Assurance Services

Relating to an

"Assessment Review of PeopleSoft Financial System Implementation Project by DigiTerra, Inc."

Report #0017   **July 26, 2000**

Summary

Request for Assurance Services

We were requested by the Department of Management and Administration (DMA) to provide oversight and assurance services as to the reliability of an assessment review of the PeopleSoft Financial System (Financials) implementation project (97053). The review was conducted by DigiTerra, Inc., (consultants) during May-June, 2000.

Our Conclusion

Based on our review of the assessment conducted by the consultants, we concluded that the consultants:

√ performed adequate procedures to meet the assessment's stated objectives;

√ addressed the stated objectives in their report; and

√ collected adequate documentation to support their report findings, recommendations, and conclusions.

Overall, it is our opinion that the consultants' report presents an objective and reasonable assessment and status of the City's Financials implementation project.

Purpose of Report

The purpose of this report is to provide assurance to DMA concerning the consultants' assessment review of the Financials implementation project. In addition, our report summarizes the results of the assessment review report, and discusses the status of the significant issues that need to be resolved to ensure that the Financials implementation project is completed successfully.

Internal Audit's Assurance Role

In May 2000, DMA contracted with DigiTerra, Inc., to assess the current status of the Financials implementation project and determine the feasibility of the Phase I "go live" date, October 1, 2000. The assessment review was conducted during the period of May 17 - June 9, 2000 and cost approximately $17,000. There were monies available within the approved project budget to fund the review. The review included assessing the status and adequacy of the system control tables, City business processes, test plans, and the overall implementation project. The review results provide DMA with detailed information they can use to improve the remaining project activities and schedule.

DMA recognized that the consultants' independence could be viewed as impaired since they have assisted the City during the installation and implementation of the PeopleSoft Financial software. However, DMA believed, and we concurred, that this is mitigated by the technical nature of the review. In addition, DMA determined it would be more cost effective and timely for DigiTerra, Inc., to conduct the assessment as they are familiar with the City, as well as proficient with the software product.

We were requested by DMA to provide independent assurance as to the reliability of the consultants' assessment review and report. Our specific objectives were to:

√ evaluate the adequacy of the procedures performed by the consultants to meet their objectives;

√ ensure their report findings, recommendations, and conclusions addressed the stated objectives; and

√ ensure their methodology and documentation supported their report findings, recommendations, and conclusions.

To provide this assurance, we observed the consultants analyzing test plans and re-performing selected test procedures for the modules. We also reviewed the consultants' educational and experience levels as related to the Financials system. After they completed their initial assessment of each module, we interviewed the consultants and reviewed documentation to determine the reasonableness of their findings and recommendations. Finally, we reviewed and provided feedback regarding the report content to ensure there was adequate evidence to support their findings, recommendations, and conclusions. This assurance report was conducted in accordance with Government Auditing Standards applicable to this type of engagement.

Background

On May 17, 2000, the City engaged DigiTerra, Inc., an implementation services consulting company (consultants) to:

• review the current status of the City's Financials implementation project;

• test each individual module and report all identified problems or errors along with a recommended resolution;

- assist with the preparation of any needed additional test cases; and
- provide an opinion regarding the work completed and the additional work required for Financials to go live" (bring into production).

The consultants' objectives were further refined with our input to also:

- evaluate the accuracy of the Financials system base tables;
- evaluate the documentation for technical and user purposes; and
- assess the feasibility of the October 1, 2000, scheduled "go live" date.

The Financials implementation project involves replacing the existing legacy mainframe financial application system with a newer client/server financial application system. In June 1998, the City Commission approved this project at a budget of $2,343,000. In January 1999, the City purchased the PeopleSoft Financial Management System software at a cost of $535,100, and then in May 1999, contracted with DigiTerra (formerly Business Information Technology, Inc.) to assist the City with planning and installation of the PeopleSoft Financials software at a cost of $914,688 plus airfare. The contract is managed by the ISS Project Manager, and the consultants are compensated on an hourly basis.

To date, the PeopleSoft Financials software installation is current, i.e., all modules have been installed. Once the software is installed, the modules must be further developed and designed to meet the City's needs. This includes setting up and populating control tables so that the module can support the required business processes. Control tables are populated by City subject matter experts. Each module must be tested individually to ensure that the Financials system functions accurately and as intended. Pre-determined data must then be converted from the old mainframe system to the new system and tested. Finally, the entire system and business processes must be tested and accepted before it can be put into production ("go live"). This project involves the installation and implementation of nine modules in two phases. Phase I includes the General Ledger, Project Costing, Purchasing, Inventory and Accounts Payable modules. Phase I was originally scheduled to "go live" on October 1, 2000. Phase II will include the Budget Preparation, Asset Management, Billing and Accounts Receivable modules. Phase II was originally scheduled to "go live" in March 2001.

An ISS Project Manager and a DMA Functional Owner Project Manger lead a project team consisting of subject matter experts across DMA (Budget, Accounting, Procurement Services, and Warehouse Management). With technical assistance from DigiTerra, Inc., the project team is tasked to implement the PeopleSoft Financial

system as is (i.e., don't modify the delivered software unless there is a legal or compelling business reason to do so).

The implementation of the new Financials system will impact the entire City. This system will serve as the City's official record of all revenues, expenditures, or other accounting transactions. If this data is maintained in other systems, then it must be transferred via interfaces to the Financials system so the information can be properly recorded and reported.

Results from the Assessment Review Report

The consultants' assessment report (received June 23, 2000) provided the Financials system implementation project team and Steering Committee information regarding the condition of the overall project. It included detailed and specific information for each of the modules being implemented during Phase I (General Ledger, Project Costing, Purchasing, Inventory and Accounts Payable).

The report noted that the following major project tasks have been completed successfully:

√ All system requirements have been gathered and required modifications documented.

√ Control tables for General Ledger, Accounts Payable, Purchasing and Project Costing modules have been set up and populated.

Key findings from the assessment review included:

- The project is significantly behind the original schedule dates, and the Phase I "go live" date, October 1, 2000, is unattainable.
- There is not adequate documentation for technical or functional user purposes.
- Each module needs to have the test plans modified and re-tested. One of the test plans needs to be totally rewritten.
- There is no plan for the training of all functional users in the City.

In addition, the assessment report addressed significant issues that need to be adequately resolved to ensure that the project is completed successfully.

Based on our review of the above, we concluded that the consultants' report presents an objective and reasonable assessment and status of the City's Financials implementation project.

In Table 1 that follows, the left column provides the significant issues identified in the consultants' report. The right column provides management's actions relating to each issue and the status.

Table 1

Significant Issues Identified	Management Actions/Status
Staffing and Training Issues	
The project will not meet the original planned completion date for Phase I, October 1, 2000; or for Phase II, March 2001.	♦ The Project Manager and Steering Committee have revised the project's Phase I scheduled completion date to March 31, 2001. The Budget module from Phase II will also be implemented then. The revised estimated completion date for the remaining Phase II modules will be June 30, 2001.
There is no current Functional Project Manager on the Project Team.	♦ DMA advertised for the position that will serve as the Functional Project Manager for this project and plans to fill this position by July 31, 2000.
Adequate technical resources have not been dedicated to the project to support and troubleshoot implementation issues.	♦ There were unforeseen problems that resulted in the lack of technical resources during the last year. At this time, however, the Project Manager believes that there are now adequate technical resources dedicated to the project to meet the March 31, 2001, date. DMA recognizes that any reduction to the current resource level could negatively impact the progress**.**
Technical resources need to acquire more PeopleSoft specific skills, including PeopleTools, Application Engines, SQR, and reporting tools.	♦ Project Management believes that the added technical resources have the skill sets needed to adequately support and maintain the Financials system.
Project Managers are not adequately monitoring task completion among the project team members.	○ This will be one of the roles of the new Functional Project Manager.
There has not been adequate planning or allocation of resources for user training needs.	♦ A Training Coordinator has been identified who is responsible for planning the training: what, to whom, by whom, when, and where.
There are no plans to provide a help desk to assist new users with day-to-day problems when the new system goes live The existing ISS help desk is not knowledgeable about the operation and functionality of specific applications.	○ The Steering Committee is aware of this issue. Plans are being made to use the Project Team functional subject matter experts at a temporary help desk for six months. There are no current plans to provide an on-going help desk resource.
There needs to be a transitioning plan for switching over to the new system in the middle of the fiscal year.	♦ Project Management is evaluating options and expects to have a plan completed by the end of July 2000.
Documentation	
A technical resource manual needs to be updated.	♦ Technical staff is revising the technical documentation when they are making modifications to the existing structure.
Functional user manuals have not been developed. ⇨ Need Financials system user manual to document how to perform specific functions within the system. ⇨ Need revised policies and procedures in functional areas to document how business processes will change.	○ Project Team functional subject matter experts are tasked to update the system user manual for City processes after testing has been completed successfully. ○ In addition, functional user management is responsible for integrating business processes within the system. ♦ General Ledger and Purchasing are being addressed. ○ Project Costing module is not being addressed*.*
Work to be Completed in the Individual Modules	
Purchasing ⇨ Workflow needs to be completed to support the new purchasing process. ⇨ A citywide process map should be developed to show who is the requester, how requisitions are assigned to buyers to build purchase orders, where goods will be received, and how purchase orders will be dispatched. ⇨ The test plan needs to be extensively modified and enhanced. ⇨ Test case scenarios with contracts need to be added to the test plan. ⇨ The module should be completely re-tested and documented.	♦ Workflow is being developed, and testing is underway. ♦ Test plan revisions and testing are underway but not completed. ○ Process maps will be developed by Project Team functional subject matter experts and will be part of the documentation process. This could be combined with the user documentation that addresses how City processes will be performed within the functional areas.

Accounts Payable ⇨ The test plan needs to be enhanced by adding and recommending test cases to test specific functionality. ⇨ The added test cases (including processing payments) should be tested, and all corrected problems, re-tested.	♦ Test plans have been revised, and re-testing is underway but not completed.
General Ledger ⇨ Additional test cases need to be created and tested, and all corrected problems, re-tested. ⇨ Test documentation needs to be completed.	○ These tasks have not been addressed.
Inventory ⇨ The tables need to be corrected per recommendations and thoroughly examined for accuracy and completeness. ⇨ Conversion data has not been tested. ⇨ A new comprehensive test plan needs to be created to adequately test the functionality of the module. ⇨ The module needs to be reviewed to ensure that the City processes agree with the PeopleSoft module processing.	○ Some work has been started on these tasks, but none has been completed. An additional accounting subject matter expert is to be added to the Project Team in July 2000, to assist with these tasks.
Project Costing ⇨ The test plan needs minor enhancements. ⇨ The entire test plan should be re-performed by a City Project Team member or designated subject matter expert. The consultants created and tested the test plan. No City employees were initially involved.	○ These tasks have not been completed. An additional budget subject matter expert is to be added to the Project Team to assist with these tasks.
All Modules ⇨ There was no evidence that testing plans and results were reviewed and approved. Each module's test plan, test cases, and results needs to be reviewed and approved by the Project Manager. ⇨ A test plan needs to be created and tested on the entire Financials system (all modules) to ensure that integration between the modules is tested according to business processes.	○ The new Functional Project Manager will be responsible for overseeing these tasks.

Table Legend: ⇨ **Sub component**   ♦ **Being addressed - In Progress**   ○ **Not currently being addressed - Outstanding**

We would like to thank the consultants from DigiTerra, Inc., and the Financials implementation Information Systems Services (ISS) Project Manager for their assistance and cooperation during the assessment review and preparation of this assurance report.

Appointed Official Response

City Manager:

Given that subsequent to the inception of the project; 1) three key project members were out significant lengths of time on catastrophic leave, 2) key technical personnel were required to spend time intended for the project dealing with other projects such as Y2K and bi-weekly payroll, and 3) the resignation of the functional project manager, DMA management was aware that the remaining project staff may not be able to adequately address all of the project requirements on the initial time frame. It was for this reason that DMA requested that DigiTerra, Inc., with City

Auditor oversight, perform an independent assessment of the project status and identify outstanding issues requiring resolution for the successful implementation of this project (City Commission Meeting, May 10, 2000).

We are pleased to note that this review did not reveal any issues of which management was not already aware and planning to address. We fully concur with the findings of DigiTerra, Inc and City Auditor's Office related to the status of this project and thank them for their assistance. As a result of this assessment, and the recommendation of the project manager, the project steering committee has delayed implementation of this project for a six-month period to ensure the quality of the system and processes before they are delivered. Further, we are pleased to report that with the pending hiring of a new project manager the project will once again be fully staffed. We must stress however, that any reduction in the current staffing level will have a strong negative impact on the success of this project.