

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DISTRICT'S
ADMINISTRATIVE SERVICES
MODERNIZATION PROGRAM
COST AND BENEFIT ASSUMPTIONS**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



March 27, 2007

Robert LeGrande II
Interim Chief Technology Officer
Office of the Chief Technology Officer
441 4th Street, NW, Suite 930S
Washington, D.C. 20001

Oscar S. Rodriquez
Interim Chief Procurement Officer
Office of Contracting and Procurement
441 4th Street, NW, Suite 700 South
Washington, D.C. 20001

Dear Mr. LeGrande and Mr. Rodriquez:

Enclosed is the final audit report summarizing the results of the Office of the Inspector General's (OIG) audit of the District's Administrative Services Modernization Program (ASMP) Cost and Benefit Assumptions, OIG 04-1-12MA(a).

As a result of our audit, we directed five recommendations to the Office of the Chief Technology Officer (OCTO) and one recommendation to OCTO and the Office of Contracting and Procurement (OCP) for necessary actions to correct the described deficiencies. We received a response to the draft audit report from the Interim Chief Technology Officer on March 9, 2007. We consider OCTO's actions taken and/or planned to be responsive to our recommendations. The full text of OCTO's response is included at Exhibit D. OCP did not respond to the draft report and we request that OCP provide a response to Recommendation 6, which requires collaborative efforts by OCTO and OCP. OCP should provide its response to this final report by April 13, 2007.

We appreciate the cooperation extended to our staff during the audit. If you have questions, please contact William J. Divello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles J. Willoughby", is written over a light blue horizontal line.

Charles J. Willoughby
Inspector General

CJW/lw

Enclosure

cc: See Distribution List

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AUDIT OF THE DISTRICT'S ADMINISTRATIVE SERVICES MODERNIZATION PROGRAM COST AND BENEFIT ASSUMPTIONS

ACRONYMS

ASMP	Administrative Services Modernization Program
DCOP *	D.C. Office of Personnel
DCRA	Department of Consumer and Regulatory Affairs
DOE	Department of Energy
DPR	Department of Parks and Recreation
EMA	Emergency Management Agency
ERP	Enterprise Resource Planning
HR	Human Resources
MOU	Memorandum of Understanding
OBP	Office of Budget and Planning
OCA	Office of the City Administrator
OCFO	Office of the Chief Financial Officer
OCP	Office of Contracting and Procurement
OCTO	Office of the Chief Technology Officer
OIG	Office of the Inspector General
OPM	Office of Property Management
OPRS	Office of Pay and Retirement Services
PASS	Procurement Automated Services System
PMO	Project Management Officer
SOW	Statement of Work

* DCOP was officially renamed the Department of Human Resources on March 2, 2007.

**AUDIT OF THE DISTRICT’S ADMINISTRATIVE
SERVICES MODERNIZATION PROGRAM
COST AND BENEFIT ASSUMPTIONS**

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EXECUTIVE DIGEST

OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of the District's Administrative Services Modernization Program (ASMP) Cost and Benefits Assumptions. The audit objectives were to determine whether: (1) accurate and effective procedures and methodologies were used to develop the estimates of the ASMP cost benefits; (2) management controls have been established to monitor attainment of cost benefits; and (3) an effective acquisition strategy for acquiring ASMP program needs was implemented. Specifically, we examined the overall ASMP implementation process, the methods used to document and validate a one-time cost benefit of \$157 million to be realized through the implementation of ASMP, and \$63 million in projected annual recurring benefits. Further, we evaluated the effectiveness of coordination between District agencies and the Office of the Chief Technology Officer (OCTO) during ASMP planning and implementation phases.

The Enterprise Resource Planning (ERP) is the District's initiative for integrating all agency and departmental functions into a single, seamless information system. The ASMP, as part of the ERP initiative, became the principle project for transforming key processes of the business segments of each District agency.

PERSPECTIVE

By design, the ASMP project was intended to provide District agencies with an integrated and seamless series of business processes as a replacement for the antiquated and inefficient manual business processes and automated legacy systems in use by District agencies. While our report shows that ASMP operational goals have not been fully achieved and anticipated cost benefits have not materialized, we would like to emphasize that our report's intention is not to assert that the ASMP project is a failure. Rather, our report shows that the ASMP project has made modest but less than desirable gains in achieving its operational capabilities and cost benefits, and that the "lesson-learned" from ASMP planning and procurement approaches should be used as a learning tool for future systems acquisitions. We believe that the ASMP project will ultimately render a series of fully functional, modernized business processes for the District. However, our report shows that ASMP operational goals have not been fully achieved and anticipated cost benefits have not materialized. Specifically, sound system acquisition guidelines were not employed; the project's financial goals were not based on realistic and technically sound business assumptions; and stakeholders were not effectively partnered into the planning and execution of the ASMP program. These are the issues that must be examined and corrected for any future system acquisition.

At our request, OCTO provided a management overview of the ASMP project through July 2006. The complete text of OCTO's overview is included at Exhibit C.

EXECUTIVE DIGEST

CONCLUSIONS

Our audit identified numerous challenges that have plagued the ASMP system from its inception. The problems that the ASMP system has experienced include a flawed acquisition process, an unsubstantiated one-time savings of \$157 million, unrealized annual recurring benefits, and agency funded projects that have not resulted in completed modules. These events occurred because OCTO did not establish an effective acquisition strategy at the onset of the program, did not adequately verify the assumptions and values used in determining monetary benefits, and did not have total buy-in and/or support from agencies that were crucial for the success of this project. Although the ASMP system has taken the District from certain manual processes to modernized on-line processes and functions, the District has not realized the initial projected annual or recurring benefits. ASMP program shortfalls were largely due to the ASMP system not being fully deployed. Currently, none of the five major modules have been fully implemented.

As a result, the District government has not obtained the planned operational capabilities or realized expected monetary benefits. The District needs to ensure that the next major system integration should include a viable acquisition strategy, realistic assumptions of costs and benefits, proper oversight from top officials, and periodic reviews and analyses of program costs and benefits.

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT ACTIONS

We directed one recommendation jointly to OCTO and the Office of Contracting and Procurement (OCP) to establish a coordinated framework and acquisition planning tool for acquiring future automated systems.

We also directed five recommendations to OCTO that center, in part, on: developing and maintaining a system of controls to adequately measure and monitor ASMP savings; improving management oversight and requiring periodic reviews to update changes that affect the assumptions used in determining the potential one-time benefit and cost savings; and developing a comprehensive oversight program, to include policies and procedures of monitoring contractor performance to ensure that implementation problems can be detected prior to failed attempts and that certain milestones are measured and achieved timely. A summary of the potential benefits resulting from the audit is shown at Exhibit A.

On March 9, 2007, the Interim Chief Technology Officer provided a response to the recommendations in our draft audit report. In general, OCTO management concurred with the report, and provided a summary of actions taken or planned to address each recommendation.

EXECUTIVE DIGEST

However, OCTO also stated that our report had one significant factual error regarding the ASMP program's projections of one-time benefit savings of \$157,430,000. We disagree with OCTO's position because we found that the initial calculation of the potential savings did not include \$65,650,000 of costs associated with obtaining the potential savings. After accounting for this cost, the assumed benefit is reduced to \$91,780,000. In our review of written and published documentation about ASMP, OCTO officials appear to have never accounted for the \$65,650,000, resulting in a flawed projection of the one-time benefit savings. OCTO officials have consistently referred to the \$157,430,000 one-time savings benefit amount when addressing ASMP project benefits. Further, there has been no written documentation from OCTO officials to show that offsets to potential savings were factored into the projection of program savings.

We did not receive OCP's response to the draft report Recommendation 6, which requires collaborative efforts of both OCTO and OCP. Accordingly, we request that OCP provide a response to Recommendation 6 by April 13, 2007.

The full text of OCTO's response is included at Exhibit D.

INTRODUCTION

BACKGROUND

In October 2001, OCTO received approval to implement an Enterprise Resource Planning (ERP) project for the District of Columbia called the Administrative Systems Modernization Program (ASMP). ERP attempts to integrate all departments and functions across a company or, in this case, a city, into a single computer system that can serve different departments' particular needs. ERP goals include building a software program that serves the needs of District employees in finance as well as human resources, in addition to the myriad of other departments found in a city government. The ASMP, as part of the ERP initiative, is a District-wide business transformation project that focuses on processes, policies, organizational improvements, and business areas within agencies of the District government.

The ASMP is an initiative designed to modernize the city's administrative systems. The project includes integration of the District's current financial system, the System of Accounting and Reporting (SOAR), and replacement of systems currently used in budgeting and planning, payroll, procurement, time and attendance, human resources, benefits and pension administration, and property management. The ASMP is expected to improve administrative processes, systems, and policies across the operating agencies, administrative agencies, and financial agencies. These new business processes will flow horizontally (between agencies) instead of vertically (within an agency), thus seamlessly tying the District's agencies together.

ASMP Benefits Projected. According to original plans (unchanged since the inception of the program), ASMP was anticipated to be completed by the end of fiscal year (FY) 2006. OCTO estimated that upon the successful implementation of the ASMP, the District would realize a one-time savings of \$157 million and \$63,850,000 in annual recurring benefits. In addition to the dollar savings, the District is expected to realize increased productivity, improved access to information, and enhanced overall service delivery to citizens of the District.

Program Oversight. An Executive Steering Committee, chaired jointly by the Chief Technology Officer and the District's Chief Procurement Officer, was created to provide leadership in the implementation of the ASMP. The City Administrator acts as Chairman Emeritus of this program. The Program Director, who is responsible for managing and overseeing ASMP operations, is a personal services contractor who was procured by OCTO in July 2001. The Program Director reports directly to the Chief Technology Officer.

INTRODUCTION

ASMP Funding. The ASMP initiative is a capital project funded by five District agencies. OCTO is responsible for overseeing the use of funds. The five agencies are the District of Columbia's Office of Personnel (DCOP), the Office of Property Management (OPM), OCTO, OCP, and the Office of the Chief Financial Officer (OCFO). During January 2002 and February 2002, there were three memoranda of understanding (MOU) created among various agencies to help fund ASMP.¹

ASMP Design Modules.² The ASMP was planned as a 5-year effort that was designed to modernize the District's operations and integrate its key administrative functions with new business process modules for the following areas:

- Human Resources;
- Procurement;
- Property Management;
- Payroll;
- Finance and Accounting, and Performance Budgeting; and
- The Integration Module

For example, the ASMP new business process module for payroll was designed to automate the time and attendance process, consolidate payroll processing to one pay date within a bi-weekly cycle, and reduce the volume of payroll corrections and supplemental payroll adjustments by 50 percent. For budget, the ASMP was designed to provide for 100 percent of budget processing to be conducted on-line, an increase in the quality of submissions by reducing human error, and a reduction in the total number of annual reprogramming by 25 percent through increased budget accuracy.

ASMP Management Team/Structure. Prior to the development and implementation of the ASMP, OCTO established the system requirements, built a program infrastructure, and obtained Program Management Office (PMO) subject matter experts. As part of its management team, OCTO contracted with Keane, Inc. to supply the PMO subject matter experts and Accenture, LLP to establish the requirements and infrastructure for each module.

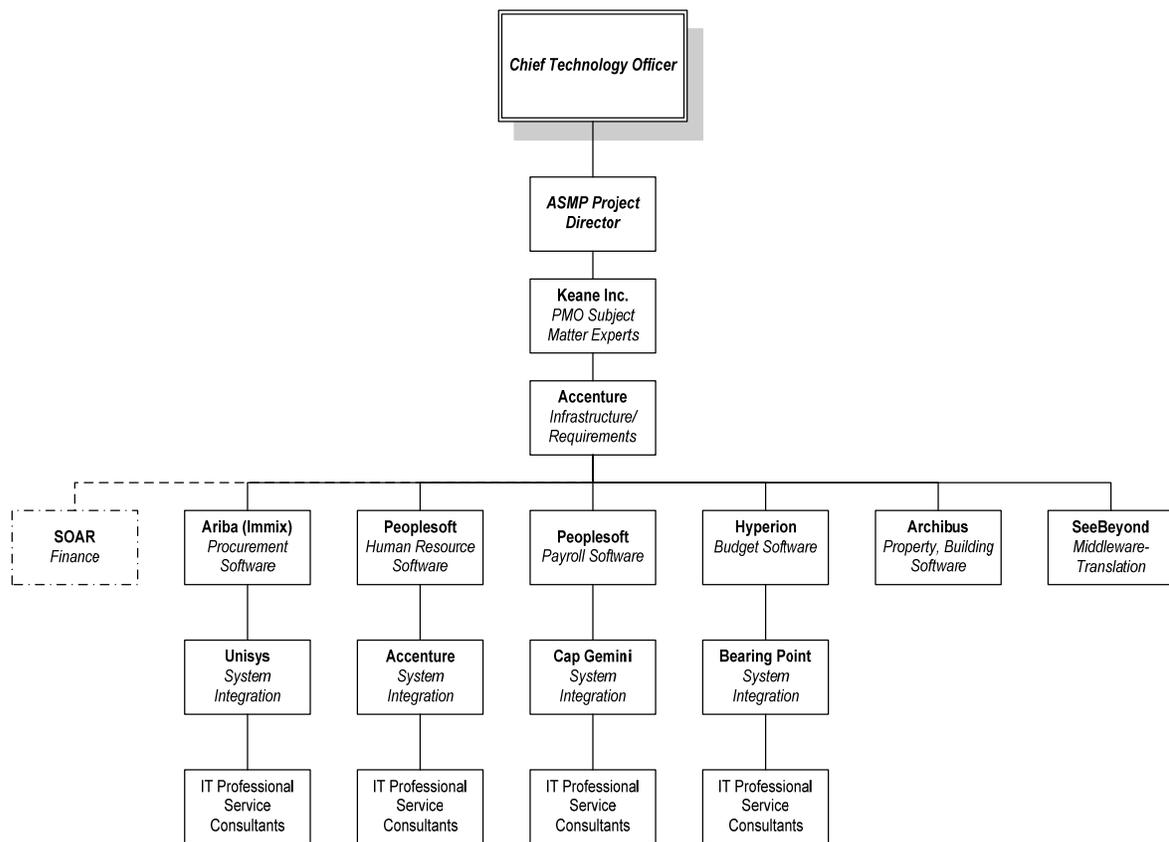
The ASMP project director indicated that OCTO chose to use multiple vendors for each module. OCTO selected Ariba to provide the procurement software, PeopleSoft for the human resources and payroll/time and attendance modules, and Hyperion for the budget

¹ January 2002, MOU between OCFO and OCP; February 2002, MOU between OCTO and DCOP; and February 2002, between OCTO and OPM.

² Module refers to an independent piece of software which forms part of one or more larger programs.

INTRODUCTION

software. OCTO also used multiple vendors for system integration. ASMP management based its decision to use multiple vendors on the assumptions that licensing and maintenance costs would be cheaper with multiple vendors and that using one vendor would require the District to purchase an unneeded financial module. A diagram depicting ASMP’s architectural structure is shown below:



ASMP Budget Authority. The original estimated cost for the ASMP project was \$65,650,000. However, within a 5-year period, the budget authority has grown to more than \$94 million. Additionally, funds will have to be identified to support the long-term use of ASMP. Table 1 below shows a compilation of ASMP’s budget authority expenditures and encumbrances for FY 2002 through FY 2006.

INTRODUCTION

TABLE 1. ASMP BUDGET AUTHORITY AND RELATED TRANSACTIONS FOR FY 2002 THROUGH FY 2006³

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY TOTALS
Budget Authority	\$20,118,110	\$34,800,000	\$31,681,567	(\$2,225,563)	\$9,840,379	\$94,214,493
Allotment	\$20,118,110	\$9,500,000	\$17,628,437	\$13,331,000	\$24,697,279	\$85,274,826
Expenditures	\$10,830,993	\$11,513,898	\$20,046,316	\$7,613,319	\$3,589,479	\$53,594,005
Intra-District Transactions	(\$173,022)	\$173,022	\$0	\$0	\$675,000	\$675,000
Encumbrances	\$3,202,055	\$3,442,982	(\$3,176,916)	\$1,469,374	\$6,714,934	\$11,652,429
Pre-Encumbrances	\$0	\$221,227	(\$150,352)	\$50,963	\$1,267,256	\$1,389,094

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether: (1) accurate and effective procedures and methodologies were used to develop the estimates of the ASMP cost benefits; (2) management controls have been established to monitor attainment of cost benefits; and (3) an effective acquisition strategy for ASMP program needs was implemented. Specifically, we examined the overall ASMP implementation process and the methods employed to obtain cost benefit figures of \$157 million in one-time savings and \$63 million in annual recurring benefits. These objectives coincide with our previous audit coverage of ASMP that focused on contracting actions for ASMP.

To accomplish our objectives, we held interviews and discussions with OCTO, OCP, DCOP, OPM, Office of Pay and Retirement Services (OPRS), and Office of Budget and Planning (OBP) management and administrative staff to gain a general understanding of the policies, procedures, and management controls used for the implementation of the ASMP initiative. We reviewed several reports and documents that were prepared by consultants to provide guidance on the ASMP implementation process and the benefits and costs associated with ASMP.

We held discussions with agency directors about ASMP cost savings and benefits that their respective agencies would realize once ASMP was implemented. We also discussed whether the proposed benefits accurately reflected what would occur in their agencies when ASMP was implemented. In evaluating the ASMP acquisition strategy, we reviewed the District of Columbia Municipal Regulations, and we used the Department of Defense Directive, 5000.1, dated May 12, 2003, entitled Operation of the Defense Acquisition System, to design an example of a milestone decision process.

³ Information on this chart was obtained from OCFO, Office of the Budget and Planning, as of February 8, 2006.

INTRODUCTION

After discussions with OCTO officials, we visited the following five field agencies to determine the level of progression of the PASS and PeopleSoft (HR) modules: Office of the City Administrator (OCA), Emergency Management Agency (EMA), Department of Consumer and Regulatory Affairs (DCRA), Department of Energy (DOE), and Department of Parks and Recreation (DPR). Agency officials provided helpful insight relating to the implementation of the ASMP modules relative to their agencies.

We did not completely rely on computer-processed data during this audit, and we did not conduct tests of the reliability of the data, nor of the controls over the computer-based system that produced the data. However, we determined that any use of this data would not materially affect the audit results. This audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary under the circumstances.

FINDINGS AND RECOMMENDATIONS

<p>FINDING 1: PLANNING AND IMPLEMENTING AN EFFECTIVE ACQUISITION STRATEGY</p>
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SYNOPSIS

Our audit disclosed that the District's ASMP project is currently behind schedule, has not achieved the desired operational results, and incurred costs well in excess of original cost goals with little realized monetary benefits. The ASMP project has not achieved anticipated results because the basic acquisition strategy was flawed at the outset and an effective acquisition strategy was not developed to guide the project from initial planning stages through the mature implementation phases. Consequently, the ASMP project has not achieved the goals included in the original business plan/vision and will require additional costs to complete the ASMP as a fully integrated system that meets all operational requirements.

DISCUSSION

The ASMP project was developed and designed to provide new capabilities and operating modules for several of the District's business processes, including:

- Human Resources;
- Procurement;
- Property Management;
- Payroll;
- Finance and Accounting, and Performance Budgeting; and
- The Integration Module

In order to develop these capabilities, OCTO initiated the ERP framework to define the cross-functional business processes and the associated technical architecture required to achieve the desired business result. The ERP framework identified ways to streamline the District's administrative and financial processes through business process reengineering in conjunction with standardized business practices designed to conform to District laws and regulations. Within the ERP framework, the ASMP project became a multi-year initiative, spanning a 5-year period, to modernize the District's office operations and key administrative functions, consistent with the goals established within the ERP framework.

Since initiation of the ASMP project in October 2001, OCTO received budget authority of \$94,214,493 to develop a fully integrated, seamless administrative information system. This budget authority represents an increase of 44 percent over the original planned project budget

FINDINGS AND RECOMMENDATIONS

of \$65,650,000. Additionally, the ASMP business plan and overall vision statement included estimates that the District would achieve a one-time savings of approximately \$157 million and annually recurring savings of \$63 million. ASMP failed to achieve either of these projected monetary benefits.⁴

Not only have planned monetary benefits failed to materialize, ASMP also did not obtain the level of operational implementation called for in original modernization plans. Our evaluation of module implementation shows that the ASMP is behind schedule.⁵ As of June 2006, three of the six planned modules were not fully implemented; previous attempts to implement two modules failed; and the integration module implementation date had not yet been determined. Table 2 below provides an outline of the status of ASMP implementation:

TABLE 2. STATUS OF ASMP MODULE IMPLEMENTATION

SOFTWARE	PROGRAM AREA	PROJECTED "LIVE" DATE	STATUS
Ariba (PASS)	Procurement	November 2003	2 of the 4 modules have been implemented (Buyer Invoicing and Analysis).
PeopleSoft	Payroll	Projected Date November 2006	Revised implementation date of April 2007.
PeopleSoft	Human Resources	December 2004	Various modules are still being implemented.
Hyperion	Budget	No Live Date Known	No plans to attempt to implement again.
Archibus	Property Management	No Live Date Known	Will not be implemented.
SeeBeyond	Middleware-Translation	TBD	Integration module will be implemented after all other modules have gone "Live."

Our audit found that the ASMP implementation did not achieve original operational goals because OCTO and OCP had not developed an effective and coordinated acquisition strategy to guide the program from initial design stages through mature implementation and full operational capacity. Further, ASMP plans were never updated to reflect numerous changes that occurred such as increased project costs, and delays in the implementation process that would have reset the timeline for project completion or otherwise would have

⁴ Findings 2 and 3 in this report will discuss the deficiencies in developing projected ASMP monetary benefits, District agency participation in planning for ASMP, and the development of the projected benefits that were to accrue to each agency.

⁵ ASMP was anticipated to be completed by the end of FY 2006.

FINDINGS AND RECOMMENDATIONS

required program changes. Another impediment to effective ASMP implementation was the failure to obtain genuine stakeholder “buy-in” to ASMP’s operational expectations and the benefits that would accrue to the agencies subsequent to full ASMP operational functionality.

Acquisition Strategy

We could not identify a specific acquisition strategy designed for the ASMP program. However, OCTO provided two documents that set forth the basic framework for acquiring the ASMP. These documents included the Administrative Support Vision Framework Project (Vision Framework) and the ASMP Implementation Plan.

The Vision Framework. The Vision Framework established the essential components of the ASMP project and sought to identify key business issues for each of the business modules and anticipated new functionalities. The ASMP business rationale was designed with a two-phased approach. Phase I was to establish a sound foundation for agency participation, with clear articulation, context, and direction made available to all stakeholders. Phase II was comprised of five key activities:

- Establishing an administrative support services model and associated roadmap;
- Identifying the key integration requirements;
- Defining the deliverables for each requirement;
- Creating a business case for each deliverable; and
- Defining an architecture strategy.

Both of these phases were implemented along the designed Vision Framework. While it identified the strategies for the business framework for each module, the Vision Framework provided little to define aspects of an acquisition strategy, with the exception of setting goals to define the deliverables for each requirement.

The Implementation Plan. The Implementation Plan appears to have presented five business initiatives and timelines for acquiring and implementing the ASMP. The five initiatives included:

- Establishing administrative services organization and governance;
- Procuring hardware, software, and implementation resources;
- Improving core functional areas to achieve business goals;
- Selecting, building, and running the administrative services infrastructure; and
- Establishing and maintaining the administrative services support environment.

The Implementation Plan was designed to address the acquisition of the hardware, applications, and personnel resources for the ASMP. While one initiative of the

FINDINGS AND RECOMMENDATIONS

Implementation Plan (procuring hardware, software and implementation resources) suggests that an acquisition plan was at hand, we could not identify any additional acquisition planning documents that presented an acquisition strategy for procuring ASMP hardware, software, and the necessary personnel resources for implementing the program. An acquisition roadmap or milestone decision process, similar to that used by the federal government, particularly the Department of Defense, could have been employed to guide capability assessments, systems development, and investment decisions needed to properly align resources, create stakeholder (agency) participation, properly gauge the effective use of budgeted resources, and monitor the financial and operational benefits of program implementation.

Decision Milestone Process. A decision milestone process incorporates the acquisition strategy for the system procurement, taking into consideration the system architecture and other technical requirements. (See Exhibit B for example of such a process.) Further, the milestone process contains key decision points to ensure that program office and procurement officials adequately create a competitive environment for acquiring system needs that meet operational requirements and ensure price reasonableness. Our past audit of the ASMP, OIG Report No. OIG 04-1-12MA, entitled “Audit of Contracting Actions for the District’s Administrative Services Modernization Program,” showed that OCTO had not obtained adequate competition or best value in procuring ASMP system requirements. However, our concerns extend beyond ASMP because OCTO manages the District’s systems needs and significantly influences acquisition decisions.

For example, the District’s FY 2007 Capital Budget shows an anticipated OCTO capital budget of \$160 million to be expended between FY 2007 and FY 2012. About half of that amount is anticipated as a FY 2007 expenditure, with the remaining \$80 million to be spent in the out-years through FY 2012. With such a large investment in technology, the acquisition planning performed by OCTO and OCP should reflect the best practices available, including a milestone decision process that obtains best value, needed technology gains, and fair and reasonable prices. A milestone decision process that maximizes competition, both for price and value, has historically been shown to reduce costs by at least 24 percent. With an anticipated investment of \$80 million in the capital budget out-years, it is good business practice and fiscal prudence to revitalize the OCTO/OCP partnership for acquiring the District’s automated systems needs. The potential monetary benefits from such a collusion of positive efforts, focused on the united goal of acquiring automated systems through a well-planned milestone decision process, offer an intense incentive for changing the OCTO/OCP paradigm for future systems acquisitions.

FINDINGS AND RECOMMENDATIONS

FINDING 2: ASMP ONE-TIME SAVINGS BENEFIT

SYNOPSIS

OCTO consultants calculated a one-time potential benefit savings of \$157,430,000 attributed to the implementation of ASMP. However, we could not substantiate this benefit. We found that the initial calculation of the potential savings did not include \$65,650,000 of costs associated with obtaining the potential savings, thereby reducing the assumed benefit to \$91,780,000 after adjusting for cost.

We found that the original baseline assumptions used in determining ASMP benefits and savings have not been adjusted, even though significant program changes have occurred throughout program implementation. Additionally, OCTO officials did not obtain each agency's approval of the benefit amounts attributed to their respective agencies. Consequently, we found little merit in the claimed one-time benefit of \$157,430,000, and could not document any one-time monetary savings. This condition occurred because OCTO officials did not provide management controls for assessing the validity of the amounts and rationale used by the consultants in determining the one-time potential benefit savings.

DISCUSSION

OCTO hired a contractor/consulting firm to perform a study and provide a report to determine the potential savings and benefits that the ASMP would provide to the District. The consulting firm conducted its study along with staff from OCTO. The consultant's report entitled "Administrative Services Modernization Program" (ASMP Report), was issued on October 12, 2001. The report identified areas of operations in the District that would receive benefits from ASMP's implementation, including one-time monetary gains. The consultants interviewed District officials from several agencies to obtain information concerning certain operations that would directly relate to the implementation of ASMP. As a result of the interviews, the consultants assigned a value and assumptions to specific operational areas that they believed would streamline processes and produce cost savings.

Review of Cost Savings. We evaluated the rationale for the projected savings, reviewing the consultant's documentation used to support reported results. The consultant's report showed a total estimated one-time benefit of \$157,430,000. Our review showed that the consultants did not subtract projected estimated ASMP costs of \$65,650,000, which would have resulted in a net estimated one-time savings of \$91,780,000. In our review of written and published documentation about ASMP, OCTO officials appear to have never accounted for the \$65,650,000, resulting in a flawed projection of the one-time benefit. As a result, District officials may have been misinformed from the beginning about the projected monetary benefit. By not including the costs associated with implementation, OCTO overstated the

FINDINGS AND RECOMMENDATIONS

project benefit and cost savings initially by \$65,650,000. OCTO officials have consistently referred to the \$157,430,000 one-time savings benefit amount when addressing ASMP project benefits. Table 3 below shows the one-time savings included in the ASMP Report.

TABLE 3. ASMP REPORT COST BENEFIT ANALYSIS

Cost Benefit Analysis						
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
Total Estimated Benefits	\$0	\$790,000	\$32,180,000	\$60,610,000	\$63,850,000	\$157,430,000
Total Estimated Costs	\$15,630,000	\$20,330,000	\$13,160,000	\$9,100,000	\$7,430,000	\$65,650,000
Net Estimated Benefits	(\$15,630,000)	(\$19,540,000)	\$19,020,000	\$51,510,000	\$56,420,000	\$91,780,000

In addition to the miscalculation of the \$157,430,000 one-time savings, we found that the savings are directly related to the potential annual recurring benefits. The ASMP Report indicated that the District will save \$63,850,000 annually in recurring benefits starting in FY 2006. The ASMP Report assumed savings throughout the course of the project and, at times, the one-time savings amount included potential annual recurring benefits in the year it was initially scheduled to be implemented and continued each year thereafter at certain projected levels. The purpose of a one-time savings is to capture that data once and then begin the recurring benefits at the end of the completed implementation of ASMP.

While estimated one-time benefits of \$157,430,000 were overstated by \$65,650,000 for unaccounted project costs, the estimated benefits were not adjusted to reflect increases in project costs. Therefore, in total, the one-time estimated ASMP savings benefit was grossly overstated by at least \$65,650,000.

FINDINGS AND RECOMMENDATIONS

FINDING 3: ANNUAL RECURRING BENEFITS

SYNOPSIS

OCTO consultants calculated that ASMP would save the District \$63,870,000 annually. In reviewing \$58,091,000 of these projected benefits, we found that annually recurring savings and benefits have not materialized fully. The information provided to the OIG did not properly support the potential annual recurring benefits. The potential annual recurring benefits have not been realized because (1) various ASMP modules have not been implemented and (2) ASMP officials did not obtain the needed “buy-in” and approvals from agency directors concerning the assumptions used in determining benefits and savings projected at their agencies. As a result, only \$1,001,600 in annual recurring benefits accrued to the program; well short of the \$58,091,000 projected annual recurring benefit amount included in our review. In addition, although two agencies provided additional funding of over \$10 million for implementation of the ASMP, our audit found that neither of these agencies has received a finished product for the funding that was provided to OCTO.

DISCUSSION

We reviewed over 90 percent of the potential annual recurring benefits (\$58,091,000) attributed to the five major agencies to determine if these agencies are currently realizing any savings and benefits from the implementation of the ASMP. The agencies reviewed were DCOP, OPM, OCP, OPRS (OCFO), and OCTO. Table 4 below shows the amounts of the projected annual recurring benefits we reviewed.

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TABLE 4. SUPPORTING ESTIMATES OF RECURRING BENEFITS

Agencies Reviewed	Potential Annual Recurring Benefits Estimated by Consultants	Cumulative Percentage of Annual Recurring Benefits We Reviewed (90%)	Amount of Recurring Benefits Agencies Have or Will Realize	Actual Percentage of Benefits Each Agency Validated
OCP	\$27,183,000	42.7	\$ 0	0%
OPM	\$14,150,000	64.85	\$ 0	0%
OPRS	\$8,208,000	77.75	\$ 0	0%
DCOP	\$7,050,000	87.79	\$ 251,600	3.6%
OCTO	\$1,500,000	90.13	\$750,000	50.0%
TOTALS	\$58,091,000⁶		\$1,001,600	

We provided agency officials with a copy of the consultant’s ASMP Report for them to indicate if they could support the amounts that have been assigned as cost savings and benefits for their agencies. We interviewed and discussed the potential annual recurring benefits with agency officials from the five major agencies. Further, after meetings with each agency, we asked each official to sign a memorandum indicating if they were in agreement with our understanding of their statements concerning the potential annual recurring benefits.

Office of Property and Management. The ASMP Report stated that implementation of the property module would produce a recurring benefit to OPM of \$14,150,000 annually. During FY 2004, OPM officials were informed that OCTO would not be implementing the Archibus Property software system of ASMP. OPM stated that there was no direct communication with OCTO concerning the decision and announcement that this module would no longer be a part of ASMP.

OPM was one of the first agencies to contribute funds in the amount of \$3,500,000 through MOUs to help establish the ASMP. According to the February 27, 2002, MOU, the initial purposes of the funds were for “project management, requirements analysis, and infrastructure development associated with the P[roperty] M[anagement] components of the [ASMP].” During FY 2002, \$2,000,000 was contributed to the ASMP. OPM provided

⁶ We reviewed \$58,091,000 of the \$63,870,000 of annual recurring benefits. Agencies only validated \$1,001,600 which is 1.6 percent of the proposed annual recurring amount.

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another \$1,500,000, during FY 2003. According to OPM’s December 12, 2002, request memorandum for the additional funding, the funds were “needed to prevent delays to the implementation of [ASMP]. Once implemented, ASMP will realize cost savings through improved core processes.” Table 5 below outlines the MOUs between OPM and OCTO.

TABLE 5. OFFICE OF PROPERTY MANAGEMENT MOUs

AGENCY (BUYER)	DATE	AMOUNT	SERVICES REQUESTED	AGENCY (SELLER)
OPM	March 22, 2002	\$2,000,000	Project Management, Requirements Analysis, and Infrastructure Development	OCTO
OPM	December 12, 2002	\$1,500,000	To prevent delays to the implementation of ASMP	OCTO
TOTAL		\$3,500,000		

OPM officials stated that they were involved in several meetings where the property module was discussed; however, no progress report was issued or discussed. During FY 2005, OPM officials were informed by OCTO officials that the property module would not be implemented. OCTO officials stated that design and implementation problems were the cause of the cancellation of the property module. Therefore, OPM paid \$3,500,000 for the implementation of the Archibus Property software system of ASMP and received nothing for the funding provided.

As of this date, OPM has not received the planned module or reimbursement of funds from the agreement made by the MOUs. Additionally, OPM was projected to realize recurring benefits of \$14,150,000 through the implementation of ASMP. During our discussions with OPM officials, they indicated that this property module, if implemented, would have provided them some annual recurring benefits.

The Office of Pay and Retirement Services. The ASMP payroll module for OPRS is PeopleSoft, which was estimated to achieve an annual recurring benefit of \$8,208,000. In meetings with ASMP consultants in 2001, OPRS officials stated that they did not agree with the consultant’s assessment of the potential annual recurring benefits assigned to their agency. Agency officials explained why OPRS could not realize the annual recurring savings with the implementation of the ASMP modules. Tables 6a through 6c below outline the original consultant assumptions upon which the annual recurring savings were based and OPRS officials statements as to the merits of each benefit area.

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TABLE 6a. OPRS - AUTOMATION TIME AND ATTENDANCE

BENEFIT AREA	ANNUAL RECURRING BENEFIT	ASSUMPTIONS PER ASMP REPORT	AGENCY RESPONSE	AGENCY AGREED BENEFIT
Improve Staff Capacity Automate Time and Attendance	\$656,000	The anticipated improvement assumes a time savings of 50% for time trackers and 90% for payroll processing.	[OPRS] officials indicated that agency and payroll timekeepers will not be eliminated. Also, the new process (ASMP) has the same business rules, but different processes. [OPRS] also stated that they informed OCTO/ASMP consultants during a follow up meeting that they could not support these anticipated savings.	No benefit realized

During our discussion with agency officials concerning their position, they indicated that the implementation would not eliminate timekeeper positions. While the ASMP module would assist with improved payroll functions, the information would still require employees to review and process payroll actions. We found no evidence to indicate that implementation of the PeopleSoft module would eliminate any positions and, thus, concurred with agency officials' assessment of realized agency benefits.

TABLE 6b. OPRS - REDUCING PAYROLL RECONCILIATIONS

BENEFIT AREA	ANNUAL RECURRING BENEFIT	ASSUMPTIONS PER ASMP REPORT	AGENCY RESPONSE	AGENCY AGREED BENEFIT
Improve Staff Capacity Automate/ Eliminate A[ccount] P[ayable] and] Payroll Reconciliation -Payroll/HR Staff Time	\$127,000	The anticipated improvement assumes that the need for payroll reconciliation is reduced to 90% due to automated feeds from HRIS and Payroll and the ability to research payroll issues on-line.	[OPRS] officials stated that this assumption assumes that PeopleSoft is 100% accurate. Also, this [PeopleSoft Process] would take away internal controls for reconciliation, which cannot happen because of [the need to maintain] checks and balances. In addition, [OPRS] stated to OCTO/ASMP consultants during a follow up meeting, that they could not support these savings.	No benefit realized

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OPRS officials strongly suggested that complete reliance on this software to reconcile payroll would remove essential internal controls over the payroll process. Agency officials indicated that they still need to review and provide a level of oversight to ensure that the reconciliation process is adequate. We concur with OPRS’s explanation of why the anticipated benefits will not be realized.

TABLE 6c. OPRS - PREVENTING/REDUCING OVERTIME

BENEFIT AREA	ANNUAL RECURRING BENEFIT	ASSUMPTIONS PER ASMP REPORT	AGENCY RESPONSE	AGENCY AGREED BENEFIT
Improve Management of Resources and Assets Prevent Overtime	\$7,425,000	The anticipated improvements assume[]a reduction due to higher position fill rates, access to reporting, and increase in productivity from new tools and training.	[OPRS] officials stated that overtime is a budget and management issue, and will have no correlation with the implementation of PeopleSoft. The District’s overtime has too many obstacles for a system to prevent or save money related to the use of [o]vertime.	No Benefit realized

OPRS officials stated that the annual recurring benefit of \$7,425,000 is extremely difficult to achieve. The numerous challenges with predicting overtime within certain agencies cannot be substantiated with the implementation of a software system. While we believe economies can be achieved in better managing overtime in many District agencies, we found no evidence that PeopleSoft will have a profound effect on fill rates and overtime at OPRS.

Office of Contracting and Procurement. The Procurement Automated Support System (PASS) is the procurement module of ASMP. PASS includes four major modules including: contracting; sourcing; buyer invoicing; and analysis. OCP officials have indicated that they are not realizing any of the \$27,000,000 in potential annual recurring benefits associated with the implementation of the ASMP procurement module.

The two assumptions underpinning the \$27,000,000 in potential annual recurring benefits are both related to implementation of the contracting and sourcing modules. These two modules have not been implemented and, currently, there are no plans to implement them. OCP and OCTO officials each provided several reasons for not implementing the modules. According to OCTO officials, OCP failed to provide adequate staffing to help with the implementation. OCP officials stated that OCTO did not provided adequate leadership and a clear vision toward successful implementation of the entire PASS module; therefore, OCP could not

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achieve these potential annual recurring benefits. Consequently, both OCTO and OCP have concerns relating to the proposed savings that the PASS modules will generate and how the savings will be captured and documented.

Tables 7a and 7b below summarize our analysis of the OCP annual recurring benefit.

TABLE 7a. OCP - REDUCING REJECTED STATEMENTS OF WORK

BENEFIT AREA	ANNUAL RECURRING BENEFIT	ASSUMPTIONS PER ASMP REPORT	AGENCY RESPONSE	AGENCY AGREED BENEFIT
Improve Staff Capacity Increase Procurement's Productivity	\$11,183,000	The anticipated improvement assumes that the number of rejected SOWs [will be] reduced from 1200 to 180 due to higher integration between finance and procurement and a collaborative SOW creation process amongst the agencies and OCP.	OCP [officials] stated that PASS would not reduce the number of rejected SOW's. The SOW creation process prior to PASS will continue to have problems if agencies requesting services are not clear on what type of services they are requesting.	No benefit realized

During our meetings with OCP officials, they indicated that only two (buyer invoicing and analysis) of the four proposed modules have been implemented, and that without full implementation, achieving any cost savings is not realistic. Page 167 of the ASMP Report states that the anticipated improvement “assumes that the number of rejected SOWs [will be] reduced from 1,200 to 180 due to higher integration between finance and procurement and a collaborative SOW creation process amongst the Agencies and OCP.” OCP official’s response is that “this assumption cannot be substantiated in that PASS procedures will not reduce the number or improve the quality of SOW’s that are processed by OCP, and that the integration of PASS with SOAR, although helpful, has no relationship to the development of an SOW.” OCTO consultants valued this improvement at \$11,183,000 annually.

The process of rejected SOWs is a systematic problem that implementation of PASS cannot resolve. Agencies requesting goods and services have to enter the correct information, and even an online system will experience bad data. Although OCP indicated it is not realizing a benefit of \$11,183,000, we believe some process improvements may be attainable over the long term. However, the monetary benefit is indeterminable. OCTO officials stated that the two modules that have been implemented do provide a savings and benefit to the District, but OCTO could not quantify any savings.

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TABLE 7b. OCP - IMPROVING PURCHASING TERMS

BENEFIT AREA	ANNUAL RECURRING BENEFIT	ASSUMPTIONS PER ASMP REPORT	AGENCY RESPONSE	AGENCY AGREED BENEFIT
Improve Management of Resources and Assets Improve Purchasing Terms	\$16,000,000	The anticipated improvement assumes that the District will save money from implementing commodity purchasing.	With the numerous different agencies within the District, (FEMS, MPD, DPW), that all have different requirements and needs, commodity purchasing is difficult to achieve. OCP officials stated that they would be unable to validate the effectiveness of commodity purchasing, even prior to PASS implementation.	No benefit realized

Even without PASS, the District has been engaged in commodity purchasing. OCP officials stated that they are not realizing a benefit of \$16,000,000 from the implementation of PASS because the module that relates directly to commodity purchasing has not been implemented. OCP and OCTO officials indicated that there is no concrete timeline concerning the implementation of the last two modules. We found that OCP is not realizing a benefit savings of \$16,000,000 annually due to the implementation of PASS.

Corroborating PASS Savings at Five District Agencies. To corroborate certain concerns related to benefit savings from the implementation of PASS, we interviewed officials from five agencies to determine if PASS was providing a savings and/or benefit to agencies. We interviewed officials at the Department of Consumer and Regulatory Affairs (DCRA), the Department of Energy (DOE), the Office of City Administrator (OCA), the Department of Parks and Recreation (DPR), and the Emergency Management Agency (EMA). Based on our interviews, we learned that the PASS systems have turned a paper system into an on-line application function. According to agency officials, the new procurement module has created problems due to the time it takes to receive approvals from OCP to make purchases and the lack of a dedicated procurement official for each agency to handle multiple procurement concerns. Agency personnel also commented that training was provided; however, the training did not include the realistic situations that on-line users are now experiencing.

Office of Personnel. The ASMP Human Resources (HR) module, PeopleSoft, has not been fully implemented. DCOP officials provided us with concerns about annual recurring benefits within their agency. DCOP was to realize \$7,050,000 in cost saving with the implementation of the PeopleSoft module within ASMP. DCOP officials believe that one aspect of the modules that has been implemented has provided some benefits.

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PeopleSoft was activated in December 2004; however, certain module segments have not been implemented. These segments include: self service, benefits administration, eBenefits, ePerformance, and certain eRecruit items. Page 166 of the ASMP Report states that the anticipated improvement assumes that there will be a “20 percent improvement if employees use self-service.” DCOP officials indicated that: “Staff will not be eliminated due to ASMP; however, DCOP believes that they will realize a recurring benefit from self-service/e-benefits once they are fully implemented.”

The anticipated annual recurring benefit attributed to employee self-service changes was valued at \$1,258,000. DCOP officials agreed that they could realize about 20 percent of the \$1,258,000, resulting in savings of \$251,600. In discussions with OCTO officials, they stated that the ASMP function of DCOP is fully implemented; however, DCOP officials indicate that several functions are not fully operational and some have not been implemented.

In addition to discussing the ASMP HR module with DCOP officials, we interviewed officials from five agencies including; DPR, EMA, DCRA, DOE, and OCA to further our understanding of the relationship between DCOP and field agencies. In our interviews, agencies expressed concerns that more work was being performed at agency levels, thus affecting their work loads. While the ASMP HR module automated many HR functions, the agencies indicated that many HR functions had to continue to be performed by the HR representatives. Although no monetary benefits accrued to the agencies, there were improvements in the work environments and productivity.

Tables 8a through 8d below outline the original consultant assumptions upon which the recurring annual savings were based and DCOP officials’ statements as to the merits of each benefit area.

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TABLE 8a. DCOP - ELIMINATING GENERAL TRACKING/AGENCY LEADERSHIP

BENEFIT AREA	ANNUAL RECURRING BENEFIT	ASSUMPTIONS PER ASMP REPORT	AGENCY RESPONSE	AGENCY AGREED BENEFIT
Improve Staff Capacity Automate/ Eliminate General Tracking- Agency Leadership	\$990,000	The anticipated improvement assumes that the need for general tracking is eliminated and 10% of tracking time will be dedicated to retrieving reports from the system.	DCOP officials stated that the assumptions used were too general of a statement because the type of leadership was not indicated. DCOP further stated that OCTO would have to provide additional information before they are comfortable with this benefit. Additionally, ASMP consultants relied on a newspaper gossip section as a source of information.	No benefit realized

During our discussion with DCOP officials, they were unable to determine the consultants' rationale concerning this assumption. We further asked OCTO officials to better explain the rationale for this assumption; however, OCTO did not provide an explanation or additional information. We concurred with the DCOP's assessment about the vague assumption underpinning this projected monetary benefit.

TABLE 8b. DCOP - EMPLOYEE USE OF SELF-SERVICE/E-BENEFITS

BENEFIT AREA	ANNUAL RECURRING BENEFIT	ASSUMPTIONS PER ASMP REPORT	AGENCY RESPONSE	AGENCY AGREED BENEFIT
Improve Staff Capacity Increase Human Resources Capacity	\$1,258,000	The anticipated improvement assumes that there will be a 20% improvement if employees use self-service, plus a 50% improvement if agency leadership's routine requests are processed without DCOP intervention, for a total improvement of 70%.	DCOP officials indicated that they must continue to have intervention, due to internal controls and the guidelines stipulated in the DCMR. Staff will not be eliminated due to ASMP. However, DCOP believes that they will realize a recurring benefit from self service/e-benefits once they are implemented.	\$251,600 20% of \$1,258,000

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DCOP officials determined that since the activation of the HR module of PeopleSoft in December 2004, they have experienced some annual recurring benefits and believe that about 20 percent of the projected \$1,258,000 in monetary benefits (\$251,600) is achievable. DCOP officials stated that staff will not be eliminated due to this implementation. Because personnel laws require certain forms to have original signatures, DCOP employees will still need to receive and file forms that have been produced through PeopleSoft. We believe DCOP officials are making an accurate assessment of the achievable benefits.

TABLE 8c. DCOP - INTEGRATION OF THE HUMAN RESOURCES AND PAYROLL MODULE

BENEFIT AREA	ANNUAL RECURRING BENEFIT	ASSUMPTIONS PER ASMP REPORT	AGENCY RESPONSE	AGENCY AGREED BENEFIT
Improve Management of Resources and Assets Disability Compensation	\$ 540,000	The anticipated improvement assumes that these benefits would be realized through integration between the HR and payroll system. This integration would avoid overpayments to disabled staff and save time dedicated to payment reconciliation.	DCOP officials stated that PeopleSoft (ASMP) cannot interface with the disability payments. In addition, the disability compensation program is part of the Office of Risk Management's Risk Master System.	No benefit realized

DCOP officials stated that this assumption cannot be achieved and that any savings or benefit estimates for disability payments will not be realized.

TABLE 8d. DCOP - IMPROVING EXIT PROCEDURES FOR BENEFITS

BENEFIT AREA	ANNUAL RECURRING BENEFIT	ASSUMPTIONS PER ASMP REPORT	AGENCY RESPONSE	AGENCY AGREED BENEFIT
Improve Management of Resources and Assets Improve Exit Procedures for Benefits	\$4,258,000	The anticipated improvement assumes that integrated Human Resources and Payroll processes will ensure that employees are deleted from the benefits system appropriately.	DCOP offsets benefit payments with contractors monthly, per their contracts. It's the agencies responsibility to terminate and inform DCOP about employees. Since there are always adjustments to be made monthly, the District does not lose or incur a lost due to overpayment of employees who are no longer employed with the District.	No benefit realized

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During our discussions with DCOP officials concerning the assumption relating to removing employees from the benefits system, it was determined that DCOP and the District’s benefit providers make monthly adjustments. They further stated that the District does not lose funds due to employees not being removed in a timely manner. Also, they stated that the time delay for removing employees is usually due to agencies not communicating with DCOP concerning these employees. Implementation of the PeopleSoft module would not change this process because it involves personnel actions by agencies outside of DCOP’s control. We agree with DCOP that they are not realizing the annual recurring benefit of \$4,258,000.

Office of the Chief Technology Officer. The ASMP Report states at page 169 that \$1,500,000 will be saved assuming that “IT support dedicated to Unified Personnel and Payroll System/Comprehensive Automated Personnel and Payroll System (UPPS/CAPPS) will be 100% transitioned to the Payroll component of Administrative Services.” Our review indicated that CAPPS is a DCPS payroll system and is not part of the ASMP implementation; however, it was included in the assumptions. OCTO officials stated that they are saving \$1,500,000 relating to the implementation, and that IT support of UPPS is providing more than the anticipated benefit. Table 9 below outlines the original consultant assumptions upon which the annual recurring savings were based and OCTO officials statements as to the merits of each benefit area.

TABLE 9. OCTO - TRANSITIONING PAYROLL SYSTEMS TO ASMP

BENEFIT AREA	ANNUAL RECURRING BENEFIT	ASSUMPTIONS PER ASMP REPORT	AGENCY RESPONSE	AGENCY AGREED BENEFIT
Decrease IT Support Costs Reduce Payroll System Support Cost	\$1,500,000	The anticipated improvement assumes that IT support dedicated to UPPS and CAPPS will be 100% transitioned to the Payroll component of Administrative Services.	OCTO officials indicated that CAPPS is a DCPS system and is not part of ASMP implementation, which would result in no evidence that OCTO is saving \$1,500,000 in IT support.	\$1,500,000 benefit realized

OCTO officials stated that they are realizing a \$1,500,000 annual recurring benefit relating to this assumption. We informed OCTO that half of the benefit projection is based on transitioning CAPPS to ASMP, and that CAPPS is a DCPS system that is separate from ASMP. Thus, only about half (\$750,000) could be realized due to the UPPS transition only. However, OCTO officials continued to state that they are realizing more than the anticipated benefit savings, even without the CAPPS section. We found that because the assumption was based upon \$1,500,000 and that half of the intended purpose has no effect on ASMP implementation, only \$750,000 will have been realized annually, assuming an equal distribution of cost between the two payroll systems.

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Office of Budget and Planning. OBP was not initially included in the ASMP planning stages. OBP did not begin to participate in the ASMP program until FY 2003, due to the need to acquire a new budget software system and the ability to interface with SOAR, which would improve the budget processes. We found that from May 2003 to March 2005, OBP provided funds to OCTO in the amount of \$6,550,000 to develop and produce a new budget system. OCTO officials selected the contractor to develop and install the budget software system, which was attempted in FY 2005. However, the contractor failed to develop a viable budget software tool. OCTO officials obtained a new contractor and another attempt was made in FY 2006; however, similar failures resulted from this second attempt.

OBP officials had to invest an additional \$1,650,000 to reestablish and upgrade the old budget system to produce the District’s annual budget. OBP still has not received a new budget software system, even though funds have been used in two attempts, to obtain and acquire this system. Consequently, OBP has incurred expenses totaling approximately \$6,976,207⁷ in funding for a budget module with ASMP, and to upgrade and restart the old budget system. Table 10 below outlines the MOUs between OBP and OCTO.

TABLE 10. OFFICE OF BUDGET AND PLANNING MOUs

AGENCY (BUYER)	DATE	AMOUNT	SERVICES REQUESTED	AGENCY (SELLER)
OBP	5/1/2003	\$1,000,000	Project management and implementation services	OCTO
OBP	5/15/2003	\$4,500,000	Project management and implementation services	OCTO
OBP	8/5/2004	\$600,000	Implementation services (technical and training resources)	OCTO
OBP	10/1/2004	\$200,000	Two contracting resources to assist in the capital project development of ARGUS	OCTO
OBP	3/1/2005	\$250,000	Project Planning, Planning Design, Software Installation, Data Integration, etc.	OCTO
TOTAL OBP		\$6,550,000		

⁷ This amount includes \$6,550,000 to implement a budget module plus \$1,650,000 to upgrade and restart the old budget system, minus personnel costs of \$1,223,793 from OCTO to provide OBP with subject matter personnel to help reestablish the old budget system, totaling \$6,976,207.

FINDINGS AND RECOMMENDATIONS

CONCLUSION

Our audit found that as of June 2006, the ASMP program generated savings of about \$1,001,600 in annual recurring benefits. These benefits represent less than two percent of the original anticipated annual recurring benefits of over \$63 million. According to agency officials and District employees, there are benefits accruing to the implementation of ASMP as processes change; however, we observed little evidence that projected annual recurring monetary benefits have materialized within District agencies at the level anticipated by the OCTO consultants. OCTO received over \$10 million from OPM and OBP toward funding for the implementation of ASMP modules. Our audit found that neither of these agencies has received a finished product for the funding that was provided to OCTO. As a result, we question the efficiency of expenditures of over \$10 million used for ASMP. Management controls need to be implemented to prevent expenditures of this nature without any return on investment.

RECOMMENDATIONS

We recommend that the Chief Technology Officer, Office of the Chief Technology Officer and the Chief Procurement Officer, Office of Contracting and Procurement:

1. Establish, for approval by the Office of the City Administrator, a coordinated framework and acquisition planning tool for fulfilling the District's needs for future automated systems, utilizing an acquisition model based on a milestone decision process tailored to acquire those systems at best value, while achieving fair and reasonable prices and maximum competition.

We recommend that the Interim Chief Technology Officer, Office of the Chief Technology:

2. Develop, design, and maintain a system of controls to adequately measure and monitor future automated systems, and improve management oversight to include periodic reviews and updated changes to projects that reflect revisions to anticipated program outcomes.
3. Develop a comprehensive monitoring system to track and record the progression of module implementation.
4. Coordinate projected annual project costs, recurring benefits, and planning assumptions with agency heads and other stakeholders prior to releasing information relating to an anticipated benefit and cost savings value.

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5. Develop and implement internal controls to track and record all funds allocated for each major module of the ASMP, particularly funding provided by agencies toward implementation of the ASMP.
6. Develop a comprehensive oversight program, to include polices and procedures of monitoring contractor's performance, to ensure that implementation problems can be detected prior to any failed attempt and that certain milestones are measured and achieved in a timely manner.

MANAGEMENT RESPONSE AND AUDIT COMMENTS

On March 9, 2007, the Interim Chief Technology Officer provided a response to the recommendations in our draft audit report. In general, OCTO management concurred with the report, and provided a summary of actions taken or planned to address each recommendation.

However, OCTO also stated that our report had one significant factual error regarding the ASMP program's projections of one-time benefit savings of \$157,430,000. We disagree with OCTO's position because we found that the initial calculation of the potential savings did not include \$65,650,000 of costs associated with obtaining the potential savings. After accounting for this cost, the assumed benefit is reduced to \$91,780,000. In our review of written and published documentation about ASMP, OCTO officials appear to have never accounted for the \$65,650,000, resulting in a flawed projection of the one-time benefit savings. OCTO officials have consistently referred to the \$157,430,000 one-time savings benefit amount when addressing ASMP project benefits. Further, there has been no written documentation from OCTO officials to show that offsets to potential savings were factored into the projection of program savings.

We did not receive OCP's response to the draft report Recommendation 6, which requires collaborative efforts of both OCTO and OCP. Accordingly, we request that OCP provide a response to Recommendation 6 by April 13, 2007.

The full text of OCTO's response is included at Exhibit D.

**SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM AUDIT**

Recommendation	Description of Benefit	Amount and Type of Benefit	Status⁸
1	Internal Control. Provides assurance that the District will in the future obtain intended improved automated system processes at the best value, while achieving fair and reasonable prices and maximum competition.	Non-Monetary	Open
2	Economy and Efficiency and Internal Control. Provides assurance that future automated systems will be provided with adequate management oversight (including reviews) and updated changes affecting anticipated outcomes.	Monetary Unable to Determine	Open
3	Internal Control. Establishes a system that will track and record the progression of module implementation.	Non-Monetary	Open
4	Internal Control. Establishes agency buy-in and accountability for the ASMP process.	Non-Monetary	Open
5	Economy and Efficiency. Provides assurance to agencies that provide funding for projects in the future that the funds used will provide intended results.	Monetary \$10 million Questioned Costs.	Open

⁸ This column provides the status of a recommendation as of the report date. For final reports, “Open” means management and the OIG are in agreement on the action to be taken, but action is not complete. “Closed” means management has advised that the action necessary to correct the condition is complete. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

**SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM AUDIT**

Recommendation	Description of Benefit	Amount and Type of Benefit	Status⁸
6	Compliance and Internal Control. Establishes a program between OCTO and OCP used to measure contractor performance to ensure that services are provided in a timely and efficient manner.	Non-Monetary	Unresolved

⁸This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXAMPLE OF A DECISION MILESTONE PROCESS

Milestone A – Requirement Development/Needs Assessment

- Do the needs satisfy core functional requirements/service delivery functions of the District government?
- Are the goods or services (needs) currently available within the District government and can they adequately satisfy the requirements?
- Has OCTO/program agency benchmarked its needs by comparing how other localities are satisfying similar requirements?
- Can the requirements be satisfied by individual District agencies, as opposed to a global solution affecting all agencies?
- Can the District government partner with the federal government or other localities to satisfy given needs?
- Have the District agencies fully participated in the needs assessment?
- Is the technology needed to satisfy the requirement only available from private sector sources?
- Is commercial off-the-shelf technology available to satisfy the need with little or no additional modification or added cost?
- Can existing District automated processes, systems, or programs be modified to fulfill the anticipated need?
- Has OCTO prepared a complete needs assessment, fully involving the participation of the affected agencies?
- Has a Milestone Decision Authority (MDA), consisting of OCTO, OCP, and District agencies, been formed to evaluate the needs assessment and make a decision whether to go forward with the acquisition based on a valid need and approval by the OCA?

Milestone B – Planning the Acquisition

- Has the MDA approved that a valid requirement exists (Milestone A approval)?
- Have specific sources of supply been identified to fulfill requirements (i.e., federal, local, or private sector sources)?

EXAMPLE OF A DECISION MILESTONE PROCESS

- Is approved funding (approved, budgeted funds) available for the anticipated acquisition?
- Have any technology risks/factors been identified that could affect acquisition costs and schedules?
- Have plans been developed for a phased implementation of system or process improvements?
- Has OCTO/program management agency partnered with affected District agencies to develop acquisition cost estimates and estimates of potential benefits, both monetary and technological?
- Are the cost/benefit analyses realistic and based on sound assumptions developed in coordination with each affected District agency?
- Has each affected District agency been given the opportunity to actively participate in developing the cost/benefit analysis, including the input of economic assumptions for the agency?
- Has OCTO/OCP performed an affordability determination and have the results of that determination been vetted with the CFO and the affected agencies?
- Has OCTO/OCP explored the availability of less expensive alternatives to satisfy the requirements?
- Has a detailed acquisition planning document been prepared for the MDA and has the MDA approved Milestone B to establish that adequate acquisition planning was performed for the anticipated procurement?

Milestone C – Contracting and Procurement

- Has OCTO adhered to provisions as set forth in the District of Columbia Municipal Regulations?
- Has OCTO/OCP developed an adequate statement of work (SOW) to sufficiently enable prospective contractors to competitively bid on the solicitation/Invitation for Bid (IFB) or Request for Proposal (RFP)?
- Does the SOW adequately describe the contract requirements necessary to fulfill diverse agency needs?

EXAMPLE OF A DECISION MILESTONE PROCESS

- In the pre-selection contract phase, will prospective contractors be required to demonstrate that their products (applicable to systems hardware and software) meet SOW/needs assessment requirements?
- Will system testing be included in the demonstration?
- Has a documented market survey or industry analysis been performed to establish viable sources of supply?
- Has due consideration been given to the availability of local (District) businesses, small, disadvantaged business enterprises (LSDBEs) and other LSDBE organizations to perform this work?
- Has OCTO/OCP sufficiently evaluated and documented the decision to use competitive sealed bids, two-step procurement methods, or other negotiated methods as the procurement method of choice for this acquisition?
- Has OCTO/OCP established the basis for evaluating prospective contractors, i.e., identifying technical factors and weights; pricing factors; best value considerations; incentives, and the contracting rationale for achieving fair and reasonable prices?
- Has a procurement team been established to independently evaluate sealed or competitive bid proposals?
- Has OCTO/OCP performed and documented the analyses to establish the capabilities of prospective contractors, including a financial analysis of financial capability; a technical evaluation to establish technical competency; a price analysis; and evaluations of other bid/proposal considerations?
- Has OCTO/OCP evaluated and documented the determination of the type of contract selected for the acquisition?
- Has OCTO/OCP demonstrated and documented that adequate competition was attempted and achieved?
- In using the GSA schedule, has OCTO/OCP obtained competitive bids?
- Has OCTO/OCP documented the decision to use GSA or District Supply Schedule contractors?

EXAMPLE OF A DECISION MILESTONE PROCESS

- Has an adequate price analysis been performed on GSA or District Supply Schedule pricing to determine that contract prices are consistent with industry pricing?
- If a sole-source procurement is contemplated, has this decision to use a sole-source vendor been approved by the appropriate authority?
- Has consideration been given to using incentive contracts that tie profits to reduced costs?
- Have formal contracts been prepared, adequately structured to include appropriate contract terms, and properly safeguarded?
- Are all procurement documents related to each procurement safely filed or recorded for future reference?
- Are all procurement decisions adequately documented and available to the MDA for its review?
- Has the MDA evaluated the decision to award and approved the decision?

Milestone D – Contract Management and Oversight

- Has an individual (project manager) been designated with the responsibility for overall project management and oversight?
- Has the designated project manager received adequate training and experience?
- Are policies and procedures properly documented to provide guidance for proper monitoring and oversight?
- Is there a system in place to properly track receipt of goods?
- Is there a system in place to verify if services have been properly rendered in accordance with contract specifications?
- Does management have a tool to measure deliverables in timely manner?

ASMP BENEFITS MANAGEMENT OVERVIEW

July 2006

ASMP is a citywide Enterprise Resource Planning (ERP) program led by a multi-agency Steering Committee under the direction of the City Administrator. In launching ASMP, the Steering Committee committed the District government to an extremely ambitious program. While program results have not yet reached the Steering Committee's full expectations, the program has delivered extensive functional and technology benefits for all agencies that can be translated into real cost savings in follow-on work.

ASMP was originally designed to encompass 9 modules: Procurement, Human Resources, Hiring and Recruiting, Payroll/Time and Labor, Benefits and Pension Administration, Open Enrollment, Budget and Planning, Performance Management (Scorecard), and Property.

To date, the program has completed or is nearing completion of 6 out of 9 (2/3) of these modules as follows:

- Procurement (PASS): completed November 2003
- Human Resources (HR): completed December 2004
- Hiring and Recruiting: completed December 2004
- Payroll, Time and Labor: to be completed November 2006
- Benefits and Pension Administration: to be completed December 2006
- Open Enrollment: to be completed December 2006/January 2007

Of the three remaining modules, all are still included in the ASMP plan. The Budget and Performance Management modules were actually completed in October 2004, but in both cases the software supplied by Hyperion proved unworkable both at the usage volumes the vendor promised and in performing key functions the vendor guaranteed. The District is pursuing Hyperion to the fullest extent of the law, with the ultimate objective of redeploying budget functions with alternate vendor software. The Property module of the program has been delayed as a result of the complexities encountered in implementing the other modules. Two originally planned sub-modules of Procurement (Sourcing and Contract Compliance) were deferred by order of the City Administrator until the Office of Contracting and Procurement demonstrates the operational capacity to support and use these modules.

The modules ASMP has fully implemented as of July 2006--Procurement, HR, and Hiring and Recruiting--have not yet fully realized planned benefits. In part the cause is overestimates of anticipated benefits. OCTO followed best practices by selecting a nationally-known IT consultant with extensive experience in benefits forecasting to conduct the estimates, but recent OCTO analysis suggests the original benefits projections were overstated. OCTO's resources were too fully consumed by the actual

ASMP BENEFITS MANAGEMENT OVERVIEW

July 2006

ASMP implementations to revisit the estimates later. However, the central reason for the under-realization of benefits has been agencies' failure to undertake the business analysis and transformation efforts that full benefits realization requires. This problem, in turn, stems from the difficulty the citywide Steering Committee leadership encountered in securing regular and focused attention from the member agencies.

The under-realization of benefits to date does not mean that benefits are unrealizable. To the contrary, a 3-agency sample analysis of PASS benefits realization that OCTO conducted in November 2005 showed that the three agencies--OCTO, DDOT and DPR—realized 94 percent of their targeted \$800,000 share of the estimated \$5M in procurement automation benefits. While the November 2005 analysis also suggests that the original projections of ASMP program benefits may have to be reduced, it demonstrates that substantial citywide benefits can be obtained. As District agencies continue to become stronger, more mature, and more managerially sound, a follow-on benefits realization project led by a strong City Administrator can deliver substantial continued savings from ASMP.

In the meantime, the program has delivered the expected functional outcomes—benefits in business processes, customer service, and productivity—as well as a significant technology benefit.

Highlights Of ASMP's Functional Benefits.

The PASS Procurement system supports 3700 procurement officers and other users in 90 mayoral and independent agencies and handles 100 percent of the District's annual spending, about \$2 billion. The system replaces cumbersome and error-prone paper forms with automated approval workflows that quickly and efficiently move transactions through the entire procurement process. PASS incorporates 38,000 vendors and over 250 DC Supply Schedules. Procurement transactions that previously took 3 weeks to 3 months now average about 10 days, end-to-end. Purchases under \$25,000 now take an average of seven days. The system provides complete accountability through documented audit trails. In addition, PASS is completely integrated with other District financial systems. PASS performs on-line, real-time updates for funds check and encumbrances, and it prevents agencies from spending in excess of available funds. PASS posts transactions to the General Ledger--in 6.7 seconds on average--and updates the Fixed Asset System as well.

ASMP's HR and Hiring and Recruiting modules maintain detailed automated information about all 24,500 District employees and have significantly improved the quality of the data and the speed of HR actions. Today, HR forms are on-line, not on paper. The HR implementation automated the entire Form 52 process to request and process personnel actions. Automated Workflow software moves transactions to the proper approvers and

ASMP BENEFITS MANAGEMENT OVERVIEW

July 2006

creates a detailed audit trail for each action. The new system also automated the Schedule A process to track actual agency position usage. The system links to the District's legacy payroll system, UPPS, and to the SOAR general ledger system, and will be fully integrated with the new Payroll system later this year. Approximately 1500 HR advisors and other employees use the system daily to conduct HR transactions for all District employees. Over 4,200 District employees use new self-service functions that previously required additional work from HR advisors.

The upcoming Payroll, Time and Labor, Benefits and Pension Administration, and Open Enrollment implementations will bring new accuracy, flexibility, and efficiency in payroll and benefits transactions and enable the District to perform complete program and project cost accounting with automated tools. Work in preparation for these implementations will produce a citywide clean-up of employee exempt/non-exempt status data. The new modules will automate benefits eligibility, will reduce the issuance of supplemental paychecks by 50 percent, and will reduce HR time and attendance work by enabling certain employees to enter their own time and have it approved online. The new modules will also provide standard time reporting processes, simplified data entry, and distribution of hours worked to account codes to facilitate grant reporting. In addition, the new modules will automate employee eligibility for benefits programs, provide employees on-line access to submit life event changes, and ensure that benefit choices comply with District benefits program requirements and that financial and service history records are accurate for retirement processing.

In technology, ASMP has delivered for the city a significant benefit not included in the original benefit forecasts. OCTO built for ASMP a new technology architecture that is used not only for ASMP, but for a citywide suite of Service Modernization Programs (SMPs) now in various stages of development. The SMP concept organizes all District services into 9 clusters, each with a broadly defined common constituency: administrative (ASMP), customer service, education, financial, human services, motor vehicle, property, safety, and transportation. The SMPs are automating and integrating agency services in each area, creating a single point of entry for customers and enabling unprecedented interagency collaboration. The SMPs will dramatically improve the efficiency, quality, and accuracy of service and information delivery to virtually all District government constituents and customers. Without the architecture built for ASMP, these groundbreaking programs would not be possible.

In sum: The ASMP implementations thus far substantially speed and simplify processing, increase controls and transparency, reduce risk, improve record-keeping, and provide more accurate information faster—across hundreds of thousands of actions and transactions in 90 agencies each year. ASMP has also provided the city with a technical architecture that is the foundation for a new era in citywide service delivery.

**INTERIM CHIEF TECHNOLOGY OFFICER/INTERIM CHIEF
PROCUREMENT OFFICER RESPONSE TO DRAFT REPORT**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF TECHNOLOGY OFFICER



March 9, 2007

Charles J. Willoughby
Inspector General
Office of the Inspector General
717 14th Street, N.W.
Washington, DC 20005

Dear Mr. Willoughby:

On behalf of Interim Chief Technology Officer Robert LeGrande, II, I am enclosing the response of the Office of the Chief Technology Officer to the Office of the Inspector General's audit of the District's Administrative Services Modernization Program Cost and Benefits Assumptions, OIG 04-1-12MA(a).

Sincerely,



Christina Fleps
OCTO General Counsel

Cc: Dan Tangherlini
Oscar Rodriguez
William DiVello

**INTERIM CHIEF TECHNOLOGY OFFICER/INTERIM CHIEF
PROCUREMENT OFFICER RESPONSE TO DRAFT REPORT**

**RESPONSE OF THE OFFICE OF THE CHIEF TECHNOLOGY OFFICER
TO THE OFFICE OF INSPECTOR GENERAL'S DRAFT REPORT ON
"AUDIT OF ASMP PROGRAM COST AND BENEFIT ASSUMPTIONS"
OIG 04-1-12MA(a)
March 2007**

Introduction

The Office of Inspector General's (OIG's) draft report on the above-cited audit (hereinafter, "Draft Audit Report") expresses several conclusions about Administrative Services Modernization Program (ASMP) costs and benefits and directs several recommendations to the Office of the Chief Technology Officer (OCTO), all designed to improve future system acquisitions.

OCTO agrees that these recommendations are sound and should be implemented; in fact, we have begun to implement them. OCTO also appreciates the report's conclusions that "our report's intention is not to assert that the ASMP project is a failure" and that "the ASMP project will ultimately render a series of fully functional, modernized business processes for the District." Draft Audit Report at i (emphasis added). We do, however, believe that the draft report tends to understate existing program operational benefits and overstate some errors made in planning and launching the program. The following discussion first addresses the draft report's conclusions and then describes the steps we are taking to implement the report's valuable recommendations.

Draft Audit Report Conclusions—OCTO Perspective

The draft Audit Report summarizes its conclusions as follows:

By design, the ASMP project was intended to provide District agencies with an integrated and seamless series of business processes as a replacement for the antiquated and inefficient manual business processes and automated legacy systems in use by District agencies. While our report shows that ASMP operational goals have not been fully achieved and anticipated cost benefits have not materialized, we would like to emphasize that our report's intention is not to assert that the ASMP project is a failure. Rather, our report shows that the ASMP project has made modest but less than desirable gains in achieving its operational capabilities and cost benefits, and that the "lesson-learned" from ASMP planning and procurement approaches should be used as a learning tool for future systems acquisitions. We believe that the ASMP project will ultimately render a series of fully functional, modernized business processes for the District. However, our report shows that ASMP operational goals have not been fully achieved and anticipated cost benefits have not materialized. Specifically, sound system acquisition guidelines were not employed; the project's financial goals were not based on realistic and technically sound business assumptions; and stakeholders were not effectively partnered into the planning and execution of the ASMP program. These are the issues that must be examined and corrected for any future system acquisition.

Draft Audit Report at i (emphasis added).

Actual ASMP Operational Benefits

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OCTO appreciates that the Draft Audit Report does “not...assert that the ASMP project is a failure” and that “the ASMP project will ultimately render a series of fully functional, modernized business processes for the District.” Draft Audit Report at i. The report provides little detail on the program’s operational benefits to date, because the audit’s stated objective was to examine financial, rather than operational, costs, benefits, and assumptions. To add detail to the report’s conclusions about the overall value of the program and its operational benefits, we describe some of the benefits of currently implemented ASMP modules below, with a brief review of the District’s pre-ASMP administrative systems to provide context.

Before ASMP began in 2001, the District government had minimal automated support for administrative functions. There was no automated procurement system. For nearly all purchases, District employees relied on paper forms that circulated laboriously within and among agencies. Records of transactions were often misplaced or riddled with inaccuracies. There was a budget system, but it consisted of multiple separate applications that did not “talk” to each other and had to be updated with diskettes—a process highly vulnerable to error and delay. As a result, budget processes were slow and cumbersome, and critical city budget reports often contained flawed data that compromised their reliability. There was a payroll/human resources (HR) system, but it was 30 years old. The system maintained only limited data about employees, and much of that information was outdated or inaccurate. Major HR functions such as hiring, transfers, and promotions were conducted entirely on paper forms that traveled slowly through extended approval chains. As with the paper procurement system, processes were slow, and records were too often incomplete, inaccurate, or lost.

The District government launched ASMP in November 2001, under citywide Steering Committee governance led by the City Administrator, to correct these problems and inaugurate a new era of efficiency throughout the District government. ASMP approaches each administrative function first by engineering new business processes that efficiently link all stakeholders, and then by implementing best-in-class software to support these new processes. ASMP was originally designed to encompass 10 modules: Procurement, Human Resources, Hiring & Recruiting, Time & Labor, Benefits Administration, Open Enrollment, Payroll, Budget & Planning, Performance Management (Scorecard), and Property.

As of February 2007, the program has completed 6 of these modules—Procurement, Human Resources, Hiring & Recruiting, Time & Labor (Pay Group 1), Benefits Administration, and Open Enrollment. The remaining Time & Labor pay groups and the Payroll module are slated for completion in FY 2007.

The PASS Procurement system supports 3700 procurement officers and other users in 90 mayoral and independent agencies and handles 100% of the District’s annual spend, \$2 billion. The system replaces cumbersome and error-prone paper forms with automated approval workflows that quickly and efficiently move transactions through the entire procurement process. PASS incorporates 38,000 vendors and over 250 DC Supply Schedules. Procurement transactions that previously took 3 weeks to 3 months now average about 10 days, end-to-end. Purchases under \$25,000 now take an average of 7 days. The system provides complete accountability through documented audit trails. In addition, PASS is deeply integrated with other District financial systems. PASS performs on-line, real-time updates for funds check and encumbrances, and it prevents agencies from spending in excess of available funds. PASS posts transactions to the General Ledger—in 6.7 seconds on average—and updates the Fixed Asset System as well.

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SMPs will dramatically improve the efficiency, quality, and accuracy of service and information delivery to virtually all District government constituents and customers. Without the comprehensive technical architecture built for ASMP, these groundbreaking programs would not be possible.

ASMP Actual Leveraging Benefits

In addition to the leveraged SMP technical architecture, the ASMP program has also produced another leveraging benefit. The successful implementation of the PASS procurement system in the District's Mayoral agencies laid the groundwork for the successful implementation and re-use of the system and support infrastructure at the DC Public Schools (DCPS) in 2006, using the expertise and guidance developed in the Mayoral agency implementation. DCPS's PASS implementation was the first step toward meeting the school system's need for administrative services modernization, a goal DCPS has been unable to accomplish in the past despite spending approximately \$25 million on a failed effort to implement ERP systems in 2003. Without ASMP, DCPS's progress toward administrative services modernization would have been minimal at best.

ASMP Benefits Projections and Planning

With regard to the Draft Audit Report's conclusion (quoted above) that "the project's financial goals were not based on realistic and technically sound business assumptions," OCTO agrees in hindsight that projected financial benefits may have been overestimated. However, OCTO followed best practices to estimate benefits by engaging a nationally recognized consulting firm with specific expertise in benefits projection for very large system implementations. The consultant's assumptions may have been overly optimistic because they were not appropriate to a public-sector setting where one organizational imperative is to provide employment, and this imperative creates significant institutional barriers to cutting personnel and budgets, as necessary to realize projected benefits.

OCTO also notes one significant factual error in the report regarding the ASMP program's projections of one-time benefits. The report states that the program's "estimated one-time benefits of \$157,430,000 were overstated by \$65,650,000 for unaccounted project costs" (Draft Audit Report at 12). This statement is inaccurate. The program's October 2001 executive presentation included the one-time benefits projection chart that is shown below and in fact appears on p. 12 of the Draft Audit Report. The chart clearly deducts estimated program costs from estimated one-time benefits to project a "Net Benefit" of \$91.78 million.

	2002	2003	2004	2005	2006	Total
Costs	\$15,630,000	\$20,330,000	\$13,160,000	\$9,100,000	\$7,430,000	\$65,650,000
Benefits	0	\$790,000	\$32,180,000	\$60,610,000	\$63,850,000	\$157,430,000
Net Benefit	(\$15,630,000)	(\$19,540,000)	\$19,020,000	\$51,510,000	\$56,420,000	\$91,780,000

Finally, with regard to ASMP program planning, OCTO disagrees in part with the Draft Audit Report's conclusion (quoted above) that "stakeholders were not effectively partnered into the planning and execution of the ASMP program." The citywide Steering Committee governance structure established at the outset of the program was specifically designed to create and maintain an ongoing partnership between OCTO and the stakeholder agencies. We believe this structure worked effectively to maintain the OCTO-stakeholder partnership at least long enough to ensure the

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successful PASS system implementation in November 2003. However, we agree with the Draft Audit Report's conclusion that "proper oversight from top officials" and "periodic reviews and analyses of program costs and benefits" (Draft Audit Report at ii) were lacking in the later years of the program, in part due to high turnover in the directors of the stakeholder agencies (two directors in 4 years at OCP and two directors in 4 years at DCOP).

Draft Audit Report Recommendations—OCTO Implementation

The Draft Audit Report makes a total of 6 recommendations, 5 directed to OCTO alone and one directed to OCTO and the Office of Contracting and Procurement (OCP). OCTO agrees that these recommendations should be implemented, and we are beginning to do so. The recommendations and our implementation steps are described below.

OCTO-Only Recommendations

- 1. Develop, design, and maintain a system of controls to adequately measure and monitor future automated systems, and improve management oversight to include periodic reviews and updated changes to projects that reflect revisions to anticipated program outcomes.**

OCTO has established a Project Management Office (PMO) to develop, design and maintain the necessary business processes to accurately measure and monitor all OCTO projects, following the best practices defined by the national Project Management Institute (PMI). PMO governance, process, procedures and business rules for Phase 1 of the PMO rollout have been implemented. Monthly reports of project performance against stated milestones and deliverables are now being submitted and tracked.

- 2. Develop a comprehensive monitoring system to track and record the progression of module implementation**

PMO rules now require that all OCTO projects must submit a Project Plan that details requirements, baseline resources, schedule and equipment needs. This project plan is the baseline against which actual project performance is measured. Deviation from the plan will be analyzed, documented, and reported by the PMO to OCTO management.

- 3. Coordinate projected annual project costs, recurring benefits, and planning assumptions with agency heads and other stakeholders prior to releasing information relating to an anticipated benefit and cost savings value.**

ASMP has formed a bi-weekly Steering Committee which reviews all costs, benefits, and planning assumptions with executive stakeholders before releasing information. These sessions are well attended and include status reports by module that show time, cost, risk, and scope decisions.

- 4. Develop and implement internal controls to track and record all funds allocated for each major module of the ASMP, particularly funding provided by agencies toward implementation of the ASMP.**

The Financial Tracking System (FTS) has been implemented to permit detailed tracking of purchases against authorized project spend plans, which are established through the PMO processes described

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above. The spend plans specify the funding source as well as the anticipated amounts and types of purchases. FTS can sum all purchase orders for a project to determine how much money has been committed, and also shows all invoices against each PO with their payment status. Data can be retrieved and sorted by funding source(s), date(s), vendor(s), and other specific criteria and can be reconciled against projected expenditures. The actual expenses (payments) are available in SOAR, based on the purchase orders. By using both FTS and SOAR in combination with the PMO planning information, we can track commitments and expenses against plan. Since any Agency MOU provided for the purpose of funding ASMP is established with its own account number (funding source), we can use this system to track how that money is being used in detail.

- 5. Develop a comprehensive oversight program, to include policies and procedures of monitoring contractor's performance, to ensure that implementation problems can be detected prior to any failed attempt and that certain milestones are measured and achieved in a timely manner.**

As part of the PMO's comprehensive program to track project performance against baseline project plans, the PMO is slated to implement a common portfolio management tool to track resource performance, schedule, cost, variance, and deliverables in near real-time. Using this tool will provide OCTO management with a common view across projects, will leverage best practices in program management, and will greatly improve our ability to spot problems early. In addition, the PMO has instituted review of all Statements of Work at the time of project initiation, and is working to assist OCP in ensuring that they are appropriately specific with respect to contractor tasks and deliverables, milestones and deadlines, and project quality assurance requirements.

OCTO-OCP Recommendation

- 1. Establish, for approval by the Office of the City Administrator, a coordinated framework and acquisition planning tool for fulfilling the District's needs for future automated systems, utilizing an acquisition model based on a milestone decision process tailored to acquire those systems at best value, while achieving fair and reasonable prices and maximum competition.**

OCTO proposes to collaborate with OCP to implement this recommendation as soon as a permanent Chief Procurement Officer and a permanent Chief Technology Officer are named.