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A Review of the Integrated Statewide Administrative System

December 1997

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Key Points of Report

A Review of the Integrated Statewide Administrative System

December 1997

Overall Conclusion

Without proper management of the procurement and implementation of the Integrated Statewide Administrative System (ISAS) by all affected agencies, the State may pay more than necessary. Extra costs could be incurred if statewide benefits cited by the office of the Comptroller of Public Accounts (Comptroller) are not realized. These benefits are (1) the sharing of license costs among agencies with fewer than 500 employees, which would be achieved through the establishment of a central service bureau, and (2) reduced license fees based on the number of ISAS modules purchased.

ISAS is a new financial management system designed to provide features that the Uniform Statewide Accounting System does not provide, including additional functionality and increased user control over reporting.

Key Facts and Findings

- The Comptroller's office should facilitate the review and analysis of statewide cost savings available from interagency cooperation such as the establishment of a central service bureau.
- Agencies are encouraged to interact with other potential ISAS users to determine the feasibility and desirability of ISAS partnerships.
- Agencies should perform a comprehensive feasibility study when assessing their need for an internal financial management system. The discount offered to agencies for purchasing a large number of ISAS modules may lead some agencies to buy the system without conducting comprehensive feasibility studies.
- Project management controls are strong at the Comptroller's office. The Comptroller's office should continue to work with agencies to determine its roles and responsibilities regarding ISAS support. Additionally, the Comptroller's office should document and require sign-off from the vendor on a transition plan to assist in a smooth transition from vendor support of ISAS to maintenance by the Comptroller's office.

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This audit was conducted in accordance with Government Code, Section 321.0133.

Issues and Recommendations

Overall Conclusion

Without proper management of the procurement and implementation of the Integrated Statewide Administrative System (ISAS) by all affected agencies, the State may pay more than necessary. Extra costs could be incurred if statewide benefits cited by the office of the Comptroller of Public Accounts (Comptroller) are not realized. These benefits are (1) the sharing of license costs among agencies with fewer than 500 employees, which would be achieved through the establishment of a central service bureau, and (2) reduced license fees based on the number of ISAS modules purchased.

ISAS is a new financial management system designed to provide features that the Uniform Statewide Accounting System does not provide, including additional functionality and increased user control over reporting.

The Comptroller's office is leading this project and developing ISAS from a vendor software package in collaboration with the vendor and two pilot agencies—the Texas Education Agency and the Department of Protective and Regulatory Services. After system development, the Comptroller's office will maintain the statewide version of the software and provide end-user training, support, and documentation.

According to the Comptroller's draft Biennial Operating Plan, the "implementation" cost of ISAS for the Comptroller's office for fiscal years 1996-1999 is estimated to be approximately \$13 million.¹

¹ The Biennial Operating Plan for ISAS includes approximately \$2.1 million in costs for the Systems Development Division. These costs are not direct ISAS project costs.

Other state agencies may elect to purchase ISAS from the vendor for use as their internal financial management system.²

ISAS had not been implemented at the time of this review, and some modules had not been developed. As a result, the State Auditor's Office was unable to conclude whether ISAS will meet user requirements or if the automated system includes sufficient controls to ensure the accuracy of data input, output, and processing. As ISAS is implemented at user agencies, the State Auditor's Office will consider performing additional reviews.

Section 1:

Some Statewide Benefits May Not Be Realized

Statewide benefits of ISAS that may not be realized include partnership opportunities and cost savings in license fees resulting from volume discounts. Additionally, discrepancies have been noted between some agency contracts and the state-negotiated contract.

Section 1-A:

Partnership Opportunities May Not Be Realized

No agency has initiated partnership opportunities for ISAS. Neither the Comptroller's office nor the Department of Information Resources has investigated the feasibility of or performed a cost-benefit analysis of a service bureau.

² As of September 1997, ISAS has been purchased by the Comptroller of Public Accounts, the General Land Office, the Texas Senate, the Department of Housing and Community Affairs, the Office of the Attorney General, and the Employees Retirement System.

Issues and Recommendations

The State's software license agreement with the vendor allows for an agency to operate as an ISAS service bureau and maintain ISAS for agencies with fewer than 500 employees. This would mean that one license could be purchased and shared by many agencies.

Since each agency's costs for ISAS will include not only license fees but also costs for hardware, software, maintenance fees, and technical staff, a service bureau or a partnership between agencies could result in statewide cost savings. Additionally, by having agencies share ISAS maintenance costs, ISAS could become more economically feasible for small agencies.

Recommendation:

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.

Management's Response:

Both the Comptroller and DIR would be willing to help facilitate cooperative agreements between interested agencies to pool their resources and develop a client/server environment in which they share ownership. DIR and CPA would also be willing to help interested agencies develop a contract with a facility management vendor to provide services.

Section 1-B:

Cost Savings May Not Be Realized

Due to increasing license fees, the volume discount for agencies' ISAS license fees does not ensure agency cost savings. The volume discount may lead some agencies to purchase ISAS without performing a comprehensive feasibility study.

According to the statewide contract negotiated by the Comptroller's office, an agency's license fees are reduced between 15 and 50 percent depending on the number of ISAS modules the agency purchases. An agency's license fees are based upon the number of modules purchased and the number of agency employees.

A review of the vendor's proposed license fees for an agency showed three different pricing models, each one effective for a given period of time: through March 19, 1997; through May 31, 1997; and after May 31, 1997. We found a 63.5 percent increase in fees between the first and second pricing models and another 46.9 percent increase in fees between the second and third pricing models.

Recommendation:

Agencies are encouraged to perform a comprehensive feasibility study when assessing their need for an internal financial management system. The feasibility study should include, among other things, identification of alternatives such as maintaining the current system, developing or enhancing an automated system, or purchasing one of several vendors' systems. The costs and benefits of each alternative should be assessed before identifying the best option.

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Management's Response:

The Comptroller's licensing agreement with PeopleSoft specified that the 1995 pricing schedule for PeopleSoft's products would remain in effect until May 31, 1997. After that date, the current pricing schedules would be in effect. The 46.9% pricing increase noted in the report reflects a two year increase in PeopleSoft's pricing schedules. This price increase represents the high demand for PeopleSoft products and the increased functionality being provided by each annual upgrade of the software. The pricing schedule effective prior to March 19, 1997 refers to pricing which PeopleSoft quoted to a prospective agency in error which was well below the 1995 pricing schedule. Two agencies were quoted the erroneous pricing information. When the error was discovered, PeopleSoft honored the quoted price for a short period of time. The Comptroller does not have access to PeopleSoft's pricing information since it is considered proprietary and confidential.

The Comptroller fully supports the State Auditor's recommendation that prospective agencies perform a comprehensive feasibility study and that several products be considered. Competition between vendors is the best way to insure the best value for the state.

Section 1-C:

Agencies May Pay Additional Fees

Two discrepancies favoring the vendor exist between the state-negotiated contract and a vendor price list.

- The state-negotiated contract applies to purchases by any agency, and specifies, among other things, that each agency will receive one production copy and one test, training, and development copy for its own use. Review of the vendor's price list for an agency indicated a fee for the test

and development copy for purchases made after March 19, 1997.

- The state-negotiated contract indicates that the fees for additional software and services are included in the license fee. Review of the vendor's price list, however, indicates a separate fee for software in all the pricing modules.

Agencies were charged additional fees in three out of three contracts reviewed. Review of two contracts indicated charges for additional software or services. Due to a lack of contract detail, review of the third contract did not indicate whether the additional charges were for the additional software or services and/or for the test and development copy. The additional fees ranged from \$14,500 to \$34,000.

The additional fees also affect annual support services fees, which are 17 percent of the license fees. While agencies have the option of negotiating their own and possibly a better contract than the state-negotiated contract, discrepancies such as these can and have resulted in additional fees to agencies.

Recommendation:

In order to ensure that agencies avoid additional payments and that the vendor complies with the terms of the state-negotiated contract, agencies should consult with the Comptroller's Office during contract negotiation.

Management's Response:

PeopleSoft's pricing information is a result of agency requests during separate negotiations between the agencies and PeopleSoft. Several agencies wanted all products and fees broken out separately instead of being packaged

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together under one price, which is the case with the statewide agreement.

The Comptroller supports the recommendation that we be consulted during contract negotiations to insure no agreements are being made which do not reflect the intent of the statewide negotiated contract or will have a negative impact on the Comptroller's ability to provide support. The Comptroller will not be in a position to certify that the resulting agreements contain no legal flaws or that they provided the best value possible to the state.

Section 2:

The Comptroller's Office Has Strong Controls Over Project Management

Overall, the Comptroller's office has demonstrated effective project management of the ISAS project:

- Project work plans are used to identify milestones and deliverables, and payment to the vendor for deliverables has been contingent upon the acceptance of deliverables.
- Project status has been monitored, and regular meetings are held between users and project staff.
- Risk management is performed on an ongoing basis to assess and mitigate potential risks.
- Users have participated in various phases of ISAS development, from the definition and refinement of system requirements to system testing.

ISAS was implemented at the Texas Education Agency in November 1997. However, project

delays have occurred and the scope of the initial implementation has been reduced.

- Reasons for project delays include (1) the project team's decision to upgrade to the newest software release prior to implementation rather than after, (2) a vendor delay in the release of the upgraded software, and (3) the identification of a large number of problems during final testing. The project delays reduced the time available for testing. Additionally, users were involved in some but not all testing. For example, users did not fully participate in final acceptance testing of ISAS, nor was their sign-off required for final acceptance of the system.
- The number of modules implemented in November was reduced from four to three. Another four modules will be ready for implementation during fiscal year 1998. The remaining four modules will be ready for implementation subsequent to the planned fall 1998 vendor release of upgraded software.

Section 2-A:

The Level of Support From the Comptroller's Office to the Agencies Is Not Clear

An agreement between the Comptroller's office and user agencies has not yet been reached regarding ongoing support of ISAS on computer platforms other than that of the Comptroller's office. The vendor claims that the client/server software supports all major platforms and databases; however, variations in platforms require programming adjustments to ISAS. Some agencies have understood that the Comptroller's office will ensure that ISAS will operate at the various agencies, whereas the Comptroller's office has stated that agencies are responsible for ensuring that ISAS will run at their own agencies.

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Resolution of this issue will significantly determine the level of support the Comptroller's office will provide to agencies and could influence the decisions of agencies that may be considering purchase of ISAS and/or attendant hardware and software platforms.

Recommendation:

The Comptroller's office should continue to work with agencies to determine its roles and responsibilities regarding ISAS support. Roles and responsibilities should be clearly documented in the Memo of Understanding between the Comptroller's office and user agencies.

Agencies who are considering purchasing ISAS should ensure that they understand and consider the level of support from the Comptroller's office, especially for diverse platforms.

Additionally, as discussed in Section 1-C, agencies should include the Comptroller's office during purchasing and contract discussions to establish the level of support before a contractual obligation with the vendor has been established.

Management's Response:

The Comptroller has reached an agreement with the agencies in that the Comptroller will support all database platforms currently licensed by the participating agencies and will certify the modified software in their environments. Work continues on finalizing the Memo of Understanding, which will detail the roles and responsibilities of the Comptroller and the participating agencies. This Memo of Understanding will be made available to all agencies interested in licensing the PeopleSoft Financials product.

The target date for completion is December 10, 1997.

Section 2-B:

A Formal Transition Plan Does Not Exist

A formal plan to assist in a smooth transition from vendor support of ISAS to maintenance by the Comptroller's office has not been developed. Currently, vendor staff members are responsible for programming ISAS. In order for staff members of the Comptroller's office to perform ISAS maintenance, knowledge regarding the system must be transferred from the vendor staff to the Comptroller's staff.

According to the software contract, the primary method of transferring knowledge to the Comptroller's staff is through documentation of modifications made to the software. However, the vendor has yet to agree to documentation standards suitable to the Comptroller's office. Although plans between the Comptroller's office and the vendor regarding vendor assistance during the transition have been discussed, the plans have not been formalized.

Without a documented transition plan with the vendor, the Comptroller's office is less able to ensure that its staff will obtain the necessary vendor support during the transition. Vendor support during the transition can help ensure that the Comptroller's staff members are appropriately trained and able to maintain the system.

Recommendation:

The Comptroller's office should document and require sign-off from the vendor on a transition plan. The plan should include, among other things:

- Determination of documentation standards

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- Identification of the number of Comptroller staff members 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.

Management's Response:

Comprehensive documentation of the modifications and statewide interfaces is our highest priority in order to provide support for the statewide systems and to meet participating agency expectations. Negotiations are currently underway between the Comptroller and Andersen Consulting, who is the subcontractor for the ISAS modifications. Unresolved issues will be escalated to PeopleSoft, who is the primary contractor. The items recommended by the State Auditor have been included as deliverables for the transition document.

Appendix

Appendix:

Objective, Scope, and Methodology

Objective

The objectives of the audit were to:

- Determine if the Integrated Statewide Administrative System (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

Scope

The scope of this audit included a review of project management controls at the Comptroller's office. Fieldwork was conducted prior to the operational installation of ISAS and during final testing of the system. The timing of the review restricted our level of access to Comptroller staff members and our level of testing. As a result, we were unable to form conclusions on the first two objectives.

Methodology

We reviewed documentation from the Comptroller's office, including meeting minutes, project memos, work plans, and other project documents. We also reviewed contracts between the software vendor and the Comptroller's office and contracts between the software vendor and the following agencies:

- Department of Housing and Community Affairs
- Texas Senate

- General Land Office
- Office of the Attorney General

Interviews were conducted with project managers from the:

- Comptroller's office
- Texas Education Agency
- Department of Protective and Regulatory Services
- General Land Office
- Texas Senate

Interviews were also conducted with personnel from the:

- Texas Legislative Council
- Department of Information Resources
- Employees Retirement System
- Texas Department of Housing and Community Affairs
- PeopleSoft, Inc.

Audit testing and analysis included a review of expenditures, a review of ISAS testing procedures and results, a comparison of agency contracts to each other and to a state-negotiated contract, and a comparison of vendor payments to contract terms.

Other Information

Fieldwork was conducted from July 1997 through September 1997. The audit was conducted in accordance with generally accepted government auditing standards.

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

- Jon Nelson, CISA (Project Manager)
- Sandy Bootz
- Barbara Collins, CDP
- Worth Ferguson (Quality Control Reviewer)
- Carol Noble, CISA (Audit Manager)
- Craig Kinton, CPA (Audit Director)