Memorandum

DATE: August 12, 2004

REPLY TO
ATTN OF: IG-30 (A04TG039)   Audit Report No.: OAS-L-04-19

SUBJECT: Interim Report on Audit of "The Department's Implementation of I-MANAGE STARS"

TO: Chairpersons, I-MANAGE Executive Steering Committee

The purpose of the report is to provide you with observations made during our ongoing audit of the Department of Energy's (Department) implementation of the Integrated Management Navigation System (I-MANAGE) program's Standard Accounting and Reporting System (STARS). The audit was initiated in May 2004 and is currently in progress at the Department's Office of Management, Budget and Evaluation at Headquarters and at the Oak Ridge Reservation (Oak Ridge). The audit methodology is described in an attachment to this report.

INTRODUCTION AND OBJECTIVE

Successful implementation of STARS is critical to ensuring the accuracy and reliability of the Department's financial statements. STARS will replace the Department's aging legacy core financial systems and is the backbone of the I-MANAGE initiative – a corporate-level system designed to help achieve the President's Management Agenda for improved financial performance, expanded electronic government, and budget and performance integration. STARS is scheduled to be implemented on October 1, 2004, and to be deployed for user operations on November 1, 2004. Prior to beginning operation, STARS must first pass a preliminary "Go/No Go" decision on August 16, 2004, and a final "Go/No Go" decision on September 22, 2004. When complete, the system is expected to cost about $51 million.

Our overall review of STARS and I-MANAGE will not be completed until post-implementation testing is complete. The purpose of this interim report is to highlight areas that, in our judgment, should be considered by the Executive Steering Committee as it evaluates future steps and related schedules.

CONCLUSION AND OBSERVATIONS

Our review disclosed a number of challenges to the successful implementation of STARS. These issues increase the risk that the Department may not be prepared to launch a fully capable system on schedule. Specifically, we noted that:

- As a result of its Financial Services Competitive Sourcing Initiative (A-76 Study), the Department is in the process of reorganizing a significant portion of its accounting function. The Department chose a "dual track" implementation of its

competitive sourcing solution and STARS. This approach significantly increases demands on existing staff, and increases uncertainty as to whether resources will be available for implementation and testing. As an example, work to consolidate payment operations at Oak Ridge and to centralize National Nuclear Security Administration activities at its Albuquerque Service Center have decreased resources originally expected to be available for STARS-related activities.

- Interface testing to ensure the proper inclusion of contractor-generated accounting data in STARS has not been completed. These interfaces are critical to the operation of STARS, and have been described by an implementation official as the key "show stopper" for the August 16, 2004, decision. The completion schedule for the interfaces slipped from April 2004 to July 2004, and testing remained incomplete on the date of this report.

- As currently designed, STARS does not have the capability to permit budget recasts. These functions must frequently be performed to realign data among accounting codes and overlay historical data. While an implementation official does not believe that budget recasts are necessary, we note that the process has become institutionalized and occurs on multiple occasions throughout the year. Should this feature not be available, the Department may have to significantly reengineer its budget process, an activity that could be labor intensive, costly, and one that is not currently included in implementation tasks.

- STARS also cannot process multi-fund accounts receivables. Both management and the developer have recognized that this functionality is required for reimbursable work and the software vendor is working to modify the core system software. A corporate financial system official indicated that STARS cannot be successfully implemented unless this feature is in place and functioning.

- User acceptance testing revealed more errors than expected and is currently behind schedule. While officials told us that all tests are now complete, analysis needed to determine the severity of the errors and to take corrective actions may not be completed until after the August 16 decision point. As of August 5, 2004, 138 of 193 issues remained to be resolved.

- Users to be trained for STARS have not been fully identified. The STARS training schedule has been delayed approximately one month, with the "Train the Trainers" module slipping from mid-July to mid-August. Training is critically important to successful implementation and is frequently cited as a cause in failed efforts.

- Crosswalks necessary to ensure the proper cleanup and conversion of field site data to STARS accounting codes are ongoing and are not expected to be completed until implementation. A STARS implementation official told us that continuous changes to field site requirements for converting their data to STARS accounting codes have made it difficult to complete testing of the crosswalks.

- The Oak Ridge Payment Center (Payment Center) staffing plan did not fully consider the increased workload associated with preparing data from the Department's legacy system for STARS acceptance. One aspect of the A-76 Study included consolidating all of the Department payments at Oak Ridge. Oak Ridge staff, who are now tasked with performing legacy data cleanup and conversion activities, will also be handling triple the payment workload by October 2004 with less than a 50 percent increase in personnel. In addition, the Payment Center's data entry workload will temporarily increase on implementation because STARS does not have the capability to automatically post payment transactions to multiple accounts – a capability that currently exists with the legacy system. The STARS project team plans to address this issue during post-implementation.
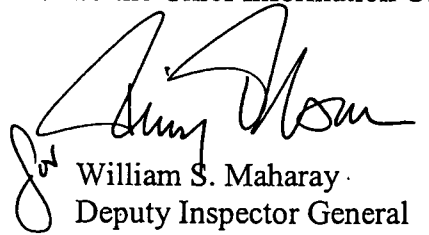
While we view each of these issues as substantial, we could not evaluate their overall impact or determine whether they can be adequately resolved because the project's critical path has not been well defined. According to the implementation officials, every task in the STARS project is now considered critical. However, without a critical path, we cannot gain, and management cannot benefit from, a clear understanding of essential tasks and interdependencies.

SUGGESTED ACTIONS

In light of the above observations and concerns, the I-MANAGE Executive Steering Committee should ensure that prior to the September 22, 2004, final decision:

- Essential and interdependent tasks are properly identified and prioritized for completion;

- The budget recast and multi-fund accounts receivable issues are promptly resolved;

- Consideration is given to setting a date for freezing the crosswalks to allow testing to be completed prior to implementation; and,

- Sufficient resources are allocated to complete project tasks.

We informed project management officials and the Chief Information Officer of our observations on August 3, 2004.

William S. Maharay
Deputy Inspector General
for Audit Services
Office of Inspector General

cc: . Director, Office of Management Analysis, ME-2.5
Director, Office of Corporate Financial Systems, ME-13
Audit Liaison, ME-100

SCOPE AND METHODOLOGY

The audit of the I-MANAGE STARS was initiated in May 2004 and is currently ongoing at the Department of Energy Office of Management, Budget and Evaluation at Headquarters and the Oak Ridge Reservation. To accomplish the audit objective, we:

- Held discussions with program managers and project officials at Headquarters to gain an understanding of project management roles and responsibilities, and learn the history, status, and any problems associated with the project;

- Held discussions with officials at the Oak Ridge Operations Office, Oak Ridge National Laboratory, and Y-12 National Security Complex to gain an understanding of their roles and responsibilities and their progress in preparation for system implementation; and

- Obtained and reviewed project documentation at Headquarters and the Oak Ridge Reservation.

The audit is being performed in accordance with generally accepted Government auditing standards for performance audits and includes tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Because our review is limited, it would not necessarily disclose all internal control deficiencies that may exist at the time of our audit. We did not rely on computer-processed data to accomplish our audit objective. An interim briefing was held with project officials on August 3, 2004.

From:	Maharay, Bill
Sent:	Tuesday, August 17, 2004 12:29 PM
To:	Friedman, Greg
Cc:	Hass, Rickey; Urban, Stephanie
Subject:	FW: Status on STARS

Greg

Although we only issued a letter report, the decision to delay implementation of the STARS system is a significant success story. The history of the Federal government is replete with unsuccessful implementation of accounting systems. Hopefully, our report will encourage the Department to go slow and properly develop and implement the next generation accounting system.

We will do a write up for the semi-annual report.

Bill

-----Original Message-----
From: Collard, George
Sent: Tuesday, August 17, 2004 11:31 AM
To: Maharay, Bill; Hass, Rickey
Subject: Status on STARS

Bill and Rick: Warren sent the following to John Yi regarding the Steering Committee's decision on STARS.

George

STARS-Deployment
   .doc (33 KB)

Decision to delay STARS Deployment

During the last I-MANAGE Executive Steering Committee meeting on July 29th, the Co-chairs promised to release a message on August 16th that provided a preliminary Go No-Go Decision on STARS.

At that meeting, the PMO reported that an October 2004 deployment of STARS to support FY 2005 operations was feasible based on preliminary results from the second round of user acceptance testing as of July 22, 2004. At that point, user acceptance testing and the follow-on analysis was not yet finished. User acceptance testing is now complete, testing results have been analyzed, and work is proceeding to address conversion, test and interface issues.

Based on our analysis, the I-MANAGE co-chairs have made a decision to delay the STARS deployment. Several key issues led to this decision: (1) continued delays by the field in completing the accounting cleanup hampered data conversion and problem analysis during unit acceptance testing and, as a result, end-to-end data conversion and testing have not been completely reconciled, (2) none of the 27 integrated contractor interfaces are problem-free and much work remains to be done by the Management and Operating contractor community to ensure satisfactory resolution of the problems with these interfaces; (3) other interfaces need additional work to ensure that they can properly integrate with the new accounting system; and (4) gaps in functionality remain.

The time required to complete all of the aforementioned tasks simply puts us past the scheduled deployment date. We are now assessing where we are and the subsequent steps that need to be taken for a successful deployment. Within a short period of time, we will provide you with more information regarding the impact and extent of the delay.

We ask for your continued support. Stay tuned.

United States Government | **Department of Energy**

Memorandum

DATE: **SEP 1 4 2004**

REPLY TO
ATTN OF: IG-34 (A04TG039)

SUBJECT: Final Report Package for the Interim Report on Audit of "The Department's
Implementation of I-MANAGE STARS" Audit Report Number: OAS-L-04-19

TO: Rickey R. Hass, Assistant Inspector General for Audit Operations

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: <u>157</u>

   Actual Elapsed days: <u>85</u>
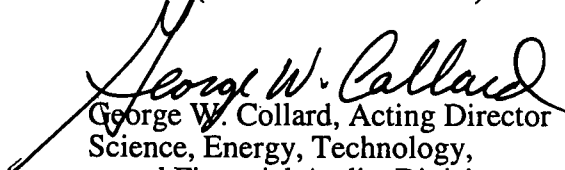
   Actual Elapsed Days Less Suspended: <u>85</u>

2. Names of OIG and/or contractor audit staff:

Assistant Director:	Kevin Majane
Team Leader:	Dan Weeber
	Darryl Ross
Auditor-in-Charge:	John Yi
Audit Staff:	John Moynihan
	Chari Reines
	Erin Cole

3. Coordination with Investigations and Inspections:

Investigations:	Brenda Froberg (05/11/04 & 08/13/04)
	Tyler Smith (05/11/04 & 08/17/04)
	Reggie France and Randall Kizer (08/17/04)
Inspections:	Geoff Gray (05/11/04)
	Fatima Pashaei (08/13/04 & 08/16/04)

George W. Collard, Acting Director
Science, Energy, Technology,
   and Financial Audits Division
Office of Audit Services
Office of Inspector General

Attachments:
1. Final Report
2. Monetary Impact Report
3. Audit Project Summary Report
4. Audit Database Information Sheet

MONETARY IMPACT OF REPORT NO.: <u>OAS-L-04-19</u>

1. Title of Audit: <u>Interim Report on Audit of "The Department's Implementation of I-MANAGE STARS"</u>

2. Division: <u>Science, Energy, Technology, and Financial Audits Division</u>

3. Project No.:   <u>A04TG039</u>

   1. Type of Audit:

Financial: _____   Performance: _____X_____

    Financial Statement _____   Economy and Efficiency _____X_____

    Financial Related _____   Program Results _____

Other (specify type): _____

5. Please report monetary savings identified in the report using applicable columns. Provide additional explanations of audited activities/locations in Section No. 6 - Remarks.

FINDING		COST AVOIDANCE		QUESTIONED COSTS				MGT. POSITION	POTENTIAL BUDGET IMPACT
(A)	(B) Title	(C) One Time	(D) Recurring Amount PerYear	(E) Questioned	(F) Unsup- ported	(G) Unre- solved	(H) Total (E)+(F)+(G)	(I) C=Concur N=Noncon U=Undec	(J) Y=Yes N=No
	Opportunities for Improvement			Unknown					
TOTALS--ALL FINDINGS									

6. Remarks: As of the interim report, we were unable to identify a specific one time monetary impact attributable to making improvements in the Department's management of the development and transition of STARS. However, this audit is still ongoing and will be tracked by a new audit job code, A04TG043.

7. Contractor: _____   10. Approvals:

8. Contract No.: _____   Division Director/Date: _George W. Callard_ 9/14/04

9. Task Order No.: _____   Technical Advisor & Date _____

Audit#: A04TG039　　**Ofc:** ATA　　**Title:** I-MANAGE STARS IMPLEMENTATION

**** Milestones ****

	Planned	End of Survey	Revised	Actual
Entrance Conference:.....	19-MAY-04		19-MAY-04	19-MAY-04
Survey:.................	20-AUG-04			
Draft Report:...........	17-DEC-04			
Completed (With Report):.	28-JAN-05		12-AUG-04	12-AUG-04　(R)
-----------Elapsed Days:	254		85	85

Elap. Less Susp:

Date Suspended:　　　　　　　　Date Terminated:

Date Reactivated:　　　　　　　Date Cancelled:

DaysSuspended(Cur/Tot):　　　　(　　) Report Number:　OAS-L-04-19

Rpt Title:　　　　　　　　　　　Report Type:　　LTR　LETTER REPORT

INTERIM REPORT ON AUDIT OF "THE DEPARTMENT'S IMPLEMENTATION OF I-MANAGE STARS"

**** Audit Codes and Personnel ****

Class:　　PER　PERFORMANCE

Program:　　　Not Found

MgtChall: 020　INFORMATION TECHNOLO

Site:　　　　Not Found　　　　　　　　AD: 530　　MAJANE

SecMiss:　　Not Found　　　　　　　　AIC: 796　　YI

PresInit: EEG　EXPANDED ELECTRONIC　　Team Ldr: 713　WEEBER

　　　　　　　　　　　　　　　　　　　Tech Adv: 544　ACTON

**** Task Information ****

Task No:

Task Order Dt:　　　　　　　CO Tech. Rep:　　　,　.

Orig Auth Hrs:　　　　　　　Orig Auth Costs:

Current Auth:　　　　　　　 Current Auth Cost:

Tot Actl IPR Hr:　　　　　　Tot Actl Cost:

**** Time Charges ****

Emp/Cont Name	Numdays	Last Date
BOOS, B	0.6	21-AUG-04
ROSS, D	4.8	07-AUG-04
COLE, E	12.9	21-AUG-04
WEEBER, D	16.5	21-AUG-04
REINES, C	31.4	21-AUG-04
YI, J	35.8	21-AUG-04
MOYNIHAN, J	54.9	21-AUG-04
Total:	156.9	

AUDIT DATABASE INFORMATION SHEET

1. Project No.: A03TG039

2. Title of Audit: Interim Report "The Department's Implementation of I-MANAGE STARS"

3. Report No./Date: OAS-L-04-19, Issued August 12, 2004

4. Management Challenge Area: Information Technology

5. Presidential Mgmt Initiative: Expanded Electronic Government
   Budget and Performance Integration

6. Secretary Priority/Initiative: Information Technology Management
   Project Management

7. Program Code: ME

8. Location/Sites: OMBE Headquarters in Germantown, MD; Oak Ridge Operations Office; Oak Ridge National Laboratory; Y-12 National Security Complex

9. Finding Summary: This interim report contains our observations to date on the implementation of the STARS financial system. Our review disclosed a number of challenges to its successful implementation, including:

   - Resource issues resulting from the dual implementation of STARS and MEO;
   - Incomplete system interface testing;
   - STARS' inability to permit budget recasts;
   - STARS' inability to process multi-fund accounts receivables;
   - Incomplete analysis and resolution of the user acceptance testing errors;
   - Incomplete identification of users to be trained;
   - Incomplete testing of data crosswalks; and
   - Staffing issues revolving around Oak Ridge's implementation of both STARS and the new Payment Center.

   Because management had not established a critical path to project completion, they could not gain a clear understanding of the essential tasks that need to be performed.

   In light of these observations and concerns, we identified several suggested actions for the I-MANAGE Executive Steering Committee to consider prior to its September 22, 2004, final "Go/No Go" decision.

   This audit is still ongoing and will be tracked by a new audit job code, A04TG043.

10. Keywords: I-MANAGE, STARS, Financial System, System Development