



SUSTAINABILITY OF THE COLORADO FINANCIAL REPORTING SYSTEM (COFRS)

Information Technology Evaluation, June 2011 Report Highlights



Dianne E. Ray, CPA
Acting State Auditor

Governor's Office of Information Technology (OIT)
Department of Personnel & Administration

PURPOSE

Assess the short- and long-term sustainability of COFRS, evaluate whether COFRS supports the State's 21st century business needs, and identify lessons Colorado can learn from other governments that have undertaken financial management system modernization projects.

BACKGROUND

- COFRS provides overall accounting and financial management for the State and is the accounting system of final record.
- In Fiscal Year 2010, COFRS processed about \$36 billion in state expenditures and \$34 billion in state revenues. Each month, COFRS processed an average of 1.65 million General Ledger records and 300,000 financial documents.
- About 2,000 state employees use COFRS.
- COFRS was implemented in 1991 for a total cost of \$17 million–\$19 million.
- Annually, it costs the Department approximately \$1.8 million to maintain COFRS, which includes the Financial Data Warehouse and Document Direct decision support systems.

OUR RECOMMENDATIONS

OIT and the Department should:

- Establish a succession plan to ensure that the State employs adequate staff with sufficient technical knowledge to maintain COFRS.
- Limit the number of code changes made to COFRS.
- Work with state financial managers and the General Assembly to develop and execute a viable plan for modernizing COFRS.

The agencies agreed with these recommendations.

EVALUATION CONCERN

COFRS is at significant risk of partial or complete failure and can no longer be supported by outside vendors or maintained by existing resources within the State.

KEY FACTS AND FINDINGS

- The likelihood of a partial or complete failure of COFRS is increasing, and a failure of COFRS would have significant financial, operational, and political ramifications. State agencies' ability to perform various governmental activities would be limited or unavailable.
- The State has not entered into a maintenance contract with the original vendor for the past 12 years. As such, state staff are solely responsible for maintaining the COFRS source code, including resolving any errors or bugs.
- By 2014, the State's staff with knowledge to support COFRS will all be retired, exponentially increasing the risk of an unrecoverable system failure.
- COFRS is based on obsolete technology, including 1.7 million lines of complex programming code, the majority of which was written more than 20 years ago. Since implementation, this code has been highly customized to support the State's organizational structure, business processes, and interdependent subsidiary systems.
- COFRS does not support the State's 21st century business needs, such as the ability to gather and process adequate data to provide citizens with transparent information. The system also cannot produce real-time information for decision makers.
- COFRS has reached the last stage of the software development lifecycle and is increasingly becoming more expensive and difficult to sustain. Modernizing COFRS should be a strategic priority for state government.
- If the decision is made to modernize the State's financial management system, Colorado should consider lessons learned from modernization projects undertaken by other government entities.