



Office of the State Auditor

Dianne E. Ray, CPA
State Auditor

MEMORANDUM

Date: March 29, 2012
To: Members of the Legislative Audit Committee
From:  Dianne E. Ray, CPA, State Auditor
Re: Status Report

Attached is a status report from the Governor's Office of Information Technology and the Department of Personnel & Administration on the Evaluation of the Sustainability of the Colorado Financial Reporting System, Information Technology audit heard by the Committee in July 2011.



We Set the Standard for Good Government

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Evaluation of the Sustainability of the Colorado Financial Reporting System

AUDIT NUMBER: 2152

DEPARTMENT/AGENCY/ENTITY: Governor’s Office of Information Technology

DATE: February 22, 2012

SUMMARY INFORMATION

Please complete the table below with summary information for all audit recommendations. **For multi-part recommendations, list each part of the recommendation SEPARATELY.** (For example, if Recommendation 1 has three parts, list each part separately in the table.)

Recommendation Number <i>(e.g., 1a, 1b, 2, etc.)</i>	Agency’s Response <i>(i.e., agree, partially agree, disagree)</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable)</i> Please refer to the attached sheet for definitions of each implementation status option.	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
1	Agree	June 1, 2011	a) Implemented and Ongoing b) Implemented and Ongoing	
2	Agree	November 1, 2011	Partially Implemented	

DETAIL OF IMPLEMENTATION STATUS

Recommendation #: 1

Agency Addressed: Department of Personnel and Administration

Recommendation Text in Audit Report:

The Governor's Office of Information Technology (OIT) should work to mitigate the immediate risks threatening the short-term sustainability of the Colorado Financial Reporting System (COFRS) by:

- a) Immediately establishing a succession plan to ensure that the State continues to employ adequate staff with sufficient technical knowledge to maintain COFRS by either identifying and training resources from within OIT or actively pursuing candidates from outside the State, or both. OIT should also increase the level of knowledge transfer occurring between retiring and existing or replacement OIT staff and ensuring that system documentation, including critical functionalities and control points within the source code, is current and regularly updated.
- b) Working in cooperation with the Office of the State Controller to continue to limit the number of code changes made to COFRS to only those required by federal, state, or accounting industry requirements.

Agency's Response: a) Agree. b) Agree.

Agency's Written Response in Audit Report:

- a. Agree. Implementation date: Implemented June 1, 2011. The Governor's Office of Information Technology (OIT) realizes the critical nature of having adequate and knowledgeable staff available to support COFRS. OIT has created a succession and support plan for COFRS, including the filling of vacant positions. As indicated by the auditors, OIT has had limited success in recruiting staff to provide COFRS technical support and, therefore; will work with the Department of Personnel & Administration on alternative recruitment strategies and a potential plan to bring in some vendor support to augment staffing gaps. As new staff are hired, knowledge transfer with existing COFRS staff and adequate system documentation will be top priority.
- b. Agree. Implementation date: Implemented June 1, 2011. OIT will continue to work with the State Controller's Office in limiting the number of code changes to only those required by federal, state, or accounting industry mandates.

Agency's Current Comments on Implementation Status of Recommendation:

Implemented and Ongoing

- a) The Governor's Office of Information Technology (OIT), with help from the State Controller's Office, was able to select and hire a well qualified candidate for the vacant position supporting COFRS. However, this candidate left shortly for employment in the private sector. OIT realizes the critical state of the staff available to support COFRS. OIT is currently working to replace that individual and is reviewing a vendor support proposal to augment staffing gaps. OIT will have a more concrete plan by April 1, 2012.

- a) OIT is working with State Controller's Office to limit the number of code changes to only those that are critical. OIT is fully aware of the staff limitations. However, in certain cases such as new subsidiary systems to COFRS, new interfaces have to be implemented.

Recommendation #: 2

Agency Addressed: Governor's Office of Information Technology

Recommendation Text in Audit Report:

The Department of Personnel & Administration (the Department) should immediately begin working with the Governor's Office of Information Technology (OIT), state financial managers, and the General Assembly to develop and execute a viable plan for modernizing the Colorado Financial Reporting System (COFRS). The plan should incorporate the lessons learned from other states' financial system modernization projects, as discussed in the following section of the report.

Agency's Response: Agree

Agency's Written Response in Audit Report:

The Governor's Office of Information Technology will work with the Department of Personnel & Administration to develop a phased modernization approach to present to the General Assembly during the next budget cycle

Agency's Current Comments on Implementation Status of Recommendation:

Partially Implemented:

The Governor's Office of Information Technology (OIT) and the Department of Personnel & Administration (DPA) worked collaboratively on modernization cost estimates and a capital budget request was submitted to the Legislature for consideration. In addition, a Request for Information (RFI) was published to obtain additional information related to possible modernization scenarios for the State's financial accounting system. The responses to the RFI will be received and compiled by April 2012.

If the budget request is funded, OIT & DPA will then work with all of the State's stakeholders to execute a modernization plan for the State financial accounting system.

State of Colorado



John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

Jennifer Okes
Deputy Executive Director

DPA

Department of Personnel
& Administration

Executive Office
633 17th Street, Suite 1600
Denver, Colorado 80202
(303) 866-3000
Fax (303) 866-2102
www.colorado.gov/dpa

March 16, 2012

Jonathan C. Trull
Deputy State Auditor
Office of the State Auditor
200 East 14th Avenue
Denver, CO 80203

Dear Mr. Trull:

Attached you will find the Department's updated status report for the recommendations within the Evaluation of the Sustainability of the Colorado Financial Reporting System. One of the Department's top four goals is to modernize systems that are outdated, ineffective, or on the verge of failure. While the Department concluded that a number of the systems under its purview fall into this category, the highest priority system is the Colorado Financial Reporting System, COFRS. As such, the Department is working closely with the Governor's Office of Information Technology on ongoing support for COFRS as well as planning for the COFRS modernization effort as recommended by the Auditor's recommendations.

We were extremely pleased by the Joint Budget Committee's recent approval of the COFRS Modernization funding request. We look forward to meeting with the Legislative Audit Committee to answer any outstanding questions related to our efforts on this critically important subject.

Sincerely,

Jennifer Okes
Deputy Executive Director

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Evaluation of the Sustainability of the Colorado Financial Reporting System

AUDIT NUMBER: 2152

DEPARTMENT/AGENCY/ENTITY: Department of Personnel and Administration

DATE: February 22, 2012

SUMMARY INFORMATION

Please complete the table below with summary information for all audit recommendations. **For multi-part recommendations, list each part of the recommendation SEPARATELY.** (For example, if Recommendation 1 has three parts, list each part separately in the table.)

Recommendation Number <i>(e.g., 1a, 1b, 2, etc.)</i>	Agency's Response <i>(i.e., agree, partially agree, disagree)</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable)</i> Please refer to the attached sheet for definitions of each implementation status option.	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
1	a. Agree b. Agree	a. June 1, 2011 b. Implemented	a. Implemented and Ongoing b. Implemented and Ongoing	
2	Agree	November 1, 2011	Implemented and Ongoing	

DETAIL OF IMPLEMENTATION STATUS

Recommendation #: 1

Agency Addressed: Department of Personnel and Administration

Recommendation Text in Audit Report:

The Governor's Office of Information Technology (OIT) should work to mitigate the immediate risks threatening the short-term sustainability of the Colorado Financial Reporting System (COFRS) by:

- a) Immediately establishing a succession plan to ensure that the State continues to employ adequate staff with sufficient technical knowledge to maintain COFRS by either identifying and training resources from within OIT or actively pursuing candidates from outside the State, or both. OIT should also increase the level of knowledge transfer occurring between retiring and existing or replacement OIT staff and ensuring that system documentation, including critical functionalities and control points within the source code, is current and regularly updated.
- b) Working in cooperation with the Office of the State Controller to continue to limit the number of code changes made to COFRS to only those required by federal, state, or accounting industry requirements.

Agency's Response: a) Agree. b) Agree.

Agency's Written Response in Audit Report:

- a) Agree. Implementation date: Implemented June 1, 2011. The Department of Personnel & Administration agrees that knowledge transfer to technically competent staff identified internally or externally is an important risk mitigation strategy, and DPA will assist the Governor's Office of Information Technology in the search for and vetting of competent candidates. While DPA recognizes the importance of adequate internal resources to manage the COFRS system, we are concerned that relying solely on internal resources will leave the State at risk of inordinate dependence on key individuals. As a result, we believe the State should also enter an external contract with a vendor that is highly motivated to assist the State in mitigating the risk of COFRS failure. Such a vendor would provide a deeper pool of resources for the State and bring the experience of supporting multiple legacy systems. DPA also agrees that documentation of the system should be of the highest quality, but is not able to assist OIT in this area.
- b) Agree. Implementation date: Implemented. The Office of the State Controller agrees that it is important to minimize changes to COFRS in order to mitigate the risk of COFRS failure. As implied in the Auditor's recommendation, many of the changes that occur are the result of federal mandates or State legislative changes and must be implemented. In addition, there are many requests from

State agencies to approve subsidiary systems and the related interfaces to COFRS. While the State Controller discourages State agencies from making such requests, we are often faced with causing a business process failure at a State agency when we deny those requests. It is very difficult to convince State agencies to wait on improving their processes through such subsidiary systems when the State has not committed to a timeline for providing comparable service through an enterprise wide system. The State Controller will continue to discourage additional subsidiary systems and interfaces and will limit any nonessential COFRS changes or interfaces.

Agency's Current Comments on Implementation Status of Recommendation:

- a) The State Controller participated with the Office of Information Technology in the interview process to identify and select a technically competent business analyst to interface with State agencies, the Office of the State Controller and the system programmers in the Office of Information Technology. A well-qualified candidate was selected and hired; however, as is often the case with highly qualified information technology staff, this individual subsequently opted to take employment in the private sector. The Office of Information Technology is currently working to replace that individual and is considering whether there is immediate need for external resources.
- b) State agencies continue to request interfaces for new subsidiary systems to COFRS. The State Controller continues to discourage such requests in consideration of the further decline in available COFRS business analysts and programming resources in the Office of Information Technology. However, in some cases these interfaces are necessary.

Recommendation #: 2

Agency Addressed: Department of Personnel and Administration

Recommendation Text in Audit Report:

The Department of Personnel & Administration (the Department) should immediately begin working with the Governor's Office of information Technology (OIT), state financial managers, and the General Assembly to develop and execute a viable plan for modernizing the Colorado Financial Reporting System (COFRS). The plan should incorporate the lessons learned from other states' financial system modernization projects, as discussed in the following section of the report.

Agency's Response: Agree

Agency's Written Response in Audit Report:

As early as 1999 when the Office of Information Technology was a division in the Department of Personnel & Administration, the Executive Branch began efforts to modernize COFRS with the first study done on the subject. The Department believes that the risk of COFRS failure documented by the Auditor's Evaluation along with the studies already performed by the Department and the consensus already built around modernization are an important start to developing the recommended plan. However, funding is now and will be for the foreseeable future the key factor and central challenge to executing a viable COFRS modernization plan. The Department and the Office of Information Technology are in a unique position to recognize that all other services provided by State government are inextricably dependent on the functioning of the State's accounting system – none of them can be delivered without COFRS. Therefore, the Department will begin anew its efforts to obtain funding for modernization of COFRS in cooperation with the Office of Information Technology.

Agency's Current Comments on Implementation Status of Recommendation:

The Department of Personnel & Administration (the Department) and the State Controller have cooperated with the Governor's Office of information Technology (OIT) in their preparation and submission of a capital construction budget request to begin the process of modernizing the State's financial accounting system, COFRS. In addition, the Department and the State Controller cooperated with OIT in a recently released Request for Information to aid in determining possible solutions for modernizing the State's financial system. If the General Assembly approves the funding request, the Department and the State Controller will work with OIT to modernize the State's financial system.