of Documentation Hindered Appropriate Oversight	8
	Recommendations	9
	Agency Comments and OIG Evaluation.....	9

Appendices

A	Agency Response to Draft Report	11
B	Distribution	15

Chapter 1

Purpose

We evaluated the processes used by Environmental Protection Agency (EPA) managers to oversee the development of information technology projects. Specifically, we sought to determine whether these processes helped produce intended results. We also sought to determine how well Agency management monitored these projects.

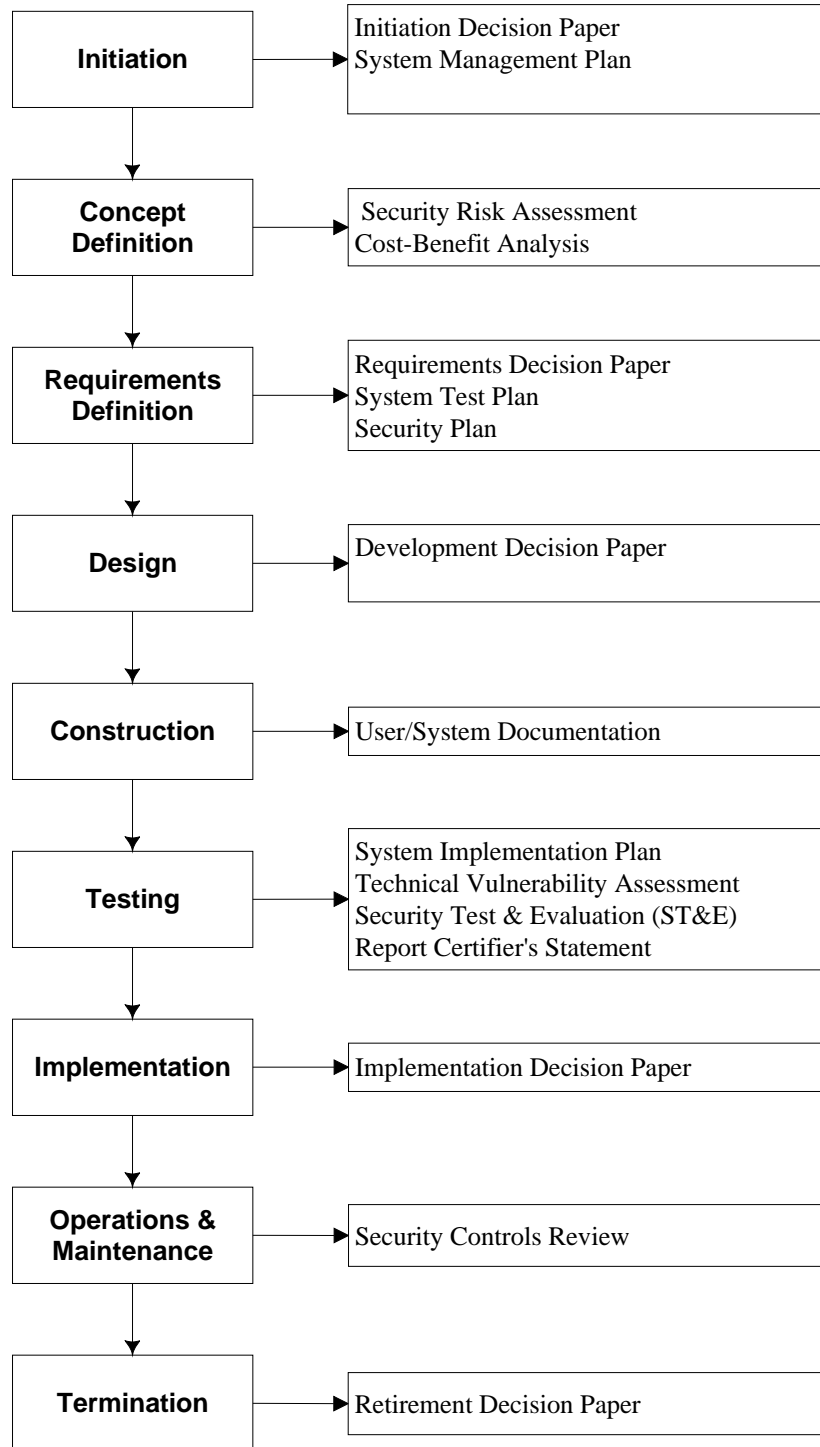
Background

Information technology investments can significantly impact an organization's performance. EPA needs to effectively manage these investments in a cost-effective manner. The Clinger-Cohen Act of 1996 (Public Law 104-106) and Office of Management and Budget (OMB) Circular A-130 both require agency chief information officers to oversee information technology investments.

At EPA, the initial Agency guidance governing the projects in our review was Chapter 17 of the *Information Resources Management (IRM) Policy*, September 1994, which identified the life cycle requirements to develop information system projects. One requirement was for System Managers to prepare decision papers that updated the status of system development, provided assessments of projected versus actual project costs, and described work to be accomplished as projects advanced from one phase to the next. Another requirement was for System Sponsors to approve or disapprove decision papers, and conduct periodic life cycle management reviews to evaluate costs and efficiency of operations.

In December 2003, OEI replaced Chapter 17 with its *Interim Policy*. This document continued the role and responsibilities previously established for information technology projects' System Managers. However, it added the role of a System Owner to approve decision papers as projects advanced from one phase to the next.

To inform decision makers of the risks associated with project development, procedures under the *Interim Policy* also continued the previous requirement to prepare documentation at various life cycle phases, as follows:



In accordance with the Clinger-Cohen Act, EPA implemented a Capital Planning and Investment Control Process in 1997 to maximize the value and assess and manage the risks of information technology acquisitions. Each year since that time, EPA has continually improved the Capital Planning and Investment Control

Process to make it more structured and strategic. Specific process improvements included:

- Creating a senior management information technology investment review board to oversee and select information technology projects;
- Defining selection criteria, and using peer review to analyze each information technology investment; and
- Automating the process to facilitate proposal preparation and allow continuous monitoring of information technology investments.

Furthermore, the Agency's Capital Planning and Investment Control Process has evolved to include a rigorous Earned Value Management program under which all major information technology investments must adhere. Earned value management is the Agency's mechanism to review cost, schedule, and performance for major information technology investments in development. The Earned Value Management program, administered by OEI, requires that project managers track project cost, schedule, and performance, and report the results to the senior management review board on a quarterly basis. OEI officials stated earned value management results are used by the Chief Information Officer to report to the EPA Administrator annually on the status of information technology projects.

Scope and Methodology

From May 2004 through April 2005, we conducted our field work at EPA Headquarters in Washington, DC. We reviewed management internal controls for the review and oversight of information technology project development. We requested and reviewed system life cycle documentation in accordance with Federal and Agency criteria, and interviewed Agency personnel involved with the system life cycle development of the projects selected for review. We conducted this audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our review focused on information technology development and adherence to life cycle policies and procedures. To identify systems in development, we reviewed the 26 fiscal year 2005 Capital Planning and Investment Control business cases EPA submitted to OMB. We initially selected for review three business cases, representing \$36.55 million, or 27 percent, of the \$134.79 million system development funding requests for fiscal year 2005 and beyond:

System Owner	System
Office of Chief Financial Officer	Financial Replacement System (FinRS)
Office of Air and Radiation	Clean Air Markets Division Business System (CAMDBS)
Office of Administration and Resources Management	Integrated Grants Management System (IGMS)

FinRS' and CAMDBS' business cases reported scheduling variances to OMB in September 2003, which indicated potential problems with system development. The IGMS business case did not contain any variances at the time of reporting. At EPA's request, we substituted IGMS with OEI's Environmental Information Integration and Portal Development system, but after determining that system was still in the initiation rather than design phase, we decided to concentrate on FinRS and CAMDBS.

We reviewed the PeoplePlus component of the FinRS project because schedule delays and cost overruns had occurred during its development. PeoplePlus combines EPA's payroll processing and human resources systems. PeoplePlus supports the Office of Chief Financial Officer's payroll processing requirements and the Office of Administration and Resources Management's human capital management responsibilities.

For CAMDBS, the Office of Air and Radiation recognized in 1999 that significant technological changes had occurred and believed it needed a new system. As a result, Office of Air and Radiation began replacing its Acid Rain Data System with CAMDBS, which integrates all the functions and data that support the emission trading programs.

Results in Brief

OEI did not sufficiently oversee information technology projects to ensure they met planned budgets and schedules. The increased cost and schedule delays for the projects we reviewed may have been averted or lessened with adequate oversight. PeoplePlus cost at least \$3.7 million more than originally budgeted and took 1 year longer than planned to deploy. Modifications to CAMDBS development have already increased costs about \$2.8 million and extended the target completion date by 2 years. Following implementation of the Clinger-Cohen Act, the Agency did not revise procedures under Chapter 17 of the *IRM Policy* to have the Chief Information Officer evaluate information technology program performance. Also, EPA did not include responsibilities under its *Interim Policy* that required the Chief Information Officer to evaluate the performance of the Agency's information technology program. In addition, processes under the Agency's Capital Planning and Investment Control Process,

governed by OEI, did not ensure that System Managers prepared and submitted for review necessary project documentation.

We recommend that OEI revise procedures under its *Interim Policy* to include the Chief Information Officer having responsibility for conducting independent reviews of projects, and to better define requirements of specific life cycle documentation to address risks elements. OEI should also ensure that established procedures are followed under the *Interim Policy* to make certain that System Managers provide required system life cycle documentation, and that System Owners review and approve that documentation before projects advance.

OEI agreed with the goals sought in the draft audit report, and substantially agreed with the recommendations. OEI requested that the final report include a more complete picture of the work they have done to manage the Capital Planning and Investment Control and Earned Value Management governance processes. As appropriate, we revised the final report in response to OEI's request. Our evaluation of OEI's response to the draft report is in Chapter 2. We included OEI's complete response as Appendix A.

Chapter 2

OEI Needs to Improve Oversight of Information Technology Project Development

OEI did not sufficiently oversee information technology projects to ensure they met planned budgets and schedules. The increased costs and schedule delays for the following projects we reviewed may have been averted or lessened with adequate oversight:

- **PeoplePlus:** This cost at least \$3.7 million more than originally budgeted and took 1 year longer than planned to deploy.
- **CAMDBS:** Modifications to system development have already increased costs about \$2.8 million and extended the target completion date by 2 years.

Following implementation of the Clinger-Cohen Act, the Agency did not revise procedures under Chapter 17 of the *IRM Policy* to have the Chief Information Officer evaluate information technology program performance. Also, OEI did not include responsibilities under its *Interim Policy* that required the Chief Information Officer to evaluate the performance of the Agency's information technology program. In addition, requirements under the Agency's Capital Planning and Investment Control Process, governed by OEI, did not effectively ensure that System Managers prepared and submitted for review necessary life cycle documentation. Consequently, OEI did not know that System Sponsors did not ensure PeoplePlus and CAMDBS System Managers completely documented risks associated with system development. The lack of project documentation also prevented the appropriate level of oversight for the different phases of development, and resulted in decision makers not having the information needed to make fully informed decisions regarding project risks.

Oversight of Information Technology Projects Is Required

The Clinger-Cohen Act of 1996 (Public Law 104-106) and OMB Circular A-130 require the Chief Information Officer to evaluate information technology investments and advise on whether to continue, modify, or terminate projects.

Chapter 17 of the *IRM Policy*, September 1994, identified the Agency's initial life cycle requirements needed to develop information systems projects. The manual required a System Management Plan that contains decision papers showing that each stage of the project's development was approved ahead of time. Chapter 17 also established certain management roles and responsibilities:

- The System Sponsors were tasked with approving or disapproving decision papers, and conducting periodic life cycle management reviews to evaluate costs and efficiency of operations.
- The System Managers were to manage the system's life cycle process, prepare the System Management Plan and other decision papers, and obtain review and approval of all decision papers.

However, following implementation of the Clinger-Cohen Act, the Agency did not revise procedures under Chapter 17 of the *IRM Policy* to have the Chief Information Officer evaluate information technology program performance. Furthermore, OEI did not include responsibilities under its *Interim Policy* that required the Chief Information Officer to evaluate the performance of the Agency's information technology program. In discussions with OEI regarding project management oversight, officials stated they did not have the personnel to review the progress of all Agency information technology projects. In response to our draft report, OEI officials stated it is critical for the Chief Information Officer to focus on the development of guidance (i.e., policies and procedures) so program managers can make good decisions. Further, officials responded that the cornerstone of the Agency's information technology project development and review relies on the delegated responsibilities of senior program managers in organizations that own information technology projects.

In accordance with the Clinger-Cohen Act, EPA did implement a Capital Planning and Investment Control Process in 1997 to maximize the value and assess and manage the risks of information technology acquisitions. According to an OEI official, the Capital Planning and Investment Control Process has evolved to include a rigorous Earned Value Management program to review cost, schedule, and performance for major information technology investments in development. However, the Agency's Capital Planning and Investment Control Process, and subsequent Earned Value Management program, did not sufficiently ensure that Systems Managers prepared and submitted for review required life cycle documentation, such as decision papers and System Management Plans, used to document the status of system development costs and schedules.

Various Factors Caused Cost Increases and Delays

According to the Software Engineering Institute,¹ major changes to commercial off-the-shelf software can increase costs and cause delays. This is what happened to the PeoplePlus project. The System Managers made major changes to the commercial off-the-shelf software to integrate the human resources component with the payroll component. In addition, when faced with schedule delays, the System Managers modified their test approach. Rather than continue with a pilot

¹ The Software Engineering Institute provides guidance to the Federal Government on developing information technology projects

production of PeoplePlus prior to full Agency deployment, the System Manager approved the change to a collaborative test effort. This effort included concurrent system integration testing; independent verification and validation testing; and, user acceptance testing. However, this increased risks because the collaborative test effort eliminated the opportunity to see a live system in operation before deployment.

Although EPA was originally scheduled to deploy PeoplePlus in October 2003, significant technical failures delayed deployment until October 2004. According to earned value management calculations, the Office of Chief Financial Officer budgeted \$13.4 million, for development and deployment of PeoplePlus by October 2003, but incurred additional costs of \$3.7 million, bringing the total to \$17.1 million as of October 2004. In addition, the Office of Administration and Resources Management spent \$8 million on PeoplePlus, thus bringing the total development cost to \$25.1 million. (We could not determine the amount initially budgeted by the Office of Administration and Resources Management.)

The Office of Air and Radiation, which began developing CAMDBS in 2001, had estimated a total cost of \$13.7 million and completion by 2006. However, System Managers now estimate an additional \$2.8 million will be needed, for a total of \$16.5 million. Further, because the project is far more complex than originally envisioned, the Office of Air and Radiation now estimates project completion in 2008, a 2-year extension.

Lack of Documentation Hindered Appropriate Oversight

Life cycle documentation, such as decision papers, is important for two reasons. First, they summarize those aspects of the analysis and decision of a given phase that are important to program management. Second, they are used to request approval to continue the project to the next phase. According to the OEI *Interim Policy*, System Managers are to submit the decision papers to System Owners, who are required to review the information and decide whether to advance the project to the next life cycle phase. Further, EPA's Capital Planning and Investment Control Process require that System Managers ensure that necessary life cycle management documentation, such as decision papers, are prepared and submitted for review.

However, both PeoplePlus and CAMDBS advanced from phase to phase even though the System Managers did not prepare all of the required documents. For example, there was no decision paper prepared during the "Implementation Phase" of life cycle development to document the inherent risks to changing commercial off-the-shelf software, or to the risks involved in modifying the PeoplePlus testing approach. The CAMDBS System Manager did not prepare any required decisions papers, including the System Management Plan decision paper. The System Management Plan is the core document that provides the overall framework for the management of the system development.

Office of Chief Financial Officer personnel said OEI's *Interim Policy* is vague and open to interpretation on the content of life cycle documentation, in particular decision papers. However, the personnel did not inform OEI of their concerns regarding the content requirements of life cycle documentation. In the case of CAMDBS, the System Manager was not aware of the documentation requirement.

The lack of project documentation prevents the appropriate level of oversight for the different phases of development, and results in decision makers not having the information needed to make fully informed decisions regarding project risks. Further, OEI did not monitor the projects or verify the accuracy and completeness of the life cycle documentation required under their *Policy*.

During our review, OEI officials acknowledged their oversight of information technology projects could be strengthened. OEI officials informed us that they plan to align procedures under their Capital Planning and Investment Control Process with those under their *Interim Policy* to effect corrective action in response to our findings.

Recommendations

We recommend that the Assistant Administrator for Environmental Information:

- 2-1 Revise the *Interim Policy* to include the Chief Information Officer having responsibility for conducting independent reviews of Agency information technology projects, to be in accordance with the Clinger-Cohen Act and OMB Circular A-130.
- 2-2 Revise procedures under the *Interim Policy* to define requirements for life cycle documentation, such as decision papers; and to address risk elements, such as major changes to commercial off-the-shelf software and the system test approach.
- 2-3 Ensure that Systems Managers follow established procedures and provide required system life cycle documentation to appropriate levels of management regarding risks associated with information technology projects at each phase, and that System Owners follow established procedures to review and approve that documentation before projects advance from one life cycle phase to the next.

Agency Comments and OIG Evaluation

OEI concurred with our recommendations, and agreed that additional tools for oversight are needed, that managers must take responsibility, and that the Chief Information Officer should set forth the policy and framework. OEI requested that the report be revised to include a more complete picture of the work that has

been done to manage the Capital Planning and Investment Control and Earned Value Management governance processes. We revised our report in response to OEI's request.

OEI officials indicated that *Interim Policy* procedures were previously established for required documentation during various system life cycle management phases, and management review of such documentation. Our report acknowledges these requirements, points out that program offices were not meeting these requirements, and notes that OEI was not aware that these requirements were not being followed. For these reasons, we believe the Chief Information Officer should have an increased role in evaluating the status of Agency information technology projects and should conduct independent reviews of information technology projects.

In addition, OEI officials said they believe the OIG's review may have been based on previous versions of the revised *Interim Policy* and that the current policy should now reflect OIG comments and suggestions provided in February 2005. However, our research and interviews with Agency officials indicate that OEI has not formally approved or promulgated a new *Interim Policy*. As such, no new *Interim Policy* supersedes the December 29, 2003, *Interim Policy* requirements applicable during this review.

Agency Response to Draft Report

July 28, 2005

MEMORANDUM

SUBJECT: Response to June 15, 2005, Draft Office of Inspector General Audit Report: EPA Needs to Improve Oversight of Its Information Technology Projects, Assignment No. 2004-000857

FROM: Kimberly T. Nelson /s/
Assistant Administrator and Chief Information Officer

TO: Nikki L. Tinsley
Inspector General

Thank you for the opportunity to respond to the June 15, 2005, Draft Office of Inspector General Audit Report: EPA Needs to Improve Oversight of Its Information Technology Projects, Assignment No. 2004-000857.

The Office of Environmental Information agrees with the goals sought in the draft audit report, and we substantially agree with the recommendations. We agree additional tools for oversight are needed, that managers must take responsibility, and that the Chief Information Officer will set the policy framework. We would appreciate the report being revised to include a more complete picture of the work that we have done to manage the Capital Planning and Investment Control and Earned Value Management governance processes.

I have attached a detailed response to the three recommendations raised in the report. If you have any questions regarding this response, please contact me at (202) 564-6665, or if your staff have questions please contact Odelia Funke, Acting Director of the Mission Investment Solutions Division, at (202) 566-0667.

Attachment

cc: Rudolph Brevard, OIG

**Office of Environmental Information Response to
June 15, 2005, Draft Office of Inspector General Audit Report:
“EPA Needs to Improve Oversight of Its Information Technology Projects”**

Office of Inspector General Recommendation: 2-1. *Revise the Interim Policy to include the Chief Information Officer having responsibility for conducting independent reviews of Agency information technology projects, in accordance with the Clinger-Cohen Act and OMB Circular A-130.*

Office of Environmental Information Response:

The Office of Environmental Information (OEI) endorses the value of having independent reviews as a tool for project oversight. The cornerstone of Agency information technology (IT) project development and review will continue to be grounded on the delegated responsibilities of senior program managers in the organizations that own IT projects. It is critical for the Chief Information Officer (CIO) to focus on guidance so program managers can make good decisions. In keeping with the CIO’s IT leadership in management of the Capital Planning and Investment Control (CPIC) process, OEI will ensure reviews are conducted with appropriate independence but without substantial cost increase. OEI will add the following review elements to its CPIC governance system:

- formal delegation of this responsibility through the *System Life Cycle Management Policy*
- an additional question in the Capital Planning and Investment Control process asking for certification of the completeness of an IT project’s System Life Cycle (SLC) documentation and required approvals
- increased emphasis on the importance of reviewing solutions architecture documents.

To address the need for detailed project reviews to help senior managers in program offices, the CIO will insist that Independent Verification and Validation be conducted as appropriate, establishing the conditions for independent reviews, and the depth and scope needed. We will develop a corrective action plan to carry out CIO authority to compel and ensure good reviews.

Office of Inspector General Recommendation: 2-2. *Revise the Interim Policy to define requirements for life cycle documentation, such as decision papers; and to address risk elements such as major changes to commercial off-the-shelf software and system test approach*

Office of Environmental Information Response:

We agree on the need for life cycle documentation, and that addressing risk elements is a key component. Our policy framework takes a tiered approach, differentiating between “Policy” and “Procedures.” The Office of the Inspector General’s (OIG) review of the *Interim Policy* must have been based upon previous versions of the revised *SLC Management Policy*. The *SLC Management Policy* now reflects OIG comments and suggestions received in February of this

year. It will require that documentation be produced, and the *SLC Management Procedure* will elaborate on what that documentation is, and what information is required in specific documents.

The *Interim Policy* requires documentation during System Life Cycle Management Phases, including security planning, risk assessments and decision papers. Additionally, the *Interim Policy* requires documentation based on requirements of IT Investment Management, including Enterprise Architecture (EA) and Capital Planning and Investment Control (CPIC). This documentation was further described in approved Federal and Agency documents that supported the *Interim Policy*, including the *Interim Procedure*. The “Policy” states the high level goals of the Agency, while the “Procedure” explains how to meet the goals established in the “Policy.” The “Procedure” supports the “Policy,” and requirements are mandated. The *Interim Procedure* lists and describes in more detail the documentation requirements during management of the System Life Cycle.

The *Interim Policy* also requires documented management review and approval. This includes the review and approval of a system’s decision documents prior to the system advancing from one phase to another, prior to the incremental expenditure of resources, and prior to being deployed.

The *Interim Procedure* also requires System Managers to submit “Decision Papers” to management for review and approval in order to advance the system from one SLC phase to the next. These documents are part of the System Management Plan (SMP), one of the major documents required for SLC Management. Specifically, the *Interim Procedure* describes the “Decision Papers” as:

A decision document presented to management. It summarizes those aspects of the analysis and decisions of a given phase or sub phase that are important to program management and requests approval to continue the project. The EPA life-cycle model provides for decision papers to be prepared at the beginning of the Definition, Development or Acquisition, Implementation, and Termination Phases and at the end of the Requirements Definition Sub phase. The level of detail for decision papers should be appropriate to the category of the system. All decision papers are included in the SMP as attachments. (*Interim Procedure*, pg. 13)

Other examples defining the requirements of system documents can be found in the “Definition” section of the *Interim Procedure*. Definitional requirements can also be found in other standards adopted by the Agency, specifically National Institute of Standards and Technology (NIST) 800-64, “Security Considerations in the Information System Development Life Cycle.”

Finally, it should be noted that the *Interim Policy* is being revised and will continue to require documentation, as well as management review and approval, throughout System Life Cycle management. Additionally, the *Interim Procedure* is also being revised and will expand the definitional requirements of documentation in the System Life Cycle. They will include the requirements of the *SLC Management Policy*, as well as Enterprise Architecture, CPIC, and Security. The revised *SLC Management Procedure* will also provide templates for these documents, as tools for system developers.

Office of Inspector General Recommendation: 2-3. *Establish formal procedures to make certain that System Managers provide required system life cycle documentation to appropriate levels of management regarding risks associated with information technology projects at each phase, and that System Owners review and approve that documentation before projects advance from one life cycle phase to the next.*

Office of Environmental Information Response:

As noted above, the *Interim Procedure* requires management review and approval during each phase of the System Life Cycle through “Decision Papers” found in the SMP. Additionally, the *Interim Policy* requires “Authorization to Process” during the Implementation Phase. The “Authorization to Process” is defined by the *Interim Procedure* as:

A management control, consisting of a document signed by the management official responsible for a general support system or major application. (This management official is sometimes referred to as the “Designated Approving Authority.”) It authorizes an information system to operate, prior to beginning processing or use of the system. Authorization is equivalent to the term “accreditation.” For a system, the authorization is based on implementing the system security plan. For an application, the authorization is based on confirming that the security plan(s) implemented for the systems on which the application operates, adequately secure the application. Results of the most recent tests and/or assessments are factored into management authorizations. Management authorization implies accepting the risk of each system used by the application (derived from Appendix III, Office of Management and Budget (OMB) Cir. A-130). (*Interim Procedure*, pg. 11)

Additionally, “Re-authorization to Process” is required during the Operations and Maintenance Phase. Formal procedures ensuring documentation is submitted to management were in place starting when the *Interim Procedure* was approved (12/29/03, extended on 4/29/05).

Also, as is stated in the *Interim Procedure*, documentation of risks is required in the “Security Plan,” which is updated based on “Security Risk Assessments.” Risk assessments are required not only as part of System Life Cycle, but also in the *Agency Network Security Policy* and its supporting *Procedures* and guidance.

In summary, the *Interim Procedure* already addresses OIG’s concerns. It requires the needed documentation, as well as management review and approval. As OEI revises the *Interim Procedure* we will continue to support and strengthen this requirement.

Distribution

Office of the Administrator
Assistant Administrator for Environmental Information
Assistant Administrator for Administration and Resources Management
Assistant Administrator for Air and Radiation
Agency Followup Official (the CFO)
Agency Followup Coordinator
Director, Office of Technology Operations and Planning
Director, Systems Planning and Integration Staff
Acting Director, Mission Investment Solutions Division
Audit Coordinator, Office of Environmental Information
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