

September 1995

USDA FINANCIAL SYSTEMS

Additional Actions Needed to Resolve Major Problems





United States
General Accounting Office
Washington, D.C. 20548

**Accounting and Information
Management Division**

B-260076

September 29, 1995

The Honorable Dan Glickman
The Secretary of Agriculture

Dear Mr. Secretary:

This report presents the results of our review of the U.S. Department of Agriculture's (USDA) financial management systems, including the Department's major initiative to correct its financial management system problems—the Financial Information Systems Vision and Strategy (FISVIS).

This report contains recommendations to you. The head of a federal agency is required by 31 U.S.C. 720 to submit a written statement on actions taken on these recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight within 60 days of the date of the report. A written statement must also be sent to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the date of this report.

We are providing copies of this report to the Senate and House Committees on Appropriations, the House Committee on Agriculture, the Senate Committee on Agriculture, Nutrition and Forestry, the House Committee on Government Reform and Oversight, and the Senate Committee on Governmental Affairs; the Director, Office of Management and Budget; and other interested parties. Copies will also be made available to others upon request.

Please call me at (202) 512-6253 if you have any questions concerning the report. Other major contributors to this report are listed in appendix II.

Sincerely yours,

A handwritten signature in cursive script that reads "Joel Willemssen".

Joel C. Willemssen
Director, Information Resources
Management/Resources, Community,
and Economic Development

Executive Summary

Purpose

To manage its reported \$146 billion in assets and to account for \$75 billion in fiscal year 1994 expenses, the U.S. Department of Agriculture (USDA) used 115 separate financial management systems which performed overlapping and similar functions. These systems are not integrated, contain inconsistent and inaccurate data, and are plagued with internal control weaknesses. To address its financial system problems and carry out its financial management system responsibilities under the Chief Financial Officers (CFO) Act of 1990, USDA developed and began implementing a project in 1993 referred to as the Financial Information Systems Vision and Strategy (FISVIS).

The objectives of GAO's review were to assess whether the FISVIS project will (1) resolve USDA's major financial system weaknesses and (2) consolidate USDA's separate financial and mixed systems that perform similar functions, as well as reengineer USDA's financial processes.

Background

USDA is a complex organization consisting of seven mission areas composed of 29 largely independent component agencies and thousands of field offices. To manage the Department's organization and programs, USDA maintains and operates 115 financial management systems—62 financial systems and the financial portion of 53 mixed systems (i.e., systems that support both financial and non-financial functions). The majority of these systems are managed by the major component agencies in USDA's mission areas, who use them to perform programmatic accounting and budgeting for most of USDA's annual expenses. The National Finance Center (NFC), which reports to the Office of the CFO, manages most of the remaining systems and performs most of USDA's administrative expense accounting and administrative system functions, such as for payroll and property.

USDA's Federal Managers' Financial Integrity Act reports and many GAO and Office of Inspector General reports in recent years have reported that USDA's financial management systems contain numerous weaknesses, including nonintegrated systems that use incompatible accounting and data standards. As a result, in 1994 and 1995, the Office of Management and Budget reported USDA's aged and outmoded financial systems, inadequate financial system controls, ineffective central system planning and installation, and inaccurate financial reports as a high-risk area.

To address USDA's financial management system weaknesses, the Office of the CFO initiated the FISVIS project in March 1993. FISVIS' ultimate goal is for

USDA to have a single, integrated financial management system (a unified set of financial systems and the financial portions of the mixed systems) by 1998. The Office of the CFO intends to accomplish this goal by using an incremental approach based on a foundation that would achieve, and build on, early successes. Under its incremental approach, the Office of the CFO has developed a set of financial management standards to be implemented departmentwide and has procured a departmental Foundation Financial Information System to perform core financial functions, such as the general ledger and funds management. Under the FISVIS strategy, USDA's component agencies will continue to have the option of developing and maintaining their own programmatic financial and mixed systems, will be required to follow the departmental financial management standards, and will report summary data to the Foundation system when it is fully implemented.

Results in Brief

USDA's CFO and Deputy CFO have demonstrated strong leadership and have begun to make noteworthy progress in attempting to implement the initial phase of the FISVIS project. To date, the Office of the CFO has issued departmentwide financial management standards and signed a contract for a departmental Foundation Financial Information System. However, many of USDA's financial management system problems will not be resolved until and unless all of the Department's financial and mixed systems are brought into compliance with USDA's new financial standards. Whether and when this will occur is unclear because the CFO has neither the authority within the Department nor the mechanism to enforce this compliance. Therefore, the Office of the CFO must rely on the voluntary cooperation of the owners of the component agency and NFC financial management systems to bring their systems into compliance with these standards. This is particularly important because, according to USDA, most of its financial and mixed systems are not in compliance with the Department's financial standards.

FISVIS also does not address eliminating and/or consolidating the Department's many systems that perform similar functions. Moreover, the FISVIS project was developed prior to the Department's reorganization in late 1994 and generally has not been revised to consider possibilities to reengineer the Department's financial management processes into a more cost-effective structure that supports the Department and its seven mission areas. Nevertheless, USDA still plans to move forward and spend hundreds of millions of dollars to redesign or replace many of its existing financial and mixed systems.

Principal Findings

USDA Achieved Early Progress but FISVIS Project Will Likely Not Resolve USDA's Many Financial System Weaknesses

USDA has made progress toward implementing the initial phase of the FISVIS project. In keeping with the CFO's plan to build on incremental successes, the FISVIS team developed departmentwide financial management standards and procured the departmental Foundation Financial Information System which, when fully implemented, will receive periodic data from component agency and NFC feeder systems. Both the departmentwide standards and the Foundation system's requirements were based on federal financial management requirements and USDA-specific requirements. Departmentwide compliance with these standards and the resulting transmission of consistent component agency and NFC data to the Foundation system would be a major step towards establishing a single, integrated financial management system.

While USDA's early progress is commendable, FISVIS will not likely meet its goals and resolve USDA's financial management system problems because the Office of the CFO cannot ensure that the component agencies will comply with the new FISVIS financial management standards. While USDA plans to assign the CFO the overall responsibility for financial management systems, USDA's major component agencies will still manage their own financial and mixed systems, with limited CFO oversight. The Office of the CFO's oversight of these systems is mainly as a member of USDA's Acquisition Review Teams, which review and approve component agency financial management system acquisition plans. However, not all system development efforts undergo the Acquisition Review Team process. In addition, in some cases, the Office of the CFO was not a member of the team that reviewed component agency financial system development efforts. Moreover, the Office of the CFO has not established a mechanism to evaluate component agency financial management systems to determine whether they comply with the new departmental financial management standards. According to the CFO and Deputy CFO, this is due to the limited staff resources of their Office.

In addition, the Office of the CFO's management of the Foundation system software is weakened by the lack of a configuration management policy and version control process. Configuration management and version control provide discipline in managing and synchronizing software modifications and system updates. USDA has already procured commercial off-the-shelf software for its Foundation system, and component agencies

may elect to acquire this software and modify it to meet their requirements. However, the Office of the CFO has not directed that multiple Foundation system software copies be placed under a configuration management policy and version control process. Effective configuration management policies and version control can (1) lower USDA's future costs by minimizing changes to the contractor's original software version and (2) ensure software development efforts related to this software are not duplicated at multiple sites.

FISVIS Strategy Does Not Address Consolidating Financial Systems and Reengineering Processes

The FISVIS strategy does not address consolidating existing financial systems or reengineering financial processes. Although many of USDA's financial and mixed systems perform similar functions, the FISVIS strategy does not include a plan to consolidate or streamline the numerous financial and mixed systems that perform overlapping functions. These overlapping systems are likely to be perpetuated in the future since USDA's component agencies and NFC plan to spend hundreds of millions of dollars replacing or redesigning many of their financial and mixed systems without a strategy that addresses how the systems could be consolidated from a departmentwide perspective. An overall USDA-wide financial management system architecture could identify those systems that could be consolidated through cross-servicing arrangements (a business arrangement whereby one organization provides system support to another) or joint development projects.

Finally, the FISVIS strategy generally does not address reengineering USDA's financial processes from a departmentwide perspective. The Department of Agriculture Reorganization Act of 1994 authorized substantive organizational changes and mandated staff reductions. Therefore, this is a very opportune time for USDA to consider how it could eliminate or simplify its inefficient financial processes. While USDA's component agencies plan to initiate several financial process reengineering efforts on their own, these efforts are being planned independently without the review and approval of the CFO. Although the CFO Act requires the CFO to direct and oversee an agency's financial management operations, USDA has not placed the CFO in the leadership role for reengineering the Department's financial processes. By not having a departmentwide strategy for reengineering its financial processes, USDA risks (1) losing the benefits of reengineering financial processes on a departmentwide basis and (2) expending large amounts of money to implement financial management systems that do not effectively support the new financial processes.

Recommendations

GAO is making several recommendations to the Secretary of Agriculture to strengthen the Office of the CFO's oversight of USDA's financial management systems and financial process reengineering efforts, including those of the major component agencies. GAO is also recommending that USDA's CFO develop a plan to minimize overlapping financial management systems. Chapter 4 provides additional details on GAO's recommendations.

Agency Comments

In providing written comments on a draft of this report, USDA stated that it agreed with all but one of GAO's recommendations, noting that, when implemented, these recommendations will strengthen USDA's capabilities to modernize and upgrade its financial systems. USDA emphasized that the modernization of the Department's financial management systems is one of the Secretary's top priorities and is an integral part of the Department's overall reorganization, which will ultimately enable the Department to save billions of dollars.

USDA agreed with our recommendations to (1) expeditiously implement the proposed CFO's delegation of authority, (2) develop and implement a Foundation system software configuration management policy and version control process, and (3) update the FISVIS strategy to include a financial management systems architecture that identifies opportunities to streamline and/or consolidate such financial management systems across agencies and mission areas.

In addition, USDA agreed with the need to address two other recommendations, to (1) establish review teams to assess component agency and NFC systems to determine whether they are in compliance with USDA's financial standards and take corrective actions if noncompliance is found and (2) review each of the component agencies on-going and planned financial management system development efforts. However, USDA was concerned about a lack of financial management system resources to carry out these recommendations. We believe that there may be opportunities for USDA to redistribute or temporarily reassign some of the over 4,000 accounting and budget personnel within the Office of the CFO and the component agencies to implement these recommendations.

However, USDA does not intend to implement GAO's recommendation that the Secretary delegate to the CFO the authority and responsibility for (1) developing a departmentwide financial management reengineering strategy and (2) reviewing and approving the reengineering of all departmental and component agency financial processes. USDA stated that

the Secretary delegated responsibility to the Assistant Secretary for Administration for reengineering USDA's administrative systems, which encompasses financial processes.

We agree that reengineering USDA's administrative processes should remain the primary responsibility of the Assistant Secretary for Administration. We also agree that administrative and financial processes and systems are often related. While USDA has assigned the CFO a role in this reengineering initiative, we continue to believe that because USDA's financial systems and processes are inextricably linked, it is imperative that USDA's CFO, who is tasked by the CFO Act with overseeing all financial management activities relating to the programs and operations of the agency, be given financial process reengineering authority. In addition, the Secretary, by providing the CFO with authority over both financial management systems development and financial process reengineering, would strengthen both areas since a single person could be held accountable and responsible. USDA's comments are reprinted in appendix I, and are discussed, along with GAO's evaluation, in chapter 4.

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23

Abbreviations

AMS	American Management Systems, Inc.
CFO	Chief Financial Officer
CFSA	Consolidated Farm Services Agency
FISVIS	Financial Information Systems Vision and Strategy
GAO	General Accounting Office
JFMIP	Joint Financial Management Improvement Program
NFC	National Finance Center
OIG	Office of Inspector General
OMB	Office of Management and Budget
USDA	U.S. Department of Agriculture

Introduction

The U.S. Department of Agriculture (USDA) manages a wide array of programs that affect the lives of all Americans and millions of people around the world. USDA relies on a multitude of financial management systems¹ to help operate its complex organization which, in fiscal year 1994, managed \$146 billion in assets and accounted for \$75 billion in expenses.² To more efficiently manage these programs, the Department of Agriculture Reorganization Act of 1994 authorized USDA to regroup complementary programs from 43 component agencies into 29 agencies under seven overall mission areas. The seven mission areas are: (1) farm and foreign agricultural services, (2) rural economic and community development, (3) food, nutrition, and consumer services, (4) natural resources and environment, (5) research, education, and economics, (6) food safety, and (7) marketing and regulatory programs. According to USDA, its reorganization will also consolidate or eliminate 1,100 of its more than 14,000 field offices.

USDA's Financial Management System Responsibilities

The Chief Financial Officers (CFO) Act of 1990 vested agency CFOs with the responsibility for overseeing all financial management activities relating to the programs and operations of the agency. This includes the responsibility for developing and maintaining an integrated agency accounting and financial management system that provides for (1) complete, reliable, consistent, and timely information that is prepared on a uniform basis, (2) the development and reporting of cost information, (3) the integration of accounting and budgeting information, and (4) the systematic measurement of performance.

In March 1993, the former USDA Secretary decided to establish the Office of the CFO to oversee all financial management activities relating to the programs and operations of the Department, including USDA's departmentwide financial management systems. The Office of the CFO also manages the National Finance Center (NFC). NFC develops, manages, and operates the financial management systems that support the budgeting and accounting functions for most of USDA's salaries and administrative expenses, and performs most of USDA's administrative systems functions such as payroll and property. Although the Office of the CFO manages NFC, it shares responsibility for many of the NFC systems with the Assistant Secretary for Administration and various user groups. Most of USDA's large

¹OMB Circular A-127 defines financial management systems as financial systems and the financial portions of mixed systems necessary to support an agency's financial management. Mixed systems are information systems that support both financial and non-financial functions of an agency.

²U.S. Department of Agriculture Consolidated Financial Statements for Fiscal Year 1994.

component agencies develop and manage their program accounting and budgeting systems independently. These component agency systems account for most of USDA's annual expenses.

USDA's Long-standing Financial Management System Weaknesses

We and USDA's Office of Inspector General (OIG) have previously reported on USDA's numerous component agency and NFC financial management system weaknesses.³ As a result of these audit findings, USDA, over the past several years, has reported many financial management system material weaknesses and nonconformances. For example, in its fiscal year 1994 Federal Managers' Financial Integrity Act report, USDA cited 22 financial management system material nonconformances, some dating back to 1988. These nonconformances were related to both NFC's financial management systems and those managed by component agencies. As a result of these weaknesses, in 1994 and 1995, the Office of Management and Budget (OMB) reported as a high-risk area USDA's aged and outmoded financial systems, inadequate financial system controls, ineffective central system planning and installation, and inaccurate financial reports.

In addition, the vast majority of USDA's financial management systems do not meet financial management system standards set by OMB, the Department of the Treasury, and the Joint Financial Management Improvement Program (JFMIP).⁴ Most of USDA's financial management systems were developed in isolation without common guidelines, definitions, or oversight and using incompatible accounting and data standards. In addition, these systems are not integrated; do not provide policy, program management, and operating staff with necessary financial data in a timely manner; and do not provide USDA with a common language for financial management. As a result, USDA can draw similar information from different systems and obtain different results. Also, the lack of integration and standardization makes sharing or merging information across systems and organizations very difficult. As a result of these weaknesses, many USDA component agencies also maintain duplicative, costly, and time-consuming unofficial or "cuff" records and systems. In addition, as we mentioned in our recent letter to the Secretary of

³For example, Financial Audit: Department of Agriculture's Financial Statements For Fiscal Year 1988, (GAO/AFMD-91-65, August 13, 1991) and OIG report U.S. Department of Agriculture Consolidated Financial Statements For Fiscal Year 1994 (50401-4-FM, August 23, 1995).

⁴The JFMIP is a joint cooperative undertaking of OMB, GAO, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices throughout the government.

Agriculture, these weaknesses have also resulted in delayed financial statement preparation and audits.⁵

FISVIS Goals and Strategy

To address USDA's pervasive financial management system weaknesses and carry out its financial management system responsibilities under the CFO Act, in March 1993, the Department initiated the Financial Information Systems Vision and Strategy (FISVIS) project. The FISVIS team is composed of officials from the Office of the CFO, component agencies, and NFC. FISVIS' ultimate goal is to have a single, integrated, and seamless financial management system implemented by 1998. USDA established several vision statements for the FISVIS project, including the following:

- Policy, management, program, and operating personnel will have access to timely, accurate, reliable, consistent, and complete financial information when and in the form they need it.
- Agencies will retain the flexibility to develop and maintain financial and mixed systems to support their mission.
- Implementation of the FISVIS effort will result in streamlined operations and, therefore, in increased efficiency.
- Budget, program, and financial data will be integrated.
- The Department and agencies will work cooperatively to meet agency financial information needs and departmental requirements.

The Office of the CFO intends to accomplish its FISVIS vision by using an incremental approach, based on a foundation that would achieve, and then build on, early successes.

To achieve its FISVIS vision statements, USDA identified five major strategies: (1) provide communication, oversight, and project management, (2) develop and implement departmentwide financial standards and definitions, (3) develop and implement a foundation system, (4) assist owners of feeder systems to integrate their systems into the Foundation system, and (5) support interim improvement efforts.

Objectives, Scope, and Methodology

The objectives of our review were to assess whether the FISVIS project will (1) resolve USDA's major financial management system weaknesses and (2) consolidate USDA's separate financial and mixed systems that perform similar functions, as well as reengineer USDA's financial processes.

⁵Agriculture's CFO Act Implementation, (GAO/AIMD-95-238R, September 29, 1995).

To assess whether FISVIS will resolve USDA's current financial management system weaknesses, we first identified these weaknesses by reviewing our and the OIG's consolidated USDA and component agency financial statement audit reports and other audit reports. We also reviewed USDA's Federal Managers' Financial Integrity Act report, its 5-year Financial Management Plan prepared pursuant to the CFO Act, and other pertinent documents. After identifying USDA's financial management system weaknesses, we assessed the FISVIS October 1993 strategy document and implementation plan and interviewed the former and current FISVIS project manager, CFO, and Deputy CFO to determine USDA's strategy to address these weaknesses. We also interviewed OIG officials to determine whether they believed that the FISVIS strategy would address their audit findings. In addition, we interviewed an OMB budget examiner for USDA to discuss USDA's financial management system problems and FISVIS' strategy for addressing them.

We also reviewed the USDA Financial and Accounting Standards Manual and the USDA Financial Management Information Architecture Document, and assessed the Foundation system's procurement by reviewing the General Service Administration's Financial Management System Software Multiple Award Schedule contract and other relevant procurement documents. In addition, we interviewed the General Service Administration's Contracting Officer, a Department of the Treasury Financial Management Service official, the Contracting Officer and Contracting Officer's Technical Representative for the Foundation system, and USDA Office of Information Resource Management Acquisition Review Team officials. Because USDA had not completed acceptance testing of the Foundation system software by the end of our review, we did not assess the implementation of the Foundation system.

We also reviewed the June 1995 proposed rule on the Office of the CFO's delegation of authority. We interviewed the CFO, Deputy CFO, and other officials about the Office of the CFO's role involving component agency and NFC financial management systems. We also interviewed the senior financial officials of USDA's largest component agencies and reviewed their financial management system plans. In addition, we assessed the Consolidated Farm Service Agency's plans to use the Foundation system contract to procure the same software and interviewed the manager of this project and other pertinent officials.

To assess whether the FISVIS project will address consolidating financial and mixed systems that perform similar functions and reengineering USDA's financial processes, as prescribed by our draft Federal Financial

Management Systems Review Methodology, we developed an inventory of USDA's component agencies and NFC financial management systems. We asked the component agencies and NFC to characterize the functions that these financial management systems perform by the functions and definitions listed in the JFMIP's Framework for Federal Financial Management Systems. We also identified USDA's planned financial management system improvement and business process reengineering efforts by interviewing component agency and NFC officials as well as reviewing budgeting, planning, and other pertinent documents.

We performed our work at the Department of Agriculture in Washington, D.C.; FISVIS project team headquarters in Alexandria, Virginia; and the National Finance Center in New Orleans, Louisiana. We also visited the Consolidated Farm Service Agency in Kansas City, Missouri; the Rural Economic and Community Development mission area in Washington, D.C., and St. Louis, Missouri; the Forest Service in Rosslyn, Virginia; the Natural Resources Conservation Service in Washington, D.C.; the Animal and Plant Health Inspection Service in Hyattsville, Maryland; the Agricultural Research Service in Greenbelt, Maryland; and the Food and Consumer Services in Alexandria, Virginia.

Our work was performed between September 1994 and July 1995, in accordance with generally accepted government auditing standards. We requested written comments from the Secretary of Agriculture on a draft of this report. In response, we received written comments from USDA's Chief Financial Officer. These comments are discussed, along with our evaluation, in chapter 4 and are reprinted in appendix I.

USDA Has Made Progress but FISVIS Will Likely Not Resolve USDA's Current Financial System Problems

While USDA has made laudable progress toward implementing the initial phase of the FISVIS project, its ability to achieve the ultimate goal of a single, integrated financial management system is doubtful.¹ The Office of the CFO has initiated several actions to begin to correct USDA's many financial management system problems. However, because the Office of the CFO has not set up a mechanism to enforce its financial system standards, FISVIS' ultimate success is highly dependent on the voluntary compliance of USDA's component agencies and NFC. In addition, the Office of the CFO has not implemented a configuration management policy² or version control process³ for the Foundation system software. Without these policies and processes, efforts to implement common data and common transaction processing,⁴ a necessary step to achieve a single, integrated financial management system, will be significantly hampered and future system maintenance costs increased.

Office of the CFO Is Making Progress in Accomplishing Initial Phase of FISVIS

The Office of the CFO has demonstrated strong leadership by moving forward with the initial phase of the FISVIS project. This phase includes developing departmental financial system standards and purchasing a commercial off-the-shelf Foundation Financial Information System. Completing this phase will be a major step in addressing USDA's problem with nonintegrated financial management systems because it will establish common data definitions and transaction processing. This is a necessary step towards the development of a single, integrated financial management system—FISVIS' major goal.

OMB Circular A-127 requires agencies to establish and maintain a single, integrated financial management system that includes common data element definitions and common transaction processing. Furthermore, the JFMP's Framework for Federal Financial Management Systems states that without a single, integrated financial management system, poor policy decisions are more likely to occur due to inaccurate or untimely information; managers are less likely to be able to report accurately to the

¹OMB Circular A-127 defines a "single, integrated financial management system" as a unified set of financial systems and the financial portions of mixed systems that are planned for and managed together, operated in an integrated fashion, and linked together electronically in an efficient and effective manner.

²Configuration management is a process for maintaining and controlling changes to hardware and software.

³Version control is a method by which a responsible organization tracks, controls, and coordinates software versions used by multiple organizations.

⁴Common processes should be used for processing similar kinds of transactions through the system to enable these transactions to be reported in a consistent manner, with predictable results.

President, the Congress, and the public on government operations in a timely manner; scarce resources are more likely to be directed towards the collection of information, rather than to the delivery of the intended programs; and modifications to financial management systems, necessary to keep pace with rapidly changing user requirements, cannot be coordinated and managed properly.

USDA's current financial management systems do not contain common data element definitions and common transaction processing. To address this problem, in April 1994, the Office of the CFO and the FISVIS team released USDA's first departmental financial standards—the USDA Financial and Accounting Standards Manual and the USDA Financial Management Information Architecture Document (each of these documents has been subsequently updated). These documents contain governmentwide and USDA-specific financial accounting requirements and are intended to establish a structure for satisfying USDA's financial management business needs. USDA based its standards documents on federal financial management requirements and USDA-specific requirements developed at joint requirement planning meetings attended by representatives from the Office of the CFO, NFC, and the component agencies.

In December 1994, USDA took another step towards implementing a single, integrated financial management system by awarding a contract to American Management Systems, Inc. (AMS) for the Foundation system. The requirements for the Foundation system were based on federal financial management and USDA-specific requirements. The Office of the CFO estimates that it will cost \$90 million over 8 years (including the cost of the contract and USDA's internal and support service costs) to install, implement, and maintain the Foundation system. The AMS software is a commercial off-the-shelf system procured through the General Services Administration's Financial Management System Software Multiple Award Schedule.⁵ The Foundation system will perform general ledger management, cost management, receipt management, payment management, funds management, and financial reporting.

USDA is now in the process of implementing the Foundation system. In January 1995, AMS installed its software at NFC. The Department is evaluating and testing this software as well as developing individual component agency implementation strategies. The Office of the CFO plans

⁵The Federal Information Resources Management Regulation and OMB Circular A-127 require federal agencies replacing core financial systems to use this schedule, unless the General Services Administration grants a waiver. To be on the schedule, vendors must certify that their system meets the financial system requirements defined by the JFMIP's Core Financial System Requirements.

a phased-in implementation approach starting with five of its organizations (four component agencies⁶ and the Office of the CFO), with the rest of the Department to follow. Each of the five organizations will work with the FISVIS team to tailor an implementation plan to its unique operation. This includes making decisions on such items as which system functions the organization will use and defining its account classification structure. When fully implemented, the Foundation system will receive data⁷ from USDA's component agency and NFC feeder systems. In July 1995, the CFO stated that his goal is to implement the Foundation system departmentwide by the end of fiscal year 1997.

The Office of the CFO Cannot Ensure FISVIS' Success

Because the full implementation of FISVIS hinges on the voluntary compliance of component agencies with the financial management system standards, the Office of the CFO cannot ensure the project's success. Historically, USDA's departmental oversight of component agencies' financial management systems has been weak; however, USDA plans to increase the CFO's authority and responsibilities over component agency financial management systems. In June 1995, USDA published a proposed rule in the Federal Register⁸ that gives the CFO overall responsibility for the Department's financial management systems and includes new responsibilities consistent with the CFO Act and OMB's implementing guidance,⁹ such as approving component agency financial management systems design and enhancement projects, as well as overseeing and recommending approval of component agency financial management budgets. According to the CFO's July 25, 1995, testimony before the House Subcommittee on Government Management, Information and Technology, the new authorities will give the CFO, for the first time, real responsibility for component agencies financial systems.

While it is too early to evaluate the ultimate effect that the CFO's proposed new authority and responsibilities may have, the Office of the CFO currently continues to have a limited role regarding component agency financial management systems compliance with the new financial standards. For example, although the CFO instructed the component

⁶The four component agencies in the first phase are Forest Service, Animal and Plant Health Inspection Service, Food and Consumer Services, and Agricultural Research Service.

⁷According to the Office of the CFO, the Foundation system will receive detailed data from the NFC feeder systems and summary-level data from component agency program accounting systems.

⁸This proposed rule was issued to reflect revisions to the Secretary's delegations of authority pursuant to the Department of Agriculture Reorganization Act of 1994.

⁹Guidance for Preparing Organization Plans Required by the Chief Financial Officers Act of 1990 (OMB, M-91-07, February 27, 1991).

agencies in November 1994 to ensure that their financial management systems conform with USDA Financial and Accounting Standards Manual requirements, the Office of the CFO has not established a structure or process to enable it to enforce compliance. OMB's guidance on implementing the CFO Act states that the CFO's authority should include ensuring compliance throughout the Department and its component parts with (1) applicable accounting standards and principles and (2) financial information and systems functional standards. In addition, USDA needs a process to ensure compliance because USDA's component agencies and NFC stated that they had not reviewed their financial and mixed systems to determine whether they comply with the USDA Financial and Accounting Standards Manual. Further, the component agencies and NFC had scheduled only 15 percent of their systems to be reviewed, although many stated that they would perform such reviews in the future and the Office of the CFO stated that NFC is now beginning to review its financial systems as part of the implementation of the Foundation system.

The Office of the CFO also plans to implement a financial and accounting standards administration function to help component agencies implement the financial standards. For example, according to the CFO, one of the tasks of the financial and accounting standards administration function will be to assist component agencies and staff offices with incorporating USDA's financial standards into their new or reengineered financial and mixed system development projects. The Office of the CFO tasked a contractor with drafting a financial and accounting standards directive addressing compliance with USDA's financial standards.

The Office of the CFO also has a limited role over component agency financial management system development efforts. In November 1994, the CFO instructed the component agencies to implement the USDA Financial and Accounting Standards Manual and the USDA Financial Management Information Architecture Document during any financial management system development efforts, but the Office of the CFO's ability to ensure that these standards are built into these system development efforts is limited. For example, three component agencies told us that the CFO did not have a role in their system development efforts.

Four component agencies stated that the Office of the CFO has a role in their system development efforts through its membership in their Acquisition Review Teams. Each member of these review teams must approve a component agency's financial management system acquisition plan before the acquisition can proceed. However, the CFO and Deputy CFO

stated that the Acquisition Review Team process is not an effective tool to review component agency financial management system development efforts because many important decisions are made prior to the Acquisition Review Team's involvement. For example, the requesting agency develops an alternatives and benefit/cost analysis, which is then presented at an Acquisition Review Team meeting.

Moreover, not all system development efforts go through the Acquisition Review Team process. For example, Forest Service has an on-going personnel system development effort, with an estimated 5-year cost of about \$2.5 million, that did not undergo the Acquisition Review Team process. According to officials who administer the review process, the major component agencies and NFC do not always seek approval through the Acquisition Review Team process because they often perform their system development efforts in-house and do not procure systems.

In addition, in some cases, the Office of the CFO did not participate in a financial management system Acquisition Review Team case. For example, the Office of the CFO did not participate in the Acquisition Review Team for the Natural Resources Conservation Service's Financial Management System, which is estimated to cost \$96 million over 10 years.¹⁰ According to the former USDA official who set up the team, the Office of the CFO was invited to join the Acquisition Review Team but chose not to participate. However, USDA's Deputy CFO stated that he was unaware of the Natural Resources Conservation Service's effort until we brought it to his attention. As a result of our bringing this development effort to the Deputy CFO's attention, the Natural Resources Conservation Service must now obtain the Office of the CFO's written approval before any system, or part of a system, is developed under this effort.

According to the Deputy CFO, if provided sufficient resources, the Office of the CFO would work with component agencies' to evaluate their current financial management systems and system development efforts. As of May 24, 1995, the Office of the CFO had designated five and a half full-time equivalents for departmentwide financial systems, policy, and procedures coordination, with three full-time positions vacant (which the CFO is trying to fill). In its fiscal year 1996 budget request, USDA asked for eight additional staff years for the Office of the CFO to implement financial systems oversight, correct deficiencies in the Department's financial management systems, and provide better stewardship over USDA's resources.

¹⁰This estimate includes both in-house and acquisition related costs.

While the Office of the CFO has a limited number of positions designated for financial management system reviews, NFC and the component agencies employ several thousand financial management personnel. The Office of the CFO's fiscal year 1995 authorized staffing level was 1,425,¹¹ of which 1,340 were stationed at NFC.¹² However, according to the CFO and Deputy CFO, most of the NFC personnel are (1) generally computer programmers, operations accountants, and clerks who do not have the types of skills necessary to perform financial management system reviews and (2) needed for on-going NFC work. In addition to the Office of the CFO's staff, as of March 1995, the component agencies employed about 2,900 accounting and budget personnel. While the Office of the CFO has not performed a review of USDA's financial management staffing needs for USDA as a whole, the CFO and Deputy CFO agreed that there may be opportunities for USDA to redistribute or use temporary assignments of some of the Department's financial management personnel to perform financial management system reviews.

Until the CFO can ensure that USDA's component agencies and NFC have implemented the departmentwide financial standards, USDA will continue to have nonintegrated financial management systems that contain incompatible and inconsistent financial data. As a result, the new Foundation system will merely summarize unreliable component agency and NFC financial data and USDA's financial management systems will continue to be high risk.

The Office of the CFO Has Not Established a Configuration Management Policy and Version Control Process

The Office of the CFO has not established a configuration management policy or version control process to help manage and control the Foundation system software modifications and version updates. Configuration management policies and version control can lower USDA's future costs by minimizing changes to the contractor's original software version and ensuring software development efforts are not duplicated at multiple sites. Moreover, the JFMIP Framework for Federal Financial Management Systems calls for agencies to place common software under version control.

¹¹This does not include staff that are devoted to administering the federal government's Thrift Savings Plan.

¹²The other Office of the CFO personnel perform functions such as providing technical assistance during the preparation and audit of the annual USDA-wide financial statements, travel policy, controllership of the Department's Working Capital Fund, and budget and fiscal support of the Office of the Secretary and staff offices.

The Office of the CFO's contract for the Foundation system software allows component agencies to procure the same AMS software. As of July 1995, only one component agency, the Consolidated Farm Service Agency (CFSA), had decided to procure this software through a task order to the contract. CFSA plans to spend about \$174.5 million over 11 years to procure, implement, modify, and operate this software at the National Computer Center where CFSA's other financial management systems are housed. Most of the \$174 million will be nonacquisition related, such as accounting and clerical staff operating costs.

Although both the Office of the CFO and CFSA intend to modify their respective copies of the Foundation system software, the Office of the CFO does not have a configuration management policy. Such a policy would address procedures for (1) ensuring that a proposed software modification is necessary, (2) determining whether a modification should result in a change to the baseline software or be implemented in a separate module, and (3) ensuring that software at multiple locations remain synchronized.

The Office of the CFO also does not have a version control process. An effective version control process would ensure that either the same software releases are used or that different releases are managed effectively. This is particularly important in cases where more than one organization is managing and operating copies of the same software.

The Office of the CFO and CFSA have recognized the importance of configuration management and version controls. In July 1995, they agreed to prepare a configuration management plan that, according to the Deputy CFO, will include a version control process.

FISVIS Strategy Does Not Address Consolidating Financial Systems and Reengineering Processes

The FISVIS strategy does not attempt to consolidate or eliminate overlapping¹ financial management systems or reengineer existing financial processes across component agencies. USDA has over 100 financial management systems that perform many similar functions. This environment will continue to exist even after FISVIS because USDA is planning to spend hundreds of millions of dollars to replace or redesign these systems without a financial management systems plan to consolidate these systems on a departmentwide basis. In addition, although many component agencies plan to reengineer their own financial processes, USDA has not placed the CFO in a leadership role that would help ensure that financial processes are reengineered from a departmentwide perspective.

USDA Supports Many Overlapping Financial Management Systems

As table 3.1 illustrates, USDA has 115 financial management systems—62 financial systems and 53 mixed systems. Most of these systems are independently managed by USDA’s component agencies and NFC. In fiscal year 1994, USDA spent over \$187 million to operate and maintain these systems.

Table 3.1: USDA Organizations With Financial and Mixed Systems

Organization	Number of Systems
Forest Service	6
Natural Resources Conservation Service	1
Consolidated Farm Service Agency	41
Foreign Agriculture Service	3
Rural Utilities Service	2
Rural Housing and Community Development Service ^a	9
Food and Consumer Service	4
Agriculture Research Service	2
Agricultural Marketing Service	1
Animal and Plant Health Inspection Service	11
National Finance Center	34
Office of the CFO	1
Total	115

^aSome of these systems also support farm loans managed by the Consolidated Farm Service Agency because, until USDA’s recent reorganization, farm and housing loans were managed by the same component agency.

¹An overlapping system is one that performs some, but not all, functions of another system.

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As table 3.2 illustrates, these 115 systems perform many similar and overlapping functions.

Table 3.2: Number of Financial and Mixed Systems Performing Each Major Financial Function

Function	Number of Financial Systems	Number of Mixed Systems
Transfer payments	4	1
Grants and subsidies	6	11
Loans	5	11
Insurance	3	0
Personnel	1	6
Acquisition	13	6
Property management	9	7
Inventory management	4	7
Fee and other revenue generation	15	7
Deposit funds	14	7
Intragovernmental collections	15	4
Budget formulation	8	5
Budget execution	23	7
Financial accounting	39	8
Cash management	16	3
Cost accounting	15	4
Receivables/collections	28	15
Payables/disbursements	44	20
Payroll	11	6
Travel	13	5
Property accounting	11	4
Inventory accounting	4	1

As discussed in chapter 1, because many of these systems are inadequate, many component agency field offices also maintain informal or “cuff” systems that perform the same functions as the “official” systems. For example, Forest Service told us that they had six “national” financial management systems. However, these six did not include the more than 100 systems that Forest Service regions and stations maintain. For example, Forest Service regional offices use a Project Work Planning System that includes a budget allocation function. According to Forest Service, this system is not a “national” system and was developed by an individual regional office because of the inadequacies of Forest Service’s

and NFC's financial management systems. In other cases, regional offices and stations maintained systems for their specific office.

USDA Does Not Plan to Consolidate or Eliminate Overlapping Systems

USDA's overlapping systems are likely to continue, even after FISVIS is fully implemented, because the FISVIS strategy does not address consolidating or eliminating overlapping systems on a departmentwide basis. Instead, the FISVIS strategy provides for component agencies to meet their specific needs by developing and managing their own financial management systems. However, this decision could be costly because component agencies plan to spend hundreds of millions of dollars over the next several years redesigning or replacing the current financial management systems without the guidance of an overall departmentwide financial management systems architecture.

The following are examples of on-going or planned financial management system development efforts by various component agencies:

- The Natural Resources Conservation Service estimated that its Financial Management System effort will cost about \$96 million over its 10-year life cycle.²
- CFSA has several development efforts planned, including the Core Accounting System, estimated to cost \$174.5 million over its 11-year life cycle.
- The Rural Housing and Community Development Service has several on-going development efforts, including (1) the New Guaranteed Loan System, estimated to cost \$62 million over its 17-year life cycle and (2) the Dedicated Loan Origination/Service System, estimated to cost \$285 million over its 15-year life cycle.

Because the FISVIS strategy does not include a financial management system architecture, once USDA's many financial management system development efforts are completed, USDA will continue to have a multitude of financial management systems that perform similar functions but that may not be integrated or tied together.

In order to implement a single, integrated financial management system—required by the CFO Act and OMB and a major goal of FISVIS—OMB specifies that agencies should plan and manage their financial management systems in a unified manner. A critical step in accomplishing

²USDA Departmental Regulation 3130-1 defines life-cycle costs as all information resource management and non information resource management costs that are attributable to the system that may and do accrue during the life cycle. This includes both in-house and acquisition related costs.

this is the development of a financial management systems architecture. According to JFMP, a financial management systems architecture serves as a blueprint for the logical combination of financial and mixed systems to provide the budgetary and financial management support for program and financial managers. Through the process of developing this architecture, USDA would determine where savings could be achieved by consolidating systems that perform the same or similar functions. As early as December 1993, the Office of the CFO recognized the need for an overall plan to guide the modernization of USDA's financial information systems. However, according to the Deputy CFO, such a plan was not developed because of a lack of resources.

We believe that USDA could find areas where it could reduce costs by consolidating or eliminating overlapping systems through a mechanism such as cross-servicing.³ For example, USDA supports 91 financial and mixed systems that perform the same functions as the AMS software packages being installed at NFC (the Foundation system) and the National Computer Center (CFSA's Core Accounting System). However, only 16 of these 91 systems will be either fully or partially replaced by the AMS software. In fiscal year 1994, USDA spent over \$160 million to operate and maintain these 91 systems, of which about \$13 million pertained to the 16 systems that the AMS software will fully or partially replace. Through cross-servicing, some of the operating costs of the remaining 75 systems could be eliminated or reduced.

USDA currently performs successful cross-servicing for some administrative systems. For example, NFC cross-services payroll, personnel, and other administrative services for a diverse group of USDA and non-USDA agencies. Agencies serviced through NFC have achieved significant savings by avoiding redundant systems development and design initiatives and by reducing annual maintenance and processing costs. In one case, the Department of Commerce estimated that it avoided system development expenditures totaling \$11 million for a payroll/personnel system and a personal property system, as well as achieving annual processing cost savings of \$2 million per year.

USDA could also reduce its systems development costs through joint development efforts. In this regard, the National Performance Review report on financial management noted that federal agencies not in compliance with OMB Circular A-127, such as USDA, should consider other

³Cross-servicing is a business arrangement whereby one organization provides financial management software and processing support to another organization.

alternatives including joint agency development efforts before investing in new systems.

FISVIS Generally Does Not Include a Departmentwide Strategy for Reengineering Existing Financial Processes

The CFO Act directs agency CFOs to “oversee all financial management activities relating to the programs and operations of the agency.” However, USDA’s CFO does not have primary responsibility for reengineering USDA’s financial processes, and the FISVIS strategy generally does not address reengineering USDA’s financial processes⁴ from a departmentwide perspective. Process reengineering is a management technique for achieving dramatic improvements in cost, quality, and/or customer service by rethinking and redesigning major business processes. The Department of Agriculture Reorganization Act of 1994 offers USDA an excellent opportunity to eliminate or simplify inefficient processes and consolidate those that affect multiple mission areas or component agencies. Under the Reorganization Act, USDA is authorized to make substantive organizational changes and is required to reduce staff and consolidate component agencies’ financial organizations. Further, according to USDA’s National Performance Review report, USDA’s existing financial processes discourage efficient use of resources, indicating that savings are possible through reengineered processes.

Many of USDA’s component agencies and mission areas have realized that their existing financial processes should be reengineered and have independently initiated financial process reengineering projects from their own perspective. For example, according to agency representatives, (1) CFSA is planning to reengineer its financial processes as part of an overall project to modernize its financial management systems, (2) the Natural Resources and Conservation Service is planning a complete reorganization of the agency and expects to reengineer financial processes as part of the reorganization, and (3) the Forest Service is considering reengineering selected financial processes such as outyear budget planning and small purchasing.

Although the CFO Act requires agency CFOs to direct and oversee agency financial management operations, USDA did not assign the CFO the responsibility for developing a departmentwide financial management reengineering plan nor for reviewing and approving component agency and mission area reengineering efforts. Instead, USDA assigned the Assistant Secretary for Administration to be responsible for overseeing the

⁴A financial process is a collection of activities or worksteps that a financial management system would support.

reengineering of both administrative and financial processes. In a January 1995 letter to USDA's Deputy Secretary, we expressed concern about this arrangement and suggested that the Assistant Secretary for Administration's responsibilities not include reengineering financial processes. Although USDA recognized the overlapping responsibilities between the CFO and Assistant Secretary for Administration, the Deputy Secretary (in the capacity of Acting Secretary) decided that the Assistant Secretary should continue to be responsible for reengineering financial processes in consultation with the CFO. In addition, to date, the Assistant Secretary for Administration has concentrated on reengineering some of the Department's administrative functions and has not developed departmental plans for reengineering financial processes.

Recent experiences at the Department of the Interior illustrate the importance of CFO leadership in financial process reengineering. Interior is comprised of several component agencies with different missions and programs, much like USDA. According to Interior officials, when Interior acquired and implemented a foundation financial management system to integrate its disparate component agencies' financial management systems, as USDA is currently doing, it did not reengineer its financial processes at the same time. However, Interior found that in order to achieve the full benefits of implementing a foundation financial management system and integrating its component agency systems, it needed to reengineer its financial processes from a departmentwide perspective.

To overcome this hurdle, in 1994, Interior's CFO led an effort to establish a partnership with Interior's component agency senior financial managers to begin defining existing financial processes in preparation to reengineer, standardize, and consolidate financial processes from a departmentwide perspective. Although we have not evaluated Interior's efforts in this area, an official there stated that factors important to the success of this effort included (1) placing the CFO in a leadership role for overseeing the reengineering of financial processes and (2) requiring component agencies' senior financial managers to work cooperatively with each other and the CFO to plan and manage reengineering efforts from a departmentwide perspective.

By not having a departmentwide strategy for reengineering its financial processes, USDA risks losing the savings and other benefits that are available through reengineering those financial processes that are departmentwide or that cross multiple mission areas or agencies. An

example of the potential benefits that could be derived from reengineering on a departmentwide basis is the process for transferring funds among component agencies. The Office of the CFO sponsored a business process reengineering analysis that estimated that if USDA reengineers this labor-intensive process on a departmentwide basis, it could save about half of the \$8 million it costs per year to transfer funds.

There may be other excellent opportunities to reengineer financial processes departmentwide. USDA's fiscal year 1994 Federal Managers' Financial Integrity Act report highlights material weaknesses in financial processes, such as debt collection and funds control, that cut across component agency and mission area lines. Further, reengineering financial processes from a departmentwide perspective could ease the burden created by USDA's planned downsizing of its financial organizations. Reengineering would also help streamline and consolidate financial processes across agencies and mission areas, enabling fewer personnel to perform the processes without losses in effectiveness. Process reengineering experts caution that if an organization reorganizes and reduces staff levels without also rethinking and reengineering the underlying processes or functions the staff perform, it risks reducing operational efficiency and service delivery. In addition, in our recent report on downsizing strategies,⁵ officials from a private company stated that, while downsizing, organizations have to address their work processes. Another company's official observed that if an organization simply reduces the number of employees without changing its work processes, staffing growth will recur eventually.

Additionally, by not planning and managing financial process reengineering from a departmental perspective, USDA runs the risk that the new financial processes developed independently by the component agencies will not be adequately supported by the financial management systems acquired or developed under FISVIS. JFMIP's Framework for Federal Financial Management Systems cautions that financial management systems planning efforts, such as FISVIS, should consider the implications of reengineering related financial processes. Significant changes in existing financial processes, such as those that can be brought about by the component agencies' planned reengineering efforts, can require commensurate changes in the supporting financial management systems. It is therefore critical that the Department's financial process reengineering efforts be closely coordinated with any financial

⁵Workforce Reductions: Downsizing Strategies Used in Selected Organizations, (GAO/GGD-95-54, March 13, 1995).

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management systems development efforts planned under FISVIS, or USDA may find that the newly deployed software is working at cross purposes with the reengineered processes. Should this occur, USDA would have to incur additional costs to modify the new software or develop new systems in order to support the reengineered processes.

Conclusions and Recommendations

Conclusions

USDA's CFO and Deputy CFO have provided strong leadership in identifying and attempting to correct the multitude of financial management system problems at the Department. However, many of these problems are still not likely to be resolved because the CFO's ability to enforce the new financial system standards is limited in that the CFO has not yet been given the authority mandated by the CFO Act and OMB's implementing guidance. In addition, the CFO also has not developed a configuration management policy and version control process for the Foundation system software to help manage copies of this software and reduce future maintenance and development costs. Until a single USDA organization is given the requisite authority, no assurance exists that the transition to a fully modernized and integrated financial management system will be effective, expeditious, and economical.

The USDA Reorganization Act also provides the Department with an historic opportunity to evaluate its financial management system needs departmentwide, revise the FISVIS strategy to consolidate overlapping financial and mixed systems, and reengineer its financial processes where it is economical to do so. However, because component agencies plan to spend hundreds millions of dollars to replace and redesign their existing financial and mixed systems without considering such consolidations, USDA will not likely solve its financial management problems in a cost-effective manner and could be needlessly spending millions of dollars on new systems. In addition, USDA has not provided the CFO a leadership role in reengineering the Department's financial processes. Without such a role, the CFO's ability to establish partnerships with component agencies to develop cost-effective departmentwide financial process reengineering projects will be hampered.

Recommendations

We recommend that the Secretary of Agriculture:

- Expeditiously implement the proposed delegation of authority to provide the CFO with the authority to oversee all financial management activities relating to the programs and operations of the agency, including approving component agency financial management system design and enhancement projects.
- Require that the CFO (1) establish review teams to determine whether USDA's current and future component agency and NFC financial and mixed systems are in compliance with the USDA Financial and Accounting Standards Manual and the USDA Financial Management Information Architecture Document and (2) take action to bring component agencies

into compliance with the standards. One way USDA could undertake this task with existing resources is to create temporary teams of Office of the CFO, NFC, and component agency personnel.

- Direct the CFO to develop and implement a configuration management policy and version control process to ensure that the Foundation system baseline software is effectively managed.
- Direct the CFO to update the FISVIS strategy to include a financial management systems architecture that sets forth the financial management needs of USDA's new organizational structure, and establish a detailed strategy to meet these needs. This plan should also identify opportunities to streamline and/or consolidate financial management systems across agencies and mission areas.
- Direct the CFO to review each of the component agencies on-going and planned financial management system development efforts and report to the Secretary whether each of these efforts are necessary, consistent with the FISVIS initiative, and cost-effective from a departmentwide perspective, or whether they should be consolidated with other financial management systems or development efforts. This would include, but not be limited to, determining that the component agencies' needs cannot be met by the Foundation system. If the CFO determines that any individual system development effort is not needed, the Secretary should suspend it.
- Delegate to the CFO authority and responsibility for (1) developing a departmentwide financial management reengineering strategy that would include identifying the technical assistance and training necessary to successfully carry out reengineering activities and (2) reviewing and approving the reengineering of all departmental and component agency financial processes and require component agencies' senior financial managers to work with the CFO to ensure that their reengineering efforts are planned and managed from a departmentwide perspective.

Agency Comments and Our Evaluation

In providing written comments on a draft of this report, USDA emphasized that the modernization of its financial management systems is one of the Secretary's top priorities and is an integral part of USDA's overall reorganization. USDA further stated that our recommendations, when implemented, will strengthen USDA's capabilities to modernize and upgrade its financial systems. Specifically, USDA agreed to implement all but one of our recommendations, although the Department was concerned about finding the resources to implement two of our recommendations. USDA did not agree to implement our recommendation that the CFO be provided the authority and responsibility for developing a departmentwide financial management reengineering strategy and for reviewing and approving all

departmental and component agency financial process reengineering efforts.

USDA agreed with our recommendations to (1) expeditiously implement the proposed CFO's delegation of authority, (2) develop and implement a configuration management policy and version control process, and (3) update the FISVIS strategy to include a financial management systems architecture that would identify opportunities to streamline and/or consolidate financial management systems across agencies and mission areas.

USDA also agreed with the need to address two other recommendations; however, USDA expressed concern about the lack of resources available to implement these recommendations. For example, in discussing the Department's written comments, the CFO stated that the Office of the CFO's ability to implement our recommendation on forming review teams to determine whether USDA's current and future financial and mixed systems conform with the Department's financial standards would be contingent on available resources. Similarly, although USDA agreed with our recommendation to review component agency financial management system development efforts, it stated that the CFO would perform such reviews as resources are available.

We believe that the Secretary's designation of financial management systems as a top departmental priority and recognition that their modernization is an integral part of the Department's overall reorganization warrant the resources—either through permanent or temporary staff reallocations—necessary to review USDA's financial systems. As we discuss in chapter 2, the Department employs over 4,000 accounting and budget personnel within the Office of the CFO and the component agencies. We believe USDA may be able to redistribute or temporarily reassign some of these staff to implement these recommendations.

In addition, as we discuss in chapter 3, USDA has many overlapping financial management systems. Therefore, our recommendation to review each of the component agencies ongoing and planned financial management system development efforts could result in significant monetary savings. The time to perform such a review is now, before USDA spends a significant amount of money implementing financial management systems that may not be needed. These savings could, in turn, be used to fund other needed USDA financial management improvement efforts.

In its written comments, USDA stated that most of its current financial and mixed systems do not comply with the Department's financial standards and agreed that USDA needed to bring them into compliance. Although USDA stated it would consider our recommendation to establish review teams to determine financial management system noncompliance, it also planned to evaluate other options, such as agency self-certifications, to address this issue because it believed staff resources may not be available. However, we believe that the breadth of USDA's current noncompliance with these standards and the lack of specific component agency plans to evaluate their systems for such compliance attests to the need for the CFO to establish review teams to independently identify areas of noncompliance and recommend actions to correct these deficiencies.

USDA did not agree to grant the CFO the authority and responsibility for developing a departmentwide financial management reengineering strategy and for reviewing and approving all departmental and component agency financial process reengineering efforts to ensure that the efforts are planned and managed from a departmentwide perspective. USDA stated that the Secretary delegated responsibility to the Assistant Secretary for Administration for reengineering USDA's administrative systems—which encompass financial processes—under the Modernization of Administrative Processes program. USDA's comments also noted that the Office of the CFO and the Assistant Secretary for Administration established a Board of Directors (with the Assistant Secretary for Administration as the Chairperson and the CFO as the Vice-Chairperson) to provide policy guidance and direction for the Modernization of Administrative Processes program.

We agree that reengineering USDA's administrative processes should remain the primary responsibility of the Assistant Secretary for Administration. We also agree that administrative and financial processes and systems are often related. Therefore, we applaud the Secretary for establishing a Board of Directors for the Modernization of Administrative Processes program. Nevertheless, we continue to believe that implementing our recommendation on reengineering is necessary because, even under the Board of Director's process, the responsibility for reengineering USDA's financial processes does not rest with the CFO, who is tasked by the CFO Act with overseeing all financial management activities relating to the programs and operations of the agency. We expressed this concern in a January 1995 letter to the Deputy Secretary.

In addition, because USDA's financial processes and financial systems are inextricably linked, it is imperative that changes to either be managed and planned in an integrated manner. Therefore, we believe that the CFO should have the primary departmental leadership role in reengineering USDA's financial processes. If the CFO is given this leadership role, USDA will strengthen both its financial management systems development and financial process reengineering activities since a single person could be held accountable and responsible for both areas. In addition, USDA could help ensure that financial process reengineering efforts are consistently managed and controlled departmentwide.

Comments From the Department of Agriculture



DEPARTMENT OF AGRICULTURE
OFFICE OF THE CHIEF FINANCIAL OFFICER
WASHINGTON, D. C. 20250-0100

SEP 18 1995

Mr. Gene L. Dodaro
Assistant Comptroller General
U.S. General Accounting Office
441 G Street, N.W., Room 6101
Washington, D.C. 20548

Dear Mr. Dodaro:

Thank you for the opportunity to review the General Accounting Office's (GAO) Draft Report on the U.S. Department of Agriculture's (USDA's) Financial Information Systems Vision and Strategy (FISVIS) and the Department's financial management information systems (Job Code 511383). We appreciate the time that GAO devoted to this job and the thorough manner in which it undertook the review. We also appreciate GAO's strong endorsement of the Department's efforts to upgrade its financial information systems. We agree with the thrust of GAO's recommendations. When implemented, these recommendations will strengthen our capabilities to modernize and upgrade our financial information system.

We want to emphasize that modernization of the Department's financial management systems is one of the Secretary's top priorities. The Secretary is committed to a financial management information system that provides relevant and useful information to policy, program, management, and operating personnel when and in the form it is needed. In fact, this effort is an absolutely integral part of the Department's overall reorganization, which will ultimately enable the Department to save billions of dollars. However, it is important to understand that the reorganization process is very complicated and requires that the Department move on a number of fronts simultaneously to make improvements that will result in better service for reduced costs.

We also want to highlight one theme noted throughout the Draft Report; that is the paucity of resources to devote to financial systems modernization. For example, in Fiscal Year (FY) 1995, the President's Budget included resources for the Office of the Chief Financial Officer (OCFO) for improvements in financial information systems; however, Congress chose not to provide those resources. Similarly, for FY 1996, the President's budget included a request for resources for financial systems improvement; to date, appropriation action by the House of Representatives has not made those resources available.

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In spite of the resources issues, improving financial systems is a critical priority for the Secretary. Therefore, we have planned and are implementing improvements on a phased basis -- in "chewable bites," to take advantage of available resources. In addition, in the impending reorganization of OCFO, the CFO plans, to the extent possible, to reallocate resources under his control to improving our financial information systems.

Following are the recommendations made in the report to the Secretary of Agriculture and our responses.

Recommendation 1. Expediently implement the proposed CFO's delegation of authority to provide the CFO with the authority to oversee all financial management activities relating to the programs and operations of the agency, including approving component agency financial management system design and enhancement projects.

We agree with this recommendation. In connection with the reorganization of USDA, the Department has moved aggressively to develop new Delegations of Authority, including updated Delegations of Authority for the CFO. These revised Delegations include the authority of the CFO to approve component agency financial system design and enhancement projects. We have followed the legally-prescribed process by publishing the revised Delegations of Authority, as a proposed rule, in the Federal Register. Comments are currently being evaluated for possible changes; we expect that the revised Delegations of Authority will be published as a final rule in the near future. When the Delegations are finalized, the Secretary will emphasize to USDA agencies the responsibilities included in the Delegations of Authority for the CFO.

Recommendation 2. Require that the CFO (1) establish review teams to determine whether USDA's current and future component agency and NFC financial and mixed systems are in compliance with the USDA Financial and Accounting Standards Manual and the USDA Financial Management Information Architecture Document, and (2) take action to bring component agencies into compliance with the standards. One way USDA could undertake this task with existing resources is to create temporary teams of the Office of the CFO, NFC, and component agency personnel.

We agree with the need to bring agency systems into compliance with USDA standards and are exploring several methods to ensure this compliance.

The CFO has an excellent understanding of the current status of USDA's financial and mixed systems as regards compliance with the USDA Financial and Accounting Standards Manual and the USDA Financial Management Information Architecture Document. Most USDA financial and mixed systems are not in compliance with those

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documents, including many of the systems at the National Finance Center (NFC). Nevertheless, most agency and NFC systems will be brought into compliance with those standards through the implementation of our Foundation Financial Information System (FFIS). In addition, we plan to implement procedures in OCFO to monitor agencies' compliance with the standards, modify the standards as required by overall Federal or Departmental policy, and ensure compliance with the standards. In the short term, temporary teams may help in performing the review of planned financial and mixed systems. In the long term, only a permanent Standards Administration organization, possibly supplemented with temporary teams, will enable OCFO to ensure compliance with the standards. We are currently evaluating recommendations for establishing that organization; we plan to establish the Standards Administration function in the near future.

In addition, there are other actions that can be taken to bring component agencies into compliance with the standards. For example, the CFO is considering use of agency self-certifications of compliance. In addition, audits by the Office of the Inspector General will help us to understand agency compliance with the standards.

Recommendation 3. Direct the CFO to develop and implement a configuration management policy and version control process to ensure that the Foundation system baseline software is effectively managed.

We agree with this recommendation. The Consolidated Farm Service Agency (CFSA) is the only agency anticipated to implement a separate version of the Foundation system software. OCFO is currently assembling a team to work jointly with CFSA to develop configuration management and version control policies applicable to NFC and USDA's National Computer Center, where the CFSA version will reside.

Recommendation 4. Direct the CFO to update the FISVIS strategy to include a financial management systems architecture that sets forth the financial management needs of USDA's new organizational structure and establish a detailed strategy to meet these needs. This plan should also identify opportunities to streamline and/or consolidate financial management systems across agencies and mission areas.

We agree with GAO that the Financial Information System Vision and Strategy (FISVIS) should be updated to include a financial management systems architecture that identifies opportunities to streamline and/or consolidate financial management systems across the agencies and mission areas. The FISVIS strategy was designed to provide the framework for improving the overall integration and consolidation of all financial and mixed systems in USDA. FFIS represents a critical component of FISVIS; however, we

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must focus on the overall financial systems in USDA, not just FFIS. In accordance with USDA's "chewable bites," approach to most effectively utilize available resources, we have focused attention on implementing the FFIS. Now that FFIS implementation is underway, a broader perspective is required.

USDA took the first step toward a Departmentwide financial management systems architecture with its March 1995 Conference on "Partners in Progress," in which we affirmed the definition of a single integrated financial information system in USDA and put forth the outline for the development of the architecture. Modernization of financial systems is a critical initiative to USDA. The OCFO is currently seeking the wherewithal and resources to update the FISVIS strategy to incorporate that architecture. We will consider use of available OCFO resources, interagency teams and other techniques to update FISVIS so that it incorporates the financial management systems architecture on a Departmentwide basis.

Recommendation 5. Direct the CFO to review each of the component agencies ongoing and planned financial management system development efforts and report to the Secretary whether each of these efforts [is] necessary, consistent with the FISVIS initiative, and cost effective from a Departmentwide perspective or whether they should be consolidated with other financial management systems or development efforts. This would include, but not be limited to, determining that the component agencies' needs cannot be met by the Foundation system. If the CFO determines that any individual system development effort is not needed, the Secretary should suspend it.

We agree with the need for the review of agency financial management systems development efforts for consistency with the FISVIS initiative. With the new Delegations of Authority, OCFO will have the responsibility to approve component agencies' financial management systems design and enhancement projects. This authority and responsibility will enable the OCFO to review each of the component agencies' ongoing and planned financial management systems development efforts to determine whether they are consistent with the FISVIS initiative and cost effective from a Departmental perspective.

As noted above, the CFO is implementing a reorganization to provide more resources for financial management systems initiatives. We also plan to develop the approach to perform agency reviews in a way that supports both Departmentwide and agency needs and requirements, working closely with other guidance entities. In that way, the OCFO can fulfill its financial systems oversight responsibilities in a "value-added" manner. As resources are available, the OCFO will perform the required reviews and provide recommendations to agencies and the Secretary.

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Recommendation 6. Delegate to the CFO authority and responsibility for (1) developing a departmentwide financial management reengineering strategy that would include identifying the technical assistance and training necessary to successfully carry out reengineering activities and (2) reviewing and approving the reengineering of all departmental and component agency financial processes and require component agencies' senior financial managers to work with the CFO to ensure that their reengineering efforts are planned and managed from a Departmentwide perspective.

The Secretary has delegated responsibility for reengineering Departmentwide administrative systems to the Modernization of Administrative Processes (MAP) Program, which is under the guidance of the Assistant Secretary for Administration (ASA). Since administrative and financial systems are so intertwined, the MAP project will, by necessity, have a direct impact on the Department's financial systems. Thus, analyses and recommendations for improved processes in both administrative and financial areas are part of the MAP charter. MAP is also responsible for developing business process reengineering methods and techniques applicable to such administrative systems.

Since the OCFO is responsible for financial oversight, the ASA and the CFO have established a Board of Directors to provide policy guidance and direction for the MAP Program. The ASA serves as Chairperson of that Board; the CFO serves as Vice-Chairperson. The roles and responsibilities of this Board are as follows:

- 1) Advising the Assistant Secretary on policy matters and issues relating to the Modernization of Administrative Processes and systems on a USDA-wide basis.
- 2) Identifying and allocating resources (fiscal and human) to pursue MAP Projects.
- 3) Assisting in identifying process improvement requirements, establishing goals, and pushing the teams to meet and exceed goals.
- 4) Helping define, manage, and overcome barriers to change.
- 5) Reviewing the status of the project on a periodic basis.
- 6) Playing the "devil's advocate" role to ensure change viability.
- 7) Fully supporting implementation across USDA.

Mr. Gene L. Dodaro

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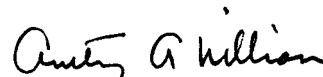
- 8) Participating in pilots, where appropriate.
- 9) Monitoring and ensuring that process performance targets are met.

Thus, our modernization efforts recognize the inter-relationships of financial and administrative processes.

* * * * *

We appreciate the interest, support, and the excellent recommendations of GAO as we modernize our financial information systems. Please call me at 202-720-5539 if I can provide additional information.

Sincerely,



Anthony A. Williams
Chief Financial Officer

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