Department of Energy
Washington, DC 20585

January 11, 2005

MEMORANDUM FOR THE CHAIRPERSONS, I-MANAGE EXECUTIVE
STEERING COMMITTEE

William S. Maharay

FROM:
William S. Maharay
Deputy Inspector General
for Audit Services
Office of Inspector General

SUBJECT:
INFORMATION: Audit Report on the "I-MANAGE STARS
Implementation," Audit Report No.: OAS-L-05-02

The purpose of this report is to provide you with the results of our audit of the Department of Energy's (Department) implementation of the Integrated Management Navigation System (I-MANAGE) program's Standard Accounting and Reporting System (STARS). The report follows up on the challenges to successful implementation of STARS we highlighted in our interim report on "The Department's Implementation of I-MANAGE STARS" (Audit Report No. OAS-L-04-19, August 2004). The audit methodology is described in an attachment to this report.

INTRODUCTION AND OBJECTIVE

STARS will replace the Department's legacy core financial systems. It will be the backbone of the Department's I-MANAGE initiative to provide a corporate-level system to achieve the President's Management Agenda for improved financial performance, expanded electronic Government, and budget and performance integration. In our August 2004 report, we identified a number of challenges to the successful implementation of STARS during the then scheduled October 2004 deployment and made a number of suggestions to resolve those challenges. Subsequently, the I-MANAGE Executive Steering Committee delayed STARS implementation until April 2005.

The Department's planned mid-year implementation of STARS poses special challenges that could impact successful deployment of the system. In particular: (1) two separate accounting systems must be used to produce the consolidated financial statements; (2) accelerated reporting schedules imposed by the Office of Management and Budget provide only limited time to correct implementation problems; and, (3) the burden of auditing two separate systems of controls will severely stress both accounting and audit resources. Given these challenges, the purpose of this report is to highlight areas that, in our judgment, should be considered by the Executive Steering Committee as it evaluates future steps and related schedules. Our overall review of STARS will be completed as part of our audit of the Fiscal Year 2005 Consolidated Financial Statement Audit.

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CONCLUSION AND OBSERVATIONS

While the Department has made progress resolving challenges to STARS implementation since our interim report, our review disclosed several issues that may impact the successful completion of the system. According to the STARS Project Team, recent test results have shown that contractors can successfully upload data and most user acceptance issues have been resolved. However, issues regarding testing, controls, and training need to be resolved to help ensure a successful conversion to STARS by April 2005.

STARS Successes

The project team has had several recent successes important to the mid-year deployment of STARS. For example, according to the STARS Project Manager, the most recent conversion of data files submitted by the 27 integrated contractors using the STARS Integrated Contractor Interface were properly formatted and balanced. In addition, an outside consultant completed an independent validation and verification (IV&V) of the STARS implementation plan. The IV&V provided the project team with recommendations to further improve the overall implementation strategy. In response to the IV&V, the STARS Project Team has been divided into two teams: one team will focus on completing critical testing activities while the other team will concentrate on deployment activities.

Continued Challenges

Although improvements have been made, significant challenges remain that increase the risk that the Department may not be able to successfully deploy a fully capable system on schedule. Specifically, we noted that:

- End-to-end integration testing to verify that data can be accurately passed between components has not been conducted. While user acceptance testing and verification testing within defined units has shown marked progress, the project team has not conducted significant integrated testing to verify that data can be accurately passed between components, particularly external elements. This testing was originally consolidated with user acceptance testing to accommodate a compressed implementation schedule. Project officials noted that more emphasis will be placed on integrated testing as the project moves forward.

- The project team has not identified the separate activities that external organizational components need to undertake for a successful implementation. While these activities have been compiled for the Department's internal STARS components, the details of system and non-system activities, timelines, and responsibilities for completion required at the contractor level have not been defined. Project officials stated that they planned to give more attention to the integrated contractors' internal schedules for the STARS deployment.

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- The STARS project lacks a consolidated baseline security configuration specifying detailed security policy settings, and does not have a process to monitor and track security patches. Responsibility for application security controls for STARS has been divided among the various project teams. Project officials stated that they have recently appointed an individual to oversee application security for the entire STARS project.

- Users to be trained for STARS have not been fully identified. Although the training curriculum and tutorials have been developed, the training schedule has been pushed back due to the delayed implementation and training rosters have not been reviewed or revalidated.

Successful implementation of STARS is vital to the Department's ability to provide timely and accurate financial reports. In the recent past, problems with planning, testing, and training prevented the Western Area Power Administration from generating timely and accurate financial reports throughout 1999 and for most of 2000. In addition, the mid-year implementation will put significant strain on the Department's financial and accounting services organization as it attempts to transition to STARS.

SUGGESTED ACTIONS

In light of the above observations and concerns, the I-MANAGE Executive Steering Committee should ensure the following actions are promptly undertaken:

- Develop and conduct well defined, end-to-end integration testing to ensure that data can be accurately passed between components, including external entities;

- Identify the separate activities that external organizational components need to undertake for a successful implementation, including both system and non-system activities, and provide timelines and responsibility for completion;

- Develop a comprehensive security baseline configuration and establish a process for continuous monitoring and tracking of security patches; and,

- Review and revalidate training rosters to ensure that all users to be trained for STARS have been identified.

We informed project management of our observations on December 17, 2004.

Attachment

cc: Director, Office of Management Analysis. ME-2.5
      Director, Office of Corporate Financial Systems. ME-13
      Team Leader, Audit Liaison, ME-100

SCOPE AND METHODOLOGY

The audit of the I-MANAGE STARS was initiated in May 2004 and is currently ongoing at the Department of Energy Office of Management, Budget and Evaluation at Headquarters and several field locations. To accomplish the audit objective, we:

- Held discussions with program managers and project officials at Headquarters and obtained documentation to gain an understanding of project management roles and responsibilities, and learn the history, status, and any problems associated with the project;

- Held discussions with officials at the Oak Ridge Operations Office, Oak Ridge National Laboratory, Y-12 National Security Complex, Sandia National Laboratory, and Lawrence Livermore National Laboratory to gain an understanding of their roles and responsibilities and their progress in preparation for system implementation; and,

- Obtained and reviewed project documentation at Headquarters and the Oak Ridge Reservation.

The audit is being performed in accordance with generally accepted Government auditing standards for performance audits and includes tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Accordingly, we evaluated the Department's implementation of the *Government Performance and Results Act* and determined that performance measures were established for the STARS system development project. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed `at the time of our audit. We did not rely on computer-processed data to accomplish our audit objective. An interim briefing was held with project officials on December 17, 2004.

Department of Energy

Memorandum

DATE: FEB 2 3 2005

REPLY TO
ATTN OF: IG-34 (A04TG043)

SUBJECT: Final Report Package for the Audit on the "I-MANAGE STARS Implementation,"
Audit Report Number: OAS-L-05-02

TO: George W. Collard, Assistant Inspector General for Audit Operations

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: <u>141</u>

   Actual Elapsed days: <u>152</u>

2. Names of OIG and/or contractor audit staff:

Assistant Director:	Kevin Majane
Team Leader:	Dan Weeber
Auditor-in-Charge:	John Yi
Audit Staff:	Erin Cole
	Anthony Montoya
	Oliver Wong

3. Coordination with Investigations and Inspections:

   Investigations: Tyler Smith (01/10/05)
   Reggie France and Randall Kizer (01/10/05 & 01/13/05)

   Inspections: Fatima Pashaei (01/10/05 & 01/13/05)

   Rickey R. Hass, Director
   Science, Energy, Technology,
   and Financial Audits Division
   Office of Audit Services
   Office of Inspector General

Attachments:
1. Final Report
2. Monetary Impact Report
3. Audit Project Summary Report
4. Audit Database Information Sheet

MONETARY IMPACT OF REPORT NO.: <u>OAS-L-05-02</u>

1. Title of Audit: <u>Audit Report on the "I-MANAGE STARS Implementation"</u>

2. Division: <u>Science, Energy, Technology, and Financial Audits Division</u>

3. Project No.:   <u>A04TG043</u>

   1. Type of Audit:

Financial: _____	Performance: ___X___
Financial Statement _____	Economy and Efficiency ___X___
Financial Related _____	Program Results _____
Other (specify type): _____	

5.

	FINDING	COST AVOIDANCE		QUESTIONED COSTS				MGT. POSITION	POTENTIAL BUDGET IMPACT
(A)	(B) Title	(C) One Time	(D) Recurring Amount PerYear	(E) Questioned	(F) Unsupported	(G) Unresolved	(H) Total (E)+(F)+(G)	(I) C=Concur N=Noncon U=Undec	(J) Y=Yes N=No
	Opportunities for Improvement			Unknown					
TOTALS--ALL FINDINGS									

6. Remarks: As of the final report, we were unable to identify a specific one time monetary impact attributable to making improvements in the Department's management of the development and transition of STARS.

7. Contractor: _____	10. Approvals:
8. Contract No.: _____	Division Director/Date: _~~_ 2/23/05
9. Task Order No.: _____	Technical Advisor & Date _____

Audit#: A04TG043   **Ofc:** ATA   **Title:** I-MANAGE STARS

**** Milestones ****

	Planned	End of Survey	Revised	Actual
Entrance Conference:.....	12-AUG-04		12-AUG-04	12-AUG-04
Survey:................				
Draft Report:...........	17-DEC-04		14-JAN-05	11-JAN-05
Completed (With Report):.	30-SEP-04		28-JAN-05	11-JAN-05 (R)
-----------Elapsed Days:	49		169	152

Elap. Less Susp:

Date Suspended: Date Terminated:

Date Reactivated: Date Cancelled:

DaysSuspended(Cur/Tot):   (   ) Report Number: OAS-L-05-02

Rpt Title: Report Type: LTR LETTER REPORT

INFORMATION: AUDIT REPORT ON THE "I-MANAGE STARS IMPLEMENTATION"

**** Audit Codes and Personnel ****

Class: PER   PERFORMANCE

Function: 003   ADP/INFORMATION

MgtChall: 020   MANAGEMENT

Site: MRA   INFORMATION TECHNOLO   AD: 530   MAJANE

SecMiss: CMT   MULTI-REGION AUDIT   AIC: 796   YI

PresInit: IFP   CORPORATE MANAGEMENT   Team Ldr: 713   WEEBER

                IMPROVED FINANCIAL P   Tech Adv: 544   ACTON

**** Task Information ****

    Task No:

    Task Order Dt: CO Tech. Rep: , .

    Orig Auth Hrs: Orig Auth Costs:

    Current Auth: Current Auth Cost:

    Tot Actl IPR Hr: Tot Actl Cost:

**** Time Charges ****

Emp/Cont Name	Numdays	Last Date
REINES, C	0.8	21-AUG-04
WISNIEWSKI, T	1.5	22-JAN-05
WONG, O	2.1	08-JAN-05
MONTOYA, A	4.5	08-JAN-05
COLE, E	9.4	08-JAN-05
WEEBER, D	17.1	08-JAN-05
MOYNIHAN, J	17.4	02-OCT-04
YI, J	87.9	19-FEB-05

**** Time Charges ****

Emp/Cont Name	Numdays	Last Date
Total:	140.7	

AUDIT DATABASE INFORMATION SHEET

1. Project No.: A04TG043

2. Title of Audit: Audit Report on the "I-MANAGE STARS Implementation"

3. Report No./Date: OAS-L-05-02, January 11, 2005

4. Management Challenge Area: Information Technology

5. Presidential Mgmt Initiative: Expanded Electronic Government
   Budget and Performance Integration

6. Secretary Priority/Initiative: Information Technology Management
   Project Management

7. Program Code: ME

8. Location/Sites: OMBE Headquarters in Germantown, MD; Oak Ridge Operations Office; Oak Ridge National Laboratory; Y-12 National Security Complex; Sandia National Laboratory; Lawrence Livermore National Laboratory

9. Finding Summary:

This audit report contains our observations on the implementation of the STARS financial system. Although improvements have been made, significant challenges remain that increase the risk that the Department may not be able to successfully deploy a fully capable system on schedule. Specifically, we noted that:

- End-to-end integration testing to verify that data can be accurately passed between components has not been conducted;
- The project team has not identified the separate activities that external organizational components need to undertake for a successful implementation;
- The STARS project lacks a consolidated baseline security configuration specifying detailed security policy settings, and does not have a process to monitor and track security patches; and,
- Users to be trained for STARS have not been fully identified.

In light of these observations and concerns, we identified several suggested actions that the I MANAGE Executive Steering Committee should ensure are promptly undertaken.

10. Keywords: I-MANAGE, STARS, Financial System, System Development