

**Office of Inspector General**  
**U.S. House of Representatives**  
Washington, DC 20515-9990

**MEMORANDUM**

TO: Scot M. Faulkner  
Chief Administrative Officer

FROM: John W. Lainhart IV   
Inspector General

DATE: June 3, 1996

SUBJECT: The House Is Ready To Implement The Core Federal Financial System  
(Report No. 96-CAO-04)

This is our second report on the House's implementation of the Federal Financial System (FFS). The scope of this review was limited to Phase II FFS implementation tasks related to establishing the "core" FFS system, including custom interfaces, and custom reports for the House.

Your office plans to go live with the core FFS on June 4, 1996, meaning that FFS will replace virtually all functions of the old financial management system on that date. We have verified that the critical Phase II implementation tasks have been completed and agree the House can cut-over to the new system on that date. The specific critical tasks completed by the FFS Implementation Team include the following:

- Certification of House data entered into FFS files which ensures that financial transactions will be processed accurately.
- Testing of programs specifically developed for the House to verify that the programs will establish financial data correctly into FFS from external systems.
- Conversion of three months of Financial Management System (FMS) data into FFS, and verification of the accuracy of the data converted.
- Establishment of security for FFS to ensure that only valid users can use FFS.
- Documentation of new workflows to identify the new financial management processes and the staff designated to use FFS.
- Documentation of the primary user procedures for the FFS subsystems.

- Verification that FFS has been setup to support the House's financial management processes and, when financial data is entered into FFS, the data will be recorded and reported correctly (i.e., system acceptance testing).
- Formal classroom training for users on entering payment vouchers in FFS.
- Implementation of corrective actions with respect to FFS technical architecture deficiencies.

Although the tasks critical to the FFS implementation have been completed, there are additional tasks from Phase II that are not fully complete and must be completed expeditiously to maintain user confidence and trust in the financial management system. These additional tasks include: (1) conversion and verification of the remaining months (January - May) of data originally entered into FMS; (2) modification and testing of custom interface programs to resolve outstanding program editing deficiencies; (3) resolution of problems with the custom reports identified during the unit testing of the custom report programs; (4) enhancements to custom reports and associated testing; and (5) development and documentation of policies and procedures. These tasks are discussed in more detail later in this memorandum report. These tasks are not complete because the FFS Implementation Team has concentrated on completing the Phase II tasks critical to having FFS ready for the Office of Finance to use on the earliest possible cut-over date. The FFS Implementation Team recognizes, and the OIG/PW Team agrees, that the remaining tasks do not have direct impact on the system being ready for use on June 4, 1996.

Additionally, strong planning and management is needed for Phase III of the FFS Implementation Project. Now that the core FFS system is ready, the FFS Implementation Team has the opportunity to adopt a formal System Development Life Cycle (SDLC) methodology to plan and manage Phase III. Without following a formal SDLC methodology, delays, unrealistic completion estimates, additional costs, and inefficiencies could occur in the Phase III efforts. Such a methodology provides an orderly and structured approach which helps in the development of a system that meets users' needs in a more timely and cost-effective manner.

In response to our May 31, 1996 draft report, you fully concurred with the matters we identified and our recommendations. Your verbal response is incorporated in this memorandum report. The corrective actions taken and planned by your office are appropriate and, when fully implemented, should adequately respond to the recommendations.

We appreciate your positive response and concurrence with the recommendations, and the courtesy and cooperation extended to us by your staff. If you have any questions or require additional information regarding this memorandum report, please call me or Craig Silverthorne at (202) 226-1250.

cc: **Speaker of the House**  
**Majority Leader of the House**  
**Minority Leader of the House**  
**Chairman, Committee on House Oversight**  
**Ranking Minority Member, Committee on House Oversight**  
**Members, Committee on House Oversight**

# **The House Is Ready To Implement The Core Federal Financial System**

## **I. INTRODUCTION**

Although the critical tasks to the FFS implementation have been completed, there are additional tasks from Phase II that are not fully complete and must be completed as soon as possible. Without the completion of the remaining Phase II tasks, FFS may not meet users' expectations and the implementation project could lose its credibility. These tasks are not complete because the FFS Implementation Team has concentrated on completing the Phase II tasks critical to having FFS ready for use as soon as possible.

Additionally, strong planning and management is needed for Phase III of the FFS Implementation Project. Once the core functions of FFS are in use, the CAO and FFS Implementation Team will have the time to carefully plan and execute Phase III efforts. To do this properly, a SDLC methodology should be followed. Using such a methodology will provide an orderly and structured approach which will help the implementation of Phase III that meets users' needs in a more timely and cost-effective manner.

### **Background**

The implementation of a new financial management system was mandated by a Committee on House Oversight (CHO) resolution--*Financial Management System*--on August 3, 1995. As a result, in September 1995, the Chief Administrative Officer (CAO) formally entered into a cross-servicing agreement with the U.S. Geological Survey (USGS), Washington Administrative Service Center (WASC), to implement FFS for the House. FFS is an off-the-shelf software package that is owned and maintained by American Management Systems Inc. (AMS). The implementation of FFS offers the House the ability to follow Federal accounting standards because FFS complies with financial management requirements for Federal financial management systems. The FFS license that USGS has with AMS allows USGS to provide cross-servicing to external Federal Government agencies. Full implementation was scheduled for four phases. Phase I involved identifying and setting up the functionality of FFS to support parallel processing of payment transactions and identifying the needs for custom interfaces and reports. This phase was completed on September 30, 1995. Phase II includes establishing the core FFS system, custom interfaces, and custom reports and is addressed in this memorandum report. Phase III is currently being planned and Phase IV is to be determined at a later date.

In September 1995, the CAO formed a Financial Management System Executive Steering Committee to oversee this implementation process. The committee included various senior officials under the CAO, CHO, Library of Congress, General Accounting Office, and WASC.

The committee also included the Inspector General and a representative from Price Waterhouse LLP (PW) as advisors. Since the formation of the committee, members have generally met on a weekly basis.

### **Objective, Scope, and Methodology**

On September 29, 1995, the OIG engaged PW to review, analyze, evaluate, and provide advice on various aspects of the House's implementation of FFS. Since that time the OIG/PW team has worked closely with the FFS Implementation Team to help assure the implementation followed proper practices, and was adequately completed prior to going live as the House's primary financial management system. The OIG/PW team provided detailed review and advice in the following areas:

- Project management infrastructure and activities.
- Implementation and transaction testing of FFS subsystems.
- Documentation of user procedures for the FFS subsystems.
- Development of training for users.
- Implementation and unit testing of custom interface programs.
- Implementation and unit testing of custom reports produced from FFS.
- Implementation of the security setup for FFS.
- Conversion of FMS data to FFS and verification of the conversion's accuracy.
- Review of the FFS technical architecture.
- System acceptance testing.

We conducted our review in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Internal Controls**

This review evaluated the internal controls being incorporated in the House's new financial management system. This included both the manual and automated application controls being implemented in the system, but did not include the general controls associated with the operations at WASC. A separate report is being finalized concerning WASC's general controls environment.

However, those general controls that were pertinent to the implementation of the new financial management system were addressed as FFS technical architecture issues in this review.

### **Prior Audit Coverage**

The OIG previously issued an audit report--*House Experiencing Problems With The Implementation Of The Core Federal Financial System* (Report No. 96-CAO-02, dated March 1, 1996)--which included recommendations to improve the system development life cycle methodology, quality assurance, and project management of the FFS implementation process. The CAO agreed with the report's findings and recommendations and has implemented or is in the process of implementing all of the recommendations.

## **II. MATTERS REQUIRING CAO ATTENTION**

### **Additional work is needed to complete Phase II of the FFS Implementation.**

Most system implementation project managers prioritize tasks to identify those that are critical to complete prior to going live with a new system, versus those that can be completed shortly thereafter. To meet aggressive system implementation dates, it is common to implement the new system once the critical tasks are completed.

The FFS Implementation Team has completed the Phase II tasks that are critical for the cut-over to FFS. However, there are additional tasks from Phase II that must be completed as soon as possible. Listed below are tasks that will require additional time and effort by the FFS Implementation Team and must be completed before the generation of the monthly and quarterly reports during mid-July.

- Conversion and verification of the remaining months of FMS data.
- Modification and associated testing of custom interface programs to resolve program editing deficiencies identified during the OIG/PW Team's review of the custom interface programs.
- Resolution of problems with the custom reports identified during unit testing of the custom report programs.
- Enhancements and associated testing of the custom reports to provide easier to read reports.
- Development of operating policies and procedures for custom interface programs and reports.

There are other outstanding tasks that also require additional time and effort to complete. Although there is no one FFS function that is dependent on the completion of these tasks, they should also be completed as soon as possible. These tasks include:

- Establishing a process to provide user support to resolve user questions and problems.
- Developing user procedures for the remaining FFS subsystems: Budget Execution, Planning, Purchasing, Project Cost Accounting, and General Ledger.
- Developing training for the remaining FFS subsystems: Budget Execution, Planning, Purchasing, Accounts Receivable, Automated Disbursement, Project Cost Accounting, and General Ledger.

- Developing FFS security procedures and policies.
- Conducting systems acceptance testing for the above modifications to custom interface programs and enhancements to custom reports.

Although the tasks critical for cutting over to FFS are completed, it is important for the FFS Implementation Team to complete the remaining tasks to fully implement the core FFS. Without the completion of these tasks, FFS may not meet users' expectations and the implementation project could lose its credibility.

Because it was so important for the CAO to implement a new financial management system as soon as possible, the FFS Implementation Team concentrated on completing the tasks critical to achieving a rapid use of the system's core functions. This core functionality will eliminate the House's dependence on poorly documented, 20-year old technology with limited functionality. Therefore, the FFS Implementation Team prioritized the implementation tasks to focus on completing the critical tasks and delayed the completion of remaining tasks until after cutting over to FFS.

### **Strong planning and management is needed for Phase III of the FFS implementation.**

Well-run financial management system implementation projects are managed using a formal SDLC methodology. A formal SDLC methodology provides the project manager with an orderly and structured approach to plan and manage a system implementation. The methodology also directs the collection and documentation of user requirements, design of the system to meet user requirements, verification, validation and testing of the system, and training of users on the new system.

After the core functions of FFS are in use and the CAO has met the primary goal of implementing a financial management system that applies proper accounting principles, the CAO and the FFS Implementation Team will have the time to carefully plan Phase III of the House's financial management modernization project. Unlike Phases I and II, this Phase should be structured to thoroughly consider users' needs, and should target those areas where users have the greatest concern or where inefficiencies are most acute. To do this properly, an SDLC methodology should be followed. The methodology should guide completion of Phase III, including the following:

- Review of financial management processes to identify areas that must be addressed in Phase III.
- Prioritization of individual projects in Phase III.
- Development of a detailed project work plan based on level of effort by area, available resources, and realistic goals and target dates.

- Collection and documentation of functional requirements for areas that will be included in Phase III.
- Analysis of how to best meet user requirements.
- Establishment of the settings on the system to meet user requirements.
- Verification, validation and testing of the system.
- Development of user procedures.
- Training of users on the system.

Without following a formal SDLC methodology, delays, unrealistic completion estimates, additional costs, and inefficiencies could occur in Phase III. In addition, the functionality planned for Phase III may not completely meet users' needs if the tasks associated with a formal SDLC methodology are not completed. To help assure that Phase III of the House's financial management modernization project will meet users' needs and avoid delays and additional costs, an orderly and structured SDLC methodology must be followed.

### **Recommendations**

We recommend that the Chief Administrative Officer:

1. Prioritize and assign adequate resources to execute the remaining steps in the work plan to assure all Phase II tasks are completed no later than the end of July 1996.
2. Adopt and follow a formal SDLC methodology for Phase III activities that applies proper procedures for defining user and functional requirements, detailed planning and work plan preparation, system verification, validation and testing, user procedures development, and user training.

### **Management Response**

On May 31, 1996, the Chief Administrative Officer verbally responded to a draft of this report, and fully concurred with the matters identified and all recommendations. He stated that he would ensure that adequate resources are assigned to the remaining steps required to fully complete Phase II tasks prior to the end of July. In addition, he stated that a formal SDLC methodology would be followed for Phase III, and that this methodology would include fully defined user and functional requirements, detailed planning and work plans, thorough unit and system verification, validation and acceptance testing, complete user procedure documentation, and comprehensive user training.

**Office of Inspector General Comments**

The Chief Administrative Officer's actions are fully responsive to our recommendations.