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# Key Points of Report

## An Audit Report on the Integrated Statewide Administrative System at Selected Agencies

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January 2001

### Overall Conclusion

According to agency 2000-2001 biennial operating plans, approximately 24 agencies will be using the Integrated Statewide Administrative System (ISAS)/PeopleSoft software by fiscal year 2003, with cumulative implementation costs in excess of \$160 million. To varying degrees, the ISAS projects at the Department of Housing and Community Affairs (TDHCA) and the Texas Workforce Commission (TWC) are behind schedule and over budget; therefore, the systems have yet to fully provide the expected benefits for which ISAS was selected as the internal financial management system.

As the State Auditor's Office previously reported, agencies have historically had difficulty managing software development projects. The ISAS projects at TWC and TDHCA provide best practices and lessons that may benefit other state agencies or universities undergoing similar software installation projects.

Although the installations of the ISAS software at these two agencies are not yet complete, the portions of the software that are installed appear to be functioning correctly and reliably. For instance, the software appears to be correctly and reliably exchanging information with other software applications such as the Uniform Statewide Accounting System.

### Key Facts and Findings

- We identified several key issues from the projects at TDHCA and TWC that may not only affect the success of future ISAS projects, but also the success of software projects at state agencies and universities in general.
- At the time of our review, the biennial operating plan for fiscal years 2000-2001 of TDHCA and TWC incorrectly reflected that the TDHCA ISAS software installation project is complete and that the TWC software installation project is on schedule.
- The contracting and managing issues identified in this report are similar to issues previously reported by the State Auditor's Office on other software development projects.
- Project management and contract administration at state agencies continue to be areas of concern.

### Contact

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## Office of the State Auditor

Lawrence F. Alwin, CPA

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*This audit was conducted in accordance with Government Code, Sections 321.0132, 321.0133, and 321.0135.*

# Executive Summary

According to agency 2000-2001 biennial operating plans, approximately 24 agencies will be using the Integrated Statewide Administrative System (ISAS)/PeopleSoft software by fiscal year 2003, with cumulative implementation costs in excess of \$160 million. To varying degrees, the ISAS projects at the Department of Housing and Community Affairs

(TDHCA) and the Texas Workforce Commission (TWC) are behind schedule and over budget. Therefore, the systems have yet to fully provide the expected benefits for which ISAS was selected as the internal financial management system. As the State Auditor's Office previously reported, agencies have historically had difficulty managing software development projects.

TDHCA reported actual expenditures of \$955,040 through fiscal year 2000 for its ISAS implementation project. TWC reported actual and expected (through completion) expenditures of \$11,356,648 for its ISAS/PeopleSoft implementation project.

The parts of ISAS software installed at TWC and TDHCA appear to function reliably and correctly. For instance, the software appears to be correctly and reliably exchanging information with other software applications such as the Uniform Statewide Accounting System (USAS).

TWC is far enough into its implementation phase to use ISAS for its general ledger. However, TWC

has not completely implemented all planned parts of the software package. (The purchasing, cash receipts, and accounts receivable portions have not been completely implemented, for example). TDHCA does not yet use ISAS software for its general ledger, but it is preparing a project plan to continue progress so that it may do so. As neither agency is finished with the full installation of ISAS as planned, the expected benefits (such as reduced work effort to prepare financial statements and reduced paperwork) have yet to be realized.

## Two Agency ISAS Projects Provide Important Lessons for Other Agencies Embarking on Software Development Projects

Our audit of the projects at TWC and TDHCA revealed some notable best practices and lessons for future similar software installation projects at any agency or university.

Lessons learned during TDHCA's project include the following:

- Time and materials contracts do not guarantee completion of projects.
- Active project management at the agency level helps maintain control of projects.
- Staff turnover can slow completion of projects.
- Underestimating resources can slow completion of projects.

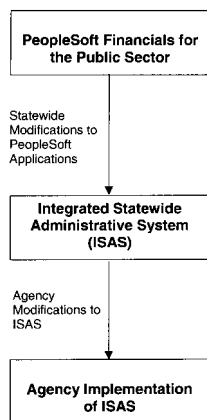
Best practices noted during TWC's project include the following:

- Functional user role maps aid in ISAS implementation.
- A separate financial reporting application can help the agency avoid potential performance problems.

### What is ISAS all about?

The Comptroller of Public Accounts began the ISAS software project in 1996. The Uniform Statewide Accounting System has been the accounting software application for the State of Texas since 1994. Agency and university users of the software, however, have expressed the need for more flexible financial reporting capabilities from the software application to meet their internal accounting needs.

ISAS is a modified version of the PeopleSoft Financials for the Public Sector commercial software package. The Comptroller of Public Accounts modifies the base version of the PeopleSoft software to meet certain State of Texas requirements to produce a base version of ISAS. Agencies may then modify the base version of ISAS to meet their specific needs. Even after modification, ISAS is still essentially a PeopleSoft application, and the lessons learned from its implementation apply to other PeopleSoft applications.



# Executive Summary, concluded

## Two Agency ISAS Software Installation Projects Are Not Yet Complete as Planned

Our reviews at TDHCA and TWC revealed that neither agency's ISAS installation project is complete. However, TDHCA's current biennial operating plan (BOP) inaccurately reflects that its ISAS software installation project is complete, while TWC's BOP inaccurately reflects that the ISAS implementation project is on schedule.

The BOP is one of the documents required of state agencies and universities under the Information Resources (IR) Management Act. The purpose of the BOP is to support the agency's Information Resources Strategic Plan and, ultimately, the agency's overall mission and goals. The BOP provides an action plan for IR management and strengthens analysis of the cost-effectiveness of technology employed by agencies and universities.

The absence of accurate BOP information makes it difficult to assess whether funds have been used for the purpose intended with the expected benefits achieved as planned. The success or failure that an agency reports on current or past projects may have an effect on the approval of future projects for that agency. Additionally, the experiences reported by agencies on projects with statewide impacts (such as the ISAS implementation projects) may affect whether other agencies or universities receive approval for the same project.

## TWC Has Processes and Procedures in Place to Produce Reliable Financial Information From ISAS

Overall, the information systems processes and procedures (controls) in place at TWC are adequate to ensure that the ISAS application and the financial data it produces are reliable.

## Success of Software Development Projects Depends on Strong Project Management Controls

The successful implementation of ISAS depends upon strong project management controls, as shown by the two projects highlighted in this report. In addition, other reports issued by the State Auditor's Office discuss contracting and management issues related to software development:

- *An Audit Report on the Department of Economic Development* SAO Report No. 00-008, January 2000
- *An Audit Report on the Comptroller of Public Accounts' Integrated Tax System*, SAO Report No. 00-016, February 2000

## Summary of Management Responses

Management at both agencies generally agrees with the recommendations made in this report.

## Objective, Scope, and Methodology

The primary objective of this project was to audit ISAS installations to determine if they had been successfully implemented to allow ISAS to produce reliable financial information.

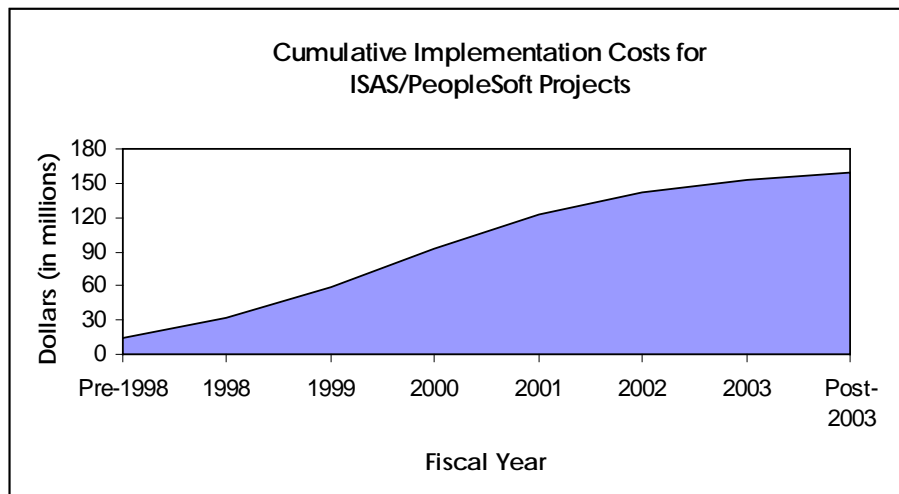
The audit covered queries of current databases for fiscal year 2000 and observations of online transaction entries made during August 2000.

The scope of this audit included review of the ISAS software application installations at TDHCA and TWC.

## Overview

According to agency 2000-2001 biennial operating plans, approximately 24 agencies will be using the Integrated Statewide Administrative System (ISAS)/PeopleSoft software by fiscal year 2003, with cumulative implementation costs in excess of \$160 million (see Figure 2). It is important for other agencies adopting ISAS to benefit from the experiences of TWC and TDHCA in their implementation processes.

**Figure 1:** Twenty-four agencies will spend an expected \$160 million to implement ISAS/PeopleSoft by fiscal year 2003.



Includes current and projected costs for 16 agencies. Costs for the remaining 8 agencies planning ISAS or PeopleSoft projects were not reported in their 2000-2001 biennial operation plans (BOP).

Source: 2000-2001 BOPs for all 24 agencies with implemented or planned ISAS or PeopleSoft projects.

As previously identified by the State Auditor's Office, state agencies have historically not done a good job of managing software development projects.

Both TWC and TDHCA embarked on their ISAS software installation projects in part due to the need for more flexible and detailed reporting capabilities.

Additionally, both agencies were interested in financial reporting system compatibility with systems used by the Comptroller of Public Accounts. However, it was unclear whether a

standard internal accounting system intended to seamlessly share accounting information with USAS could address the individual flexibility requirements of state agencies and universities. Our review of two ISAS projects provided support that if the software is implemented correctly and with forethought, it can meet the accounting needs of state agencies.

Completion of the projects at TDHCA and TWC will require each agency to develop and retain staff with the appropriate technical skills. Similarly, continued successful operation of the application after implementation at each agency will depend upon the agency's ability to retain employees with the appropriate technical skills.

Section 1:

## Two Agency ISAS Projects Provide Important Lessons for Other Agencies Embarking on Software Development Projects

Our audit of the projects at TWC and TDHCA revealed some notable lessons for future and similar software installation projects at state agencies and universities. Proper planning and management can help to meet deliverable deadlines and project budgets.

Section 1-A:

### **Time- and Materials-Based Contracts Do Not Guarantee Completion of Projects**

TDHCA paid the implementation contractor based on a time and materials contract, which did not guarantee completion of all implementation requirements. TDHCA was working with a limited budget for this project, and therefore a “deliverables” based contract, for which payment is made based on delivery of an end product, would have been much more desirable.

#### Suggestion for other agencies to consider:

Evaluate in-house expertise and clearly identify the scope of the contractor’s work to determine whether a time- and materials-based contract or a deliverables-based contract is more appropriate for their needs.

Section 1-B:

### **Active Project Management at the Agency Level Helps Maintain Control of Projects**

TDHCA did not assign an internal employee as project manager to actively monitor the activities of the implementation consultants throughout the life of the project, which left the agency at the mercy of these “experts” for successful completion. The agency placed too much dependence upon the reputation of the consultants hired and incorrectly assumed the project was under control. This contributed to the project not being completed after funding for the consultants was exhausted.

#### Suggestion for other agencies to consider:

Assign an internal project manager to monitor the project in addition to any contract management.

Section 1-C:

### **Staff Turnover Can Slow Completion of Projects**

TDHCA has experienced significant project-related staff turnover, which has severely curtailed the acquisition of PeopleSoft knowledge in-house. The acquisition of this knowledge is extremely important now that the agency is attempting completion of the implementation with limited external assistance.

#### Suggestion for other agencies to consider:

Endeavor to cross-train employees whenever possible.

Section 1-D:

### **Underestimating Resources Can Slow Completion of Projects**

TDHCA entered into its project based on an assumption that coordination with the system used by the Comptroller of Public Accounts (Comptroller) would offer compatibility advantages. Additionally, the agency contracted for a financial information needs assessment along with development of a request for offer. However, despite both of these good intentions, the agency severely underestimated the complexity of the project. The project has required much more overall participation by all levels and departments within the agency.

#### Suggestion for other agencies to consider:

Continuously evaluate available resources to ensure that projects stay on schedule and to determine if additional resources are needed.

Section 1-E:

### **Functional User Role Maps Aid in ISAS Implementation**

Before TWC implemented ISAS, the people who would be using the system the most met to document their needs and expectations. With this input, TWC produced ISAS functional role maps. The role maps defined the job functions and system functions ISAS users would need to perform job functions. During the physical software implementation, the implementation team set up the software to meet the needs outlined in the role maps. The role maps made setting up the software more efficient and effective and ensured that the software met user needs. The role maps also helped the implementation team maintain the application's security by limiting user capabilities to those needed for their jobs.

#### Suggestion for other agencies to consider:

Develop and use functional user role maps to assist in implementation.



Section 1-F:

### **A Separate Financial Reporting Application Can Help the Agency Avoid Potential Performance Problems**

TWC established a copy of the ISAS application to use only for financial reporting; financial transactions cannot be entered. TWC updates the financial reporting application daily with the data from the primary ISAS application. This second application handles all requests for reporting and query information, thus reducing the number of users accessing the primary application. By dividing the use, TWC has avoided potential performance problems and made the system easier to manage and maintain.

Suggestion for other agencies to consider:

Establish a separate financial reporting application to handle reporting requests.

Section 2:

### **Two Agency ISAS Software Installation Projects Are Not Yet Complete as Planned**

Our reviews at TDHCA and TWC revealed that neither ISAS installation project is complete. However, at the time of our review, the 2000-2001 biennial operating plans (BOP) of TWC and TDHCA inaccurately reflected completion of their ISAS implementation projects.

Section 2-A:

### **TDHCA Implementation Is Still Ongoing, and the Agency Is Still Using USAS for Internal Accounting Purposes**

#### **Why is the BOP important?**

The absence of accurate BOP information makes it difficult to determine whether funds have been used for the purpose intended with the expected benefits achieved as planned. The success or failure an agency reports on current or past projects may have an effect on the approval of future projects. Additionally, the experiences agencies report on a common statewide project, such as ISAS, may affect approval decisions for different agencies or universities.

The BOP is one of the documents required of state agencies and universities under the Information Resources Management Act. The purpose of the BOP is to support the agency's Information Resources (IR) Strategic Plan and, ultimately, the agency's overall mission and goals. The BOP provides an action plan for IR management and strengthens analysis of the cost-effectiveness of technology employed by the agency.

The ISAS application implementation project is still ongoing; it is not yet the agency's accounting system of record, as originally planned. Consequently, the agency continues to use USAS for its internal accounting purposes. Currently, the agency partially uses ISAS modules to make payments to grantees and for its operating payables. Overall, the ISAS application is used as a sub-ledger to Uniform Statewide Accounting System (USAS) for these specific transactions.

Because the implementation is not complete, the agency has not yet achieved the expected benefits from the new accounting system. Specifically, the agency projected average annual benefits of \$228,584. The agency reported implementation costs of \$955,040 through fiscal year 1998. Recently, agency management decided to reduce the number of financial modules it plans to implement. Therefore, it will never realize the original estimated

annual benefits, and the time needed to recoup the investment will be extended. TDHCA reported in its 2000-2001 BOP that the ISAS application was within TDHCA baseline operations beginning in fiscal year 1999. This reporting creates the inaccurate perception that the integration of the ISAS application is complete. Additionally, moving the project from the project-over-threshold category to the baseline category on the BOP does not allow for the full capture of all project costs.

Recommendation:

Prepare a project plan that details the remaining steps needed to complete the implementation. Identifying and documenting these remaining steps will allow the agency to plan for the required technical skills and coordination needed with the Comptroller to promote success. Additionally, the BOP should be revised to accurately reflect the current and planned status of the full ISAS implementation, including the documentation of a revised conservative completion date.

Section 2-B:

**Although TWC Has Not Implemented as Much of the Software Package as Planned, ISAS Is the Financial Accounting and Reporting System of Record**

TWC has not completed the implementation of all ISAS modules as planned for and detailed in the 2000-2001 BOP that was on file at the time of our review; therefore, it has not achieved the full expected fiscal and performance measures and objectives.

In fiscal year 1998, TWC began implementing selected modules of ISAS as part of a larger project to provide an integrated Financial and Human Resource Management System (HRMS) solution based on PeopleSoft Financials and HRMS applications. The target date for completion of the ISAS modules was September 1, 1999, with the remainder of the PeopleSoft project targeted for completion by September 1, 2000. In the 2000-2001 BOP, TWC reported that, "As of September 1999, all phases up to and including the implementation of ISAS financial applications have been completed," although it had not implemented all of the modules as originally planned. TWC also reported that as of September 1, 1999, ISAS is the agency's financial accounting and reporting system of record. ISAS is being used in all aspects of agency business except for the Unemployment Insurance Program, which is handled by a separate mainframe general ledger application.

TWC spent \$7.3 million to implement ISAS and PeopleSoft applications through the end of the 1998-1999 biennium. TWC expects to spend an additional \$7.7 million in 2000-2001 to continue implementation of the overall PeopleSoft project, which is now targeted for completion in Spring 2001. These expected costs for 2000-2001 are \$3.6 million greater than the \$4.1 million estimate in the current BOP.

The full expected benefits of the ISAS/PeopleSoft project, as outlined in the project's BOP fiscal and performance objectives and measures, will not be realized until all modules are implemented as planned. Expected benefits include:

- A 25 percent (625,000 pages) reduction in printed reports.
- A 25 to 30 percent decrease in paper forms.
- Improved reporting and analysis for management.
- A one-day reduction in purchasing process time.
- A more productive use of three full-time equivalent employees through reduced double-entry of data.

Recommendation:

TWC should complete the its implementation of the remaining ISAS modules and the other PeopleSoft modules in order to obtain full benefits as planned. It should also update its BOP to reflect the current status of the project and the new project time lines and costs.

Section 2-C:

**TWC Has Processes and Procedures in Place to Produce Reliable Financial Information From ISAS**

ISAS, as implemented at TWC, is capable of producing reliable financial information for the agency functions using it.

Overall, the information systems processes and procedures (controls) in place at TWC are adequate to ensure that the ISAS application and the financial data it produces are reliable.

Highlights of what we found at TWC include:

- Computer hardware and software and the local area network (LAN) are generally well controlled and protected.
- Users participated actively in the ISAS and PeopleSoft implementation.
- ISAS software helps to ensure that entered data is complete and accurate.
- ISAS shares financial data reliably with other internal and external systems.

Our assessment of reliability included reviews and assessments of overall information systems and ISAS application controls, tests to confirm compliance with these controls, and tests of the data produced by ISAS. Because financial data prior to fiscal year 2000 is maintained in TWC's previous financial system (FARS) and not in ISAS, we did not review historical data. We also did not review the financial data for the

Unemployment Insurance Program at TWC because it maintains its own general ledger in a separate mainframe application.

Recommendation:

Review information systems processes and procedures as PeopleSoft implementation is completed to ensure that they continue to provide adequate protection for automation resources, the ISAS and PeopleSoft applications, and the underlying financial data.

Section 3:

### **Success of Software Development Projects Depends on Strong Project Management Controls**

The successful implementation of ISAS is highly dependent on strong project management controls, as shown by the two projects highlighted in this report. In addition, other reports issued by the State Auditor's Office (see below) discuss contracting and management issues related to software development.

- *An Audit Report on the Department of Economic Development*

A project management and contracting issue was identified in this report (SAO Report No. 00-008, January 2000), which is available for viewing and downloading from the State Auditor's Office website.

- *An Audit Report on the Comptroller of Public Accounts' Integrated Tax System*

Several project management issues were identified in this report (SAO Report No. 00-016, February 2000), which is also available for viewing and downloading from the State Auditor's Office website.

Section 4:

### **History of USAS/ISAS, Including a Previous Audit Performed by the State Auditor's Office**

USAS has been the accounting software application for the State of Texas since 1994. The Comptroller began the ISAS software project in 1996. Its purpose is to provide state agencies and universities with a common internal financial and administrative management system. The commercially produced PeopleSoft financial software for the public sector package was chosen. The PeopleSoft financial software suite is composed of various modules, which include general ledger, accounts payable, accounts receivable, purchasing, inventory, and budget modules.

The Comptroller's ISAS project office is responsible for customizing various modules to meet specific requirements for State of Texas accounting. These modules, referred to as ISAS modules, are then made available to state agencies and universities.

Both TWC and TDHCA embarked on their ISAS software installation projects in part due to the need for more flexible reporting capabilities. Additionally, both agencies were interested in financial reporting system compatibility with systems used by the Comptroller's Office.

Section 4-A:

### **Objectives of the 1997 Audit of ISAS**

In 1997 the State Auditor's Office conducted an audit of ISAS. (See *A Review of the Integrated Statewide Administrative System*, SAO Report No. 98-008, December 1997.) The objectives of that audit were as follows:

- Determine if ISAS will provide the required functionality for the agencies implementing the system.
- Determine if ISAS includes sufficient controls to ensure the accuracy of data input, output, and processing.
- Evaluate key project management controls and project planning to help ensure the successful implementation of ISAS at the participating agencies.

Because the 1997 audit was conducted prior to the operational installation of ISAS, the audit was unable to form conclusions on the first two objectives. However, our recent review provided support that if the application is implemented correctly and with sufficient planning, it can meet the individual accounting needs of state agencies. Furthermore, our recent review illustrated that sufficient controls are in place for the portions of the ISAS software being used by TDHCA and TWC to ensure the accuracy of data input, output, and processing.

Section 4-B:

### **Findings From the 1997 ISAS Audit**

Listed below are the findings from the previous audit (*A Review of the Integrated Statewide Administrative System*).

#### **Finding 1-A:**

- The Comptroller's Office should facilitate the review and analysis of statewide cost savings available from interagency cooperation such as a central service bureau.

- Agencies are encouraged to interact with other potential ISAS users to determine the feasibility and desirability of an ISAS partnership.

Corrective Action Taken:

The Department of Information Resources and PeopleSoft USA, Inc., have entered into a Software License and Services Agreement to provide PeopleSoft Financials and Human Resources Management System (HRMS) software, and certain support, professional, and education services. This agreement authorizes use of the PeopleSoft Financials and HRMS software at no additional license fee for state agencies. Additionally, the Department of Information Resources has provided information related to the potential advantages of participating in the shared service center at the West Texas Disaster Recovery Operations Center for operation and maintenance of the PeopleSoft applications.

Additional information regarding this program is available from the Department of Information Resources' website at: [www.dir.state.tx.us](http://www.dir.state.tx.us).

**Findings 1-B, 1-C, and 2-A:**

No corrective action was required.

**Finding 2-B:**

The Comptroller's Office should document and require sign-off from the vendor on a transition plan. The plan should include:

- Determination of documentation standards.
- Identification of the number of Comptroller staff necessary for maintenance.
- Identification of the necessary knowledge and skills.
- Identification of training needs.
- Determination of duration of vendor support during the transition.
- Identification of vendor skills necessary for the transition.
- Procedures by which staff will assume responsibility for maintenance.

Corrective Action Taken:

The Comptroller's Office received a transition plan from the vendor.

# Management Responses



## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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November 28, 2000

Mr. Larry F. Alwin, CPA  
State Auditor  
Office of the State Auditor  
Robert E. Johnson Building  
1501 North Congress Avenue, Suite 4.224  
Austin, Texas 78701

Dear Mr. Alwin:

The Texas Department of Housing and Community Affairs (the "Department") would like to thank Rodney Almaraz, his staff and management team for the courtesy extended during their recent review of the Department's implementation of the Integrated Statewide Accounting System (ISAS).

The results of the review have identified several of the significant difficulties that the Department has had in installing ISAS and has provided direction on how the Department intends to proceed. The Department is in general agreement with the results of your review and has recently hired Mr. Sidney Struss, Director of Information Systems Division (ISD), who will oversee the Department's efforts towards realizing full ISAS implementation.

Please see management's response below to your finding and recommendation that solicited a response.

### **Section 2-A: TDHCA Implementation is Still Ongoing and the Agency is Still Using USAS for Internal Accounting Purposes**

Management is in agreement with the finding and recommendation.

Sidney Struss, Director of Information Systems Division, will amend the Biennium Operating Plan (BOP) no later than December 2000 to reflect the project over threshold. Moving the project back from baseline to project over threshold status will allow for a more accurate account of all project costs. The updated BOP will

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reflect an updated account of the expenditure of funds to date and the respective benefits received.

The Information Systems Division will take an active part in bringing the ISAS project to baseline operations by assigning a Project Manager to oversee the overall process of completing the required modules available in the financial software package. This will include the following:

- A detailed project management plan will be completed no later than the end of December 2000 for bringing the ISAS project to baseline.
- This plan will assess the Department's staffing needs with regard to technical expertise required and the need for outside consultants where necessary to augment staff skills.
- The plan will identify the need for additional funds if necessary.

In addition to the staffing needs that may be identified by developing a detailed project management plan, the ISD has also recognized the need for an additional 1/2 full-time equivalent employee for general maintenance and project management of future upgrades in 2002 and 2003. It is also anticipated that the software application will be upgraded in late 2002 as a web-based application. We estimate that this will require contract personnel working approximately three months for incorporation of this requirement. The Department's estimates of costs for these requirements will be sent to the Legislative Budget Board in December 2000 asking for their approval of the necessary additional funds.

The ISD has also identified needed infrastructure upgrades that are planned to be in place no later than March 2001. The upgrades are necessary for performance enhancements that pay large dividends to the efficient workings of the software application within the Department and between other state and federal agencies.

The completion date of moving ISAS from project over threshold to baseline will be determined in connection with the development of the project plan and contingent upon the approval of the necessary funding discussed above.

The Department is committed to completing its installation of ISAS. With the recent hiring of Mr. Struss, we want to assure you that the Department is taking, and will continue to take, the necessary steps to complete this effort in the most effective and efficient manner possible.

Sincerely,



Ruth Cedillo, Deputy Executive Director



# Texas Workforce Commission

Member of the Texas Workforce Network

December 15, 2000

Mr. Lawrence F. Alwin, CPA  
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Robert E. Johnson Building  
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Diane D. Rath, Chair  
Commissioner Representing  
the Public

T. P. O'Mahoney  
Commissioner Representing  
Labor

Ron Lehman  
Commissioner Representing  
Employers

Cassie Carlson Reed  
Executive Director

Dear Mr. Alwin:

Thank you for the opportunity to respond to your audit report, *An Audit Report on the Integrated Statewide Administrative System of Selected Agencies*. We appreciate the positive comments and recognition of procedures used by TWC in the ISAS (PeopleSoft) software implementation project as "Best Practices" for other agencies to consider in future similar projects.

We agree that the Biennial Operating Plan (BOP) on file at the Legislative Budget Board (LBB) should accurately reflect the status of the project. The BOP submitted on October 1, 1999 was in fact, accurate at the time and an amended BOP was filed upon determining a new implementation schedule. On August 25, 2000, TWC submitted a revised BOP Project Status narrative for its *Client Server HR & Finance System* project to the LBB. To date, TWC has yet to receive LBB approval for its Amended BOP. TWC understands the confusion that resulted from not providing a more timely BOP amendment.

The current approved BOP on file at the LBB was submitted on October 1, 1999. At the time of submission, the Project Status narrative for the *Client Server HR & Finance System* (PeopleSoft) was updated to reflect the implementation status as of September 30, 1999. At that time, the project was on schedule to be fully implemented by August 31, 2000 and expenditures were within 1% of the amount budgeted.

During the months of September through December 1999, several critical events occurred, both internal and external, that required TWC to reassess the implementation schedule of the remaining phases of the project. Some of the most significant events included:

- ◆ The Comptroller of Public Accounts changing the release date for ISAS 7.0 from April, 1999 to June 15, 1999.
- ◆ TWC's decision to release Anderson Consulting and implement internally with contract staff; and
- ◆ TWC's decision to delay the implementation of the ISAS Non-financial modules due to the issues that arose from the implementation of the ISAS Financial modules, such as, work flow processes, budget check capabilities, and overhead allocations delaying month-end close.

As usual, we enjoyed working with your staff.

Sincerely,



Cassie Carlson Reed  
Executive Director

cc: TWC Commissioners

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## Objectives, Scope, and Methodology

### Objectives

The objectives of this audit were as follows:

- Determine if ISAS has been successfully implemented to allow it to produce reliable financial information.
- Determine if ISAS data has been compared to that of other applications it interfaces with for reliability purposes.
- Determine what lessons learned would benefit other state agencies that may implement ISAS in the future.
- Develop and provide reference material for improvements agencies can make to their ISAS implementations.

### Scope

The scope of this audit included a review of ISAS software application installations at the Texas Workforce Commission and the Department of Housing and Community Affairs.

### Methodology

We performed a systems review of ISAS. As defined in General Accounting Office, Office of Policy publication number 8.1.3, *Assessing the Reliability of Computer-Processed Data* (April 1991), a systems review examines general and application controls, tests to confirm compliance with these controls, and tests data produced by the system. In order to perform our review, we collected and analyzed information and performed selected audit tests and procedures, including the following:

- Interviews with staff members from TWC, TDHCA, and the Comptroller's Office.
- Reviews of documents, including policies and procedures, technical systems documents, user manuals, internal audit reports, disaster recovery plans, and biennial operating plans.
- Walk-throughs of computer facilities.
- Reviews of active network, mainframe computer, and ISAS application user IDs.
- Tests of automated access controls.
- Queries of current databases for fiscal year 2000.

- Observations of online transaction entries made in August 2000.
- Analyses of data shared between ISAS and selected internal and external systems during August 2000.

We established a working knowledge of the ISAS application by reviewing PeopleSoft training materials provided by the Comptroller's Office. The applications review was supplemented with knowledge gained from a training class attended specifically for this project.

### **Other Information**

We conducted fieldwork from June 2000 through September 2000. The audit was conducted in accordance with *Government Auditing Standards*.

The following members of the State Auditor's Office performed the audit work:

- Rodney Almaraz, MBA, CPA (Project Manager)
- Ron Franke, MBA (Assistant Project Manager)
- Les Bavousett, CPA
- Patrick Warren, CIA
- Frank Barnes
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- Susan Riley, CPA (Audit Manager)
- Craig Kinton, CPA (Audit Director)

