



Johnson County Auditor
Johnson County, Kansas
PERFORMANCE AUDIT

April 21, 2005

**Management of the County's
Automated Financial
and
Human Resources System**

*"Managers of the County's financial and human resources system
could be better prepared to effect change and improve system
operations."*



Johnson County Audit Services

April 21, 2005

To: The Johnson County Board of County Commissioners
County Manager

The County Auditor audited the County's management of the automated financial and human resources system referred to as ASPIRE. The objectives of the audit were to evaluate the status of system implementation, need for auxiliary systems, and level of user satisfaction.

Management effectively implemented the financial and human resources portions of ASPIRE and did not have any major or catastrophic failures in key systems (payroll, hiring etc.). This is a major achievement considering the short timeframe for implementation and the complexity of the system acquired.

Considerable work remains to be done to obtain the full value invested in ASPIRE and increase employee satisfaction.

- The management structure for ASPIRE needs to be reorganized to eliminate confusion over expectations, responsibilities and authorities. The committee approach used to oversee the ASPIRE manager should be reevaluated because it is not effective. (*See page 2*)
- User needs have not been identified in all departments. As a result, ASPIRE management (Aspire team manager, Sponsors Committee, and Executive Committee) is not able to ensure work projects represent the highest priority projects. The lack of user needs assessments resulted in some users continuing to use auxiliary systems, establishing auxiliary systems or procedures that may not be necessary, duplicating work, and circumventing some internal controls. (*See page 5*)
- ASPIRE management has not prepared a viable strategic plan that would lead them to successful identification of needs and priorities to guide ASPIRE development. Initially, the strategic plan would have to focus on the needs assessments. Once the assessments are accomplished, a strategic plan for prioritizing and accomplishing tasks to satisfy the needs would be needed. (*See page 10*)

Recommendation: The report makes recommendations to the County Manager to (i) reorganize the ASPIRE management structure and establish clear lines of authority and responsibility, (ii) establish a system for assessing needs of users, inventorying needs, prioritizing workload based on needs, (iii) continue to review business processes and auxiliary systems, and (iv) develop a strategic plan for progress.



Johnson County Audit Services

The audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except a Peer Review has not been performed, and included such tests of the procedures and records as considered appropriate.

I appreciate the cooperation received from department and agency officials, and the over 1,000 employees who responded to our survey.

A handwritten signature in cursive script that reads "William D. Miller".

William D. Miller, CIA, CGFM
County Auditor

The following auditors contributed to this report:

Senior Auditor: John Middleton, CPA
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**MANAGEMENT OF THE COUNTY'S AUTOMATED
FINANCIAL AND HUMAN RESOURCES SYSTEM**

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RESULTS AND RECOMMENDATIONS

The County Needs a Well-Developed Plan for Progress for the ASPIRE System

The ASPIRE¹ system has been effectively implemented for basic financial and human resources functions. However, the system's capabilities are underused. Although full operation and acceptance of a major change in business management systems evolve over time, managers of ASPIRE system operations could be better prepared to effect change and improve system operations. Our audit determined the following issues have not been adequately addressed:

- Clear definition of the ASPIRE management structure, and assignment of responsibilities and authorities to individuals within the management structure,
- Analysis of the needs and requirements of all ASPIRE users,
- Analysis of business processes and a strong commitment to making the changes in County operations needed to fully use the ASPIRE system,
- Strategic planning that defines goals, objectives, performance measures and desired outcomes to map the progress of the system, and
- Regular and objective evaluation of progress toward achieving results.

As a result, most ASPIRE users are not fully satisfied, and the County is not yet able to get full value from the investment in the ASPIRE system.

The County chose ASPIRE for their financial and human resources automated system

ASPIRE was implemented from January to December 2002 by a joint County/Oracle team. The implementation of the ASPIRE system was the culmination of several years effort by hundreds of County employees to identify the County's needs, search for the best solution, and to select a vendor who would satisfy those needs.

When the Oracle system was selected and approved by the Board of County Commissioners (BOCC), the County committed to modifying and improving business practices, where possible, to get the maximum benefit from the 'best practices' model designed into the Oracle product. That commitment is on-going.

The implementation team successfully completed the initial installation of the financial and human resources portions of ASPIRE on time and within budget. Included within the two main operational categories were 19 separate but interrelated functions such as General Ledger, Accounts Payable, Self Service Human Resources, Projects and Grants, Payroll, and iProcurement. The level of functionality achieved in the initial implementation varied by category but, in most cases, the functions were operationally complete.

Major functions
implemented on
time

¹ ASPIRE is the County's financial and human resources management system. It is an Oracle Public Sector Enterprise Resource Planning product.

For a period of time after the system was first used in late 2002, expected issues of tuning the system to the needs of Johnson County were noted and managed by the newly formed ASPIRE Customer Service Center (ACSC). While this process is on-going, most of the initial issues have been addressed. The County still needs to evaluate and assess full ASPIRE functionality and complete the transformation of the County's business practices.

The objectives of this audit were to examine the current status of ASPIRE and to look forward to determine what remains to be done to achieve the maximum benefit from the County's investment in the system.

How Audit Services did the audit

To accomplish the audit objectives, the auditors: invited employees to respond to an ASPIRE satisfaction survey, interviewed management, reviewed documentation and contracts for the ORACLE based ASPIRE system, and analyzed data and employee practices.

Survey invitations were sent to 3,290 County employees to participate in the ASPIRE User Satisfaction survey. We received 1,086 responses (33%) to the questionnaires of which 669 were ASPIRE users. The survey results were used to help us understand how County employees perceive the ASPIRE system. We used the comments and opinions developed in the survey as guides to further analysis. We appreciate the time and effort expended by all County employees who assisted by participating in the survey.

We discussed the audit results with County management, members of oversight committees and the manager of the ASPIRE system.

ASPIRE is underused and capable of providing better service to the County

Audit results showed the County needs better planning to maximize ASPIRE system use and to ensure the highest priority needs are determined and met. ASPIRE operations would be more effective if:

- Managers and management teams had a clear understanding of their roles, responsibilities, authorities, and accountabilities,
- Needs of all users were assessed, and
- A strategic plan defining objectives, goals, performance measures and expected outcomes was developed.

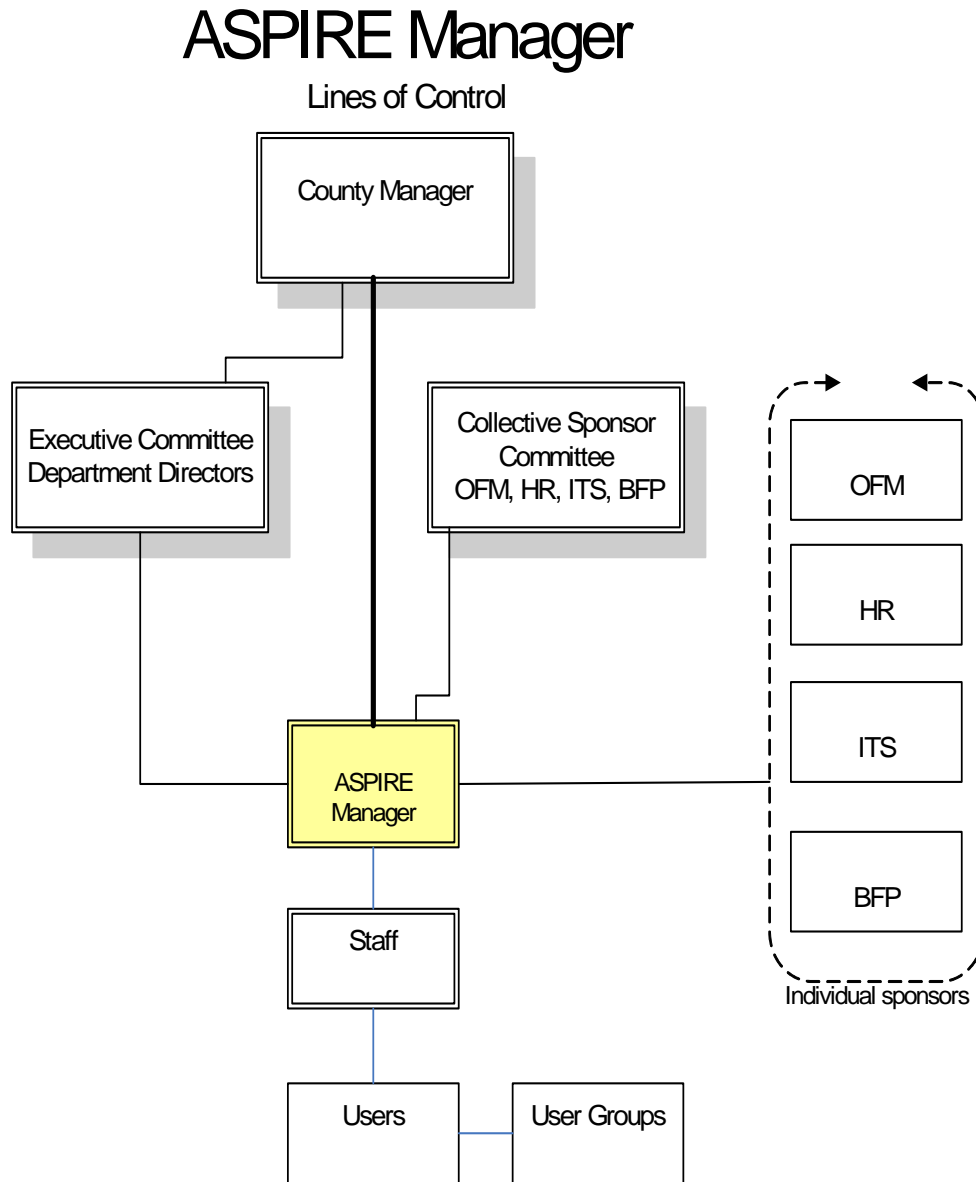
Changes are needed in the ASPIRE management structure

The County Manager hired a manager for the ASPIRE system and established two teams to coordinate with the ASPIRE manager. Audit results showed the responsibilities for this structure were not clearly defined or understood by the ASPIRE manager or members of the teams. The directors of the four main user organizations of ASPIRE –

Responsibilities
were not well
defined

finance (OFM), human resources (HR), budget (BFP) and information technology (ITS) – comprise the Sponsors Committee. According to the County Manager, the Sponsors Committee serves as a strong advisory council. The Executive Committee, comprised of the Sponsors Committee members and representatives from other county departments, was established to provide overall policy for ASPIRE implementation and to support the merits of ASPIRE to department staff. Figure 1 shows the lines of control and the difficult relationships resulting from this management structure.

Figure 1: Management Structure of the ASPIRE System



Although the ASPIRE manager reports directly to the County Manager, he is required to report to and receive instructions from six other sources. Depending on the subject matter,

the ASPIRE manager consults individually with the respective sponsor before presenting suggested workload to the same people in the Sponsors Committee. Then, the manager must coordinate with and receive approval from the Executive Committee, which also includes the same four individual sponsors. The individual sponsors and Sponsors Committee view their roles as providing guidance and oversight of the ASPIRE manager's activities. They do not represent themselves as direct supervisors of the ASPIRE manager. However, the ASPIRE manager views them as authoritative and on occasion the committees have directed his activities.

The expectations of the Sponsors Committee and the ASPIRE manager significantly differ as evidenced by attempts to plan ASPIRE work. The Sponsors Committee members expect the ASPIRE manager to present a strategic plan for identifying issues and recommending tasks to the Sponsors and Executive committees. The ASPIRE manager expects someone higher in the management hierarchy to develop the strategic plan for him to implement. The ASPIRE manager stated that he is willing to develop the strategic plan, but to do so he must at least be given the parameters to consider, e. g. the key issues and priorities. The Executive Committee is the final approval authority of the work plan which comes after discussion, debate, and instructions for the ASPIRE manager. Therefore, the multiple supervisors blur the lines of authority, control and accountability and affect the direction and guidance that flows down through the organization.

Conflicting expectations impact progress

The ASPIRE manager does not develop workload based on a long-term plan or formal assessment of County-wide user needs. The manager relies on input from department user groups and his own staff to identify tasks. The user groups help identify needs, but do not represent all user needs and, based on responses to our questionnaires; these groups are not well attended. Currently, the manager develops and submits a task list to the Sponsors Committee, and then the Executive Committee for review and approval. A task can be added or dropped at any point in the process. Since this process is not based on a long-term plan or an analysis of County-wide user needs, there is no assurance the highest priority needs are addressed. With the current management structure, it is not clear who would be responsible for identifying County-wide user needs.

The committee structure needs to be evaluated to determine if the committees are necessary. If they are necessary, their functions should be redefined to align more closely with identifying County-wide user needs and approving a long-term plan rather than overseeing the ASPIRE manager's activities. An alternative would be to assign a dedicated management resource with the appropriate decision-making authority to make the necessary changes to maximize ASPIRE use.

Managers need to identify and respond to the needs of ASPIRE users

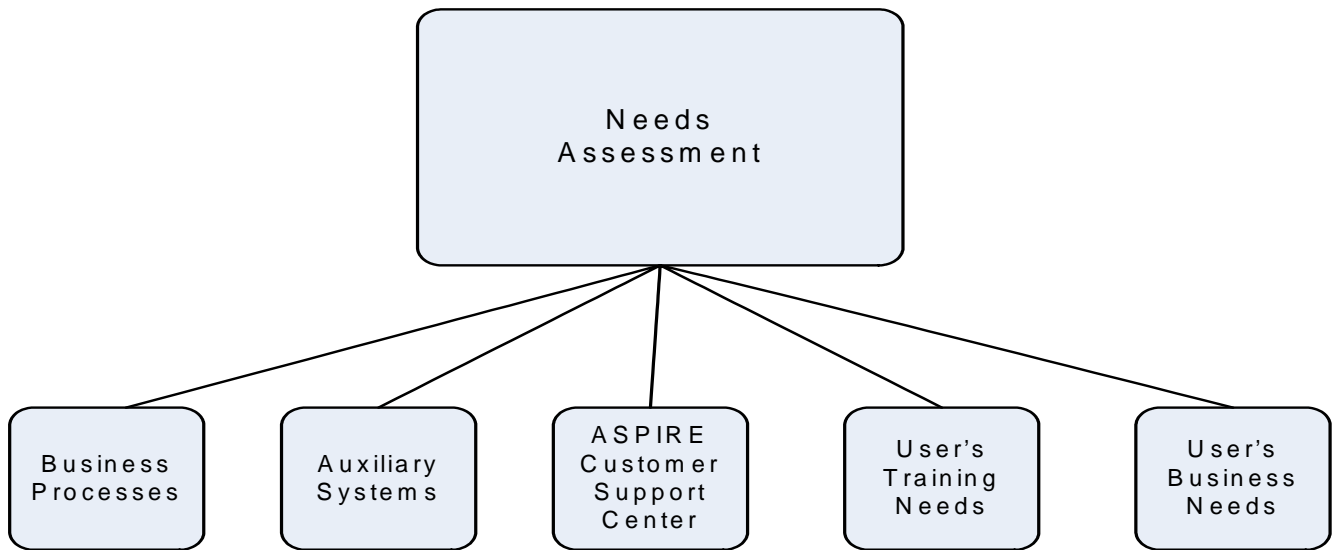
One of the audit objectives was to determine if users were satisfied with the ASPIRE system. Results from our survey questionnaire disclosed ASPIRE users identified four areas of greatest need for improvement:

- Management Reports
- OFM Business Processes and Practices
- Additional/Improved Training
- Ease of use of ASPIRE

Frequent² ASPIRE users generally do not believe ASPIRE has improved their productivity or reduced their workload. Survey results indicate 68 percent of frequent ASPIRE users believe ASPIRE has not improved their productivity, while 75 percent of frequent users have not noticed an improvement in their workload. The productivity issue could be linked to meeting user needs as determined through a thorough user needs assessment. However, the workload issue could be linked to the additional capabilities offered by ASPIRE and requested by users before ASPIRE was implemented.

The key elements for assessing user needs are input from users and objective evaluations of business processes and auxiliary systems.³ Figure 2 shows the areas where needs should be assessed to determine the path and priority of development of ASPIRE.

Figure 2: Elements of a Needs Assessment



² Frequent ASPIRE users are defined as those County employees who log on to and use ASPIRE multiple times a week.

³ An auxiliary system is any financial or human resource system which is not included with ASPIRE

Continuous review of business processes is needed

County management decided to continue some business processes "as is" instead of converting them to ASPIRE. Other business processes were converted to ASPIRE, but automated transaction processing was interrupted for manual reviews that caused delays and resulted in violations of established control policies and procedures. An example of interrupted transaction processing and its consequences follows:

The iProcurement function in ASPIRE is an automated capability for processing requisitions for purchases. Requisitions are created in ASPIRE and approved for compliance with budget and purchasing requirements by the department placing the order. ASPIRE can create a purchase order from the requisition and automatically forward it to the vendor or create a paper copy for mailing. Once products or services are delivered, a receiving transaction is created in ASPIRE by the ordering department. ASPIRE generates a payment to the vendor after the purchase order, receiving document, and invoice have been reconciled.

OFM established a procedure that requires the purchasing division staff to review and approve the requisitions and manually create every purchase order even though County policy states purchases under \$10,000 are the responsibility of the initiating department⁴. Purchasing staff estimated they spend a significant amount of time accomplishing this task. The purchasing division staff checks the requisition for accuracy of account codes, delivery addresses,⁵ and compliance with use of County-wide supplier contracts. All these functions are the responsibility of the ordering department and should be addressed at the ordering department level before the requisition is processed.

iProcurement users were not satisfied because they felt the manual review process was time consuming. Users blamed the ASPIRE system for delays in processing purchase orders. As a consequence, some departments circumvented the system and made direct orders to vendors, received the products, and sometimes consumed them, before entering the requisition and creating the purchase orders. Our limited review, specifically targeted at these types of purchase practices, disclosed 359 purchases from 9 vendors amounting to \$207,862 were potential violations of established control policies and procedures. As a result, the County is at risk of making unauthorized expenditures, exceeding budget limits, and is exposed to cash flow shortfalls

Some users respond to OFM's bottleneck

While we are using the iProcurement process as an example of the types of business processes that should be reviewed, we are concerned about the breakdown in internal controls resulting from the employee actions. Compliance with purchasing policies must be mandated for every department. Alternative internal control procedures should be

⁴ OFM Purchasing Administrative Policies – Authority to Purchase/Contract – 110.135 approved by the BOCC in Resolution 107-04.

⁵ Purchasing staff recognized the shipping address function was not working properly and additional system analysis is needed to address some programming issues in ASPIRE to enable fully changing the business process.

designed to ensure compliance while minimizing the impact on the process flow, e.g. the Finance department could spot-check transactions, identify errors and trends, and work with the departments to modify and improve the purchasing practices.

Manual intervention into the ASPIRE system personnel action processes, such as merit increases, new hires, and employee position changes, caused additional processing time. The ASPIRE system has the capability to automatically test for the criteria that are being manually reviewed. Personnel actions were slowed by HR department to allow for manual data entry and verification of compliance with County policies for matters such as the amount of pay increases. Most of the transactions reviewed by HR staff were correct and did not need to be modified. We have not determined whether all the manual intervention steps are warranted.

These examples demonstrate the type of review necessary to determine how best to use the ASPIRE functionality. The review should focus on how the County can change the business process to function within the ASPIRE system, rather than justify the current practice.

Auxiliary systems need scrutiny

The County has a large number of auxiliary systems in use. Based on the survey results, 29 percent of ASPIRE users operate and maintain an auxiliary system to conduct their work. According to the survey responses, there are 174 functions for which auxiliary systems are used. Auxiliary systems have been developed for a number of reasons:

- ASPIRE does not have, or the user does not know how to create or generate, appropriate reports. This often leads to spreadsheet-based solutions that may require duplicate entry of identical data and the resulting risk of errors.
- ASPIRE, as currently configured cannot resolve security and privacy needs for some documents (e.g. employee personal records), requiring departments to resort to auxiliary systems which are satisfying a need ASPIRE cannot yet fulfill.
- ASPIRE has the capability to perform a function but County staff have chosen not to use the function.
- ASPIRE, as currently configured, may cause some business process anomalies such as the inability to invoice for County services based on location or type of service.

The first focus for assessing an auxiliary system should be whether ASPIRE can perform the function. SYMPRO, the county's auxiliary investment management software program, is a case where the Treasury function of ASPIRE may perform the basic task. Immediately after implementation, County staff chose not use the ASPIRE Treasury function. They believed at the time that ASPIRE could not fulfill the basic requirements of the County's treasury needs. Currently, County staff are not sure whether the reporting and analysis capabilities needed for the County's treasury function can be performed by ASPIRE. However, we did not find any indication County staff had worked to resolve these issues.

To achieve change,
one must commit
to the need

The decision to use SYMPRO has resulted in annual SYMPRO license costs of \$3,250. The County paid \$39,992 for the ASPIRE Treasury function and annually pays \$8,798 for maintenance and upgrades to the ASPIRE Treasury function. The maintenance fees will amount to \$26,394 over the next 3 years. Additionally, since some of the data from SYMPRO has to be entered into the ASPIRE financial system, staff enter the same data into two systems resulting in a questionable use of their time and additional risk of errors.

An inventory and objective analysis of auxiliary systems are needed to determine if functions handled by the auxiliary systems can be accommodated by ASPIRE. The analysis should go beyond the parochial needs of a single user or department and include review of the impact on a county-wide basis. Based on the analysis, a plan to resolve the auxiliary system issue can be developed which should include:

- Implementing the function in ASPIRE,
- Extending ASPIRE functions to meet the identified needs,
- Reallocating the resources used for supporting the auxiliary system, and
- Dismantling the auxiliary system when appropriate.

Coupled with the plan and analysis there must be a commitment to make changes when appropriate.

Users need management and operational reports

ASPIRE management needs to determine the specific reporting needs of the users. This was the number one needed improvement identified by the users who responded to our survey. ASPIRE management needs to consult with the users who have the specific knowledge to address the report requirements in their respective County departments. User groups brought forward some reporting needs and the ASPIRE staff have included them in their workload. Examples of the most needed reports, or reporting issues, are the timely and accurate reporting for Grants and reports for vacation and leave balances.

Number one
complaint is lack
of reports

While a large number of reports are available (over 1,300), the users were not aware of the report availability, report content, and which reports, if any, might satisfy particular needs. The needs assessment should focus on developing reports that are relevant and useful as determined by the system users.

Some ASPIRE applications are not used

Certain portions of the ASPIRE system were purchased but not implemented or not fully implemented. Examples are the Treasury module (discussed above), Public Sector Budgeting, and Oracle Time and Labor (OTL), the time keeping system.

OTL was operational in December 2002. In addition, the County purchased a time clock system to support those agencies with specific requirements. After the start of operations, however, County management discovered the hardware environment was not robust enough

to support the heavy demands created by the number of users accessing the system to enter their time. To avoid stopping all work, the county stopped the use of OTL and required employees to submit timesheets to clerks in their departments who input the data into the Oracle Time Management application. Since 2002, the County's hardware environment has been enhanced. OTL needs to be reevaluated in light of system improvements to determine if it can be restored to full operation. This would relieve the clerks of their associated timekeeping tasks and eliminate duplication of timekeeping entries.

A training strategy linked to results of needs assessments would benefit ASPIRE users

Based on responses to our survey questionnaire, 50 percent of ASPIRE users were not satisfied with either initial or follow-up training. There is no requirement for training new employees on the general operation of the ASPIRE system, the use of the Self Service HR function, or the specific use of the ASPIRE system applicable to the employee's job. The ASPIRE team needs to make an objective evaluation of training needs to ensure ASPIRE users are trained to use the system effectively and to inform them of system changes that may effect their use of the system. Training programs should align with results of needs assessments, and an orientation program for new users should be implemented. When training programs are developed, ASPIRE managers need to decide whether, or how much, training should be mandatory. Currently, ASPIRE training programs are not mandatory and leave enrollment to the discretion of the employee and supervisors. By making key courses mandatory, supervisors would know to plan for and support employee downtime while in training.

ACSC needs to identify training needs proactively

Within the ASPIRE team, an objective evaluation of the skill sets of the ASPIRE team needs to be made. Interviews with ASPIRE management and ASPIRE staff indicated that certain skill sets needed improvement. However, County management does not have a plan for assessing weaknesses and developing appropriate training programs to improve skill sets. Each staff member's skills should be matched to their jobs and weaknesses should be targeted for training.

User's business needs assessment

An assessment of County department business needs could identify what the ASPIRE system can add to the management of County business including easy access to relevant data; sufficient, focused, timely reporting; and, specialized management support. The value of ASPIRE may be enhanced by extending the system functions to areas of County government, such as Parks and Recreation (not part of the original scope) by assessing those departments' unique needs.

A strategic plan for progress is needed

A strategic plan that clearly outlines objectives, goals, expected outcomes, performance measures, and accountability for results would enhance management of the ASPIRE system. The strategic plan should require annual reevaluation and revision to account for accomplishments and new priorities as they arise. The purpose of the plan is to give the BOCC and management a roadmap for measuring progress and identifying success or failure. The needs assessments discussed in this report would form an inventory of issues to address in the strategic plan. Until the assessments are complete, the strategic plan should focus on getting the assessments completed.

Conclusions

The County effectively implemented the major functions of ASPIRE and through diligent efforts maintained the system without suffering major or catastrophic failures in the financial and human resources functions. This is a major accomplishment given the short time frame and complexity of the system. There are still issues ranging from system functionality to user acceptance that need to be addressed. The management structure in place is not effective and needs reorganization. County management needs an organizational structure that promotes a commitment to identifying user needs and finding ways to use the capability of the ASPIRE system to meet those needs. The Sponsors Committee and Executive Committee approach needs to be reexamined. Objective evaluations of business processes and auxiliary systems are needed coupled with a commitment to make changes. The County needs to develop a strategic plan for prioritizing needs, developing and achieving goals, and evaluating success.

Recommendations

We recommend the County Manager:

- 1.1 Reorganize the management structure and establish clear lines of authority, responsibility, and expectations of the managers and individuals operating within the structure.
- 1.2 Establish a system for assessing needs of users, inventorying needs, and prioritizing workload based on needs:
 - Review business processes to determine to what extent they can be reengineered to use the ASPIRE system.
 - Review and determine need for auxiliary systems employed in the County and dismantle those that can be accommodated by the ASPIRE system.
 - Establish a process for identifying and fulfilling user needs for management and operational reports.
 - Establish training programs and training requirements for ASPIRE users that address user needs including new employee training. Identify training programs that would be mandatory.
 - Identify and provide appropriate training to improve the skills of the ASPIRE team.

1.3 Prepare a strategic plan for progress that addresses the results of needs assessments. The plan should include:

- Objectives
- Goals
- Performance Measures
- Expected Outcomes
- Assessment of priorities

The strategic plan should be reevaluated annually to accommodate accomplishments and new priorities, and identify projected actions needed to fulfill the objectives and achieve the goals.

1.4 Direct all department directors to ensure their departments are in compliance with purchasing procedures and the related control procedures, and accounting and budget policies for encumbrance of funds.

1.5 Direct resolution of the iProcurement process to ensure the ASPIRE system processes requisitions without interruption.

Management Response

Staff appreciates the work effort of the Internal Auditor on the performance audit of the ASPIRE system and the opportunity to respond to comments made by the Auditor in the report. Management's response to the audit report will first address the recommendations made to the County Manager and will subsequently address additional comments made by the Auditor throughout the report.

1.1. Reorganize the management structure and establish clear lines of authority, responsibility, and expectations for the managers and individuals operating within the structure.

We concur with the recommendation.

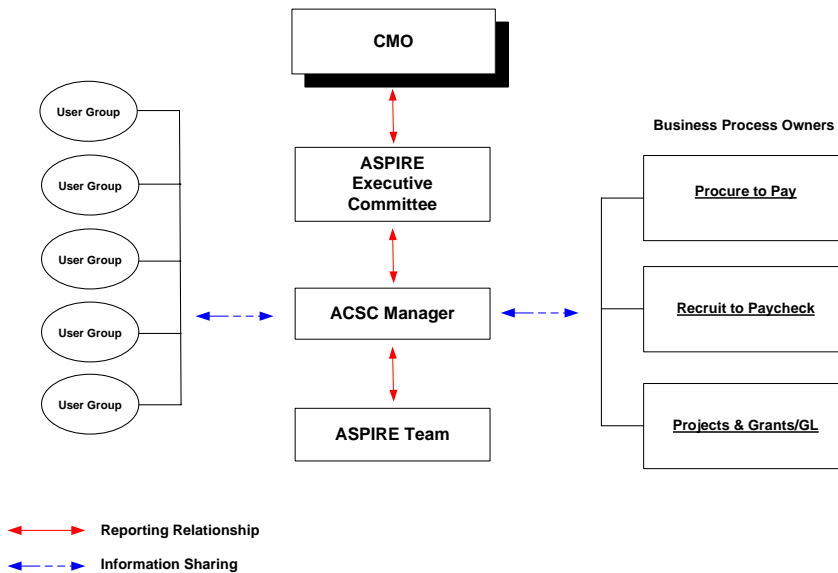
The management structure outlined in the audit was established in 2001 at the time of ASPIRE's implementation and was structured to bring together department heads representing front line departments, business process owners (i.e. department heads from Information Technology Services, Human Resources, Financial Management, and Budget), and County Management to facilitate acceptance of the new computer (ERP) system in the county organization. The management structure relied a great deal on the Deputy County Manager to provide direction and resolve conflicts. During the time of the audit, fall of 2004, the Deputy County Manager position was vacant.

In January of 2005, the Deputy County Manager position was filled. In meeting with the eleven member ASPIRE Executive Committee it became apparent that the ASPIRE management structure had matured, and the system was deployed and generally accepted. However,

management issues associated with ASPIRE had shifted from general acceptance of the system to specific concerns about business processes and additional functionality. The technical nature of these issues made it difficult for the Executive Committee, as previously structured, to effectively manage the process.

Recognizing this change, the Executive Committee has been reconstituted to be comprised of representatives from the four business process owner departments and a representative of the County Managers Office. This group of five will be responsible for the successful deployment and integration of ASPIRE throughout Johnson County Government. Specific responsibilities include strategic planning, communications, and resource management of the ASPIRE system. Conflicts related to business process, if not resolved in the three Business Process Groups, will be resolved in the Executive Committee. Ultimately, the Executive Committee will be responsible for ASPIRE. This Committee is small enough to make decisions rapidly (if need be) and contains members that are knowledgeable of the business processes. This structure also eliminates the “sponsors group”, making direction of the ASPIRE Customer Support Center much more streamlined. As the diagram below shows, the lines of authority are simple and clear.

ASPIRE Organization Chart
Effective Date March 2005



This organization structure relies on three new groups to hear, research, and resolve issues regarding business processes. These three groups will be (1) procure to pay, (2) recruit to paycheck, and (3) projects, grants, and general ledger. Each group will contain key owners of the appropriate business process and knowledgeable users of the system from front line departments. Their role will be to maintain strong communication with front line departments and resolve/improve business process within available resources and existing county policy.

Where county policies need to be changed, the groups are charged with bringing recommendations for such change to the Executive Committee.

The current user groups are included on this chart. These groups have been very effective in bringing together front line users of ASPIRE to learn more about the system. They are an important extension of ASPIRE training and will continue as needed.

1.2 Establish a system for assessing needs of users, inventorying needs and prioritizing workload based on needs:

- ***Review business processes to determine to what extent they can be reengineered to use the ASPIRE system.***

Response:

While we appreciate the Auditor's comment to review business processes, staff constantly reviews current business processes for areas of possible improvement. See below responses for examples of continuous process improvement and business reengineering.

- ***Review and determine need for auxiliary systems employed in the county and dismantle those that can be accommodated by the ASPIRE system.***

Response:

We concur with the recommendation. The ASPIRE team will evaluate user needs and assess the need for auxiliary systems and recommend dismantling if warranted.

- ***Establish a process for identifying and fulfilling user needs for management and operational reports.***

Response:

We concur with the recommendation. The ASPIRE team had established a process of identifying and prioritizing reporting needs at implementation. Many reports have been provided. The ASPIRE team will refine and communicate this process for identifying and prioritizing user needs.

- ***Establish training programs and training requirements for ASPIRE users that address user needs including new employee training. Identify training programs that would be mandatory.***

Response:

We concur with the recommendation. While the ASPIRE team offers several recurring classes on a variety of modules, the team will create a training strategy that will address user needs for training as well as new employee training requirements.

- ***Identify and provide appropriate training to improve the skills of the ASPIRE team.***

Response:

We concur with the recommendation. The ASPIRE team has a diverse range of Oracle skills, including both functional and technical skills. We will identify appropriate training to refine Oracle skills as well as cross train functional team members to become more technical and vice versa.

1.3 Prepare a strategic plan for progress that addresses the results of needs assessment. The plan should include:

- *objectives*
- *goals*
- *performance measures*
- *expected outcomes*
- *assessment of priorities*

The strategic plan should be reevaluated annually to accommodate accomplishments and new priorities and identify projected actions needed to fulfill the objectives and achieve the goals

Response:

We concur with the recommendation.

1.4 Direct all department directors to ensure their departments are in compliance with purchasing procedures and the related control procedures, and accounting and budget policies for encumbrances of funds.

Response:

We concur that all departments should follow all county policies and procedures. We will reinforce compliance with these specific policies and procedures by reviewing them with the Executive Team during our regular monthly review as outlined in the GOST process.

1.5 Direct resolution of the iProcurement process to ensure the ASPIRE system processes requisitions without interruption.

*The recommendation made by the internal Auditor, while sounding simplistic, addresses a complex process within ASPIRE and the organization. To that extent, management's response attempts to provide some background on the iProcurement process as well as some context to the recommendation made by the Auditor. As such, the response identifies comments made by the Auditor in the report beginning on **page 6** and addresses each comment specifically.*

Audit comment: “...automated transaction processing was interrupted for manual reviews that caused delays and resulted in violations of established control policies and procedures.”

Response:

We do not concur with this statement. This comment suggests a cause and effect relationship between delays and policy violations. It implies that a delay forced users to violate policy. A delay should only result in the timeliness of a department receiving ordered goods or services. Except in an emergency, a County employee cannot and should not use a delay as an excuse to violate policy. Later responses will address the comments about manual reviews, delays, and violations of policy.

Audit comment: “Requisitions are created in Aspire and approved for compliance with budget and purchasing requirements by the department placing the order.”

Response:

Purchasing requirements are also currently reviewed by the Purchasing Division. Some reasons why the Purchasing Division of OFM review requisitions include:

- Checking for compliance with the County’s term and supply contracts.
- Checking for compliance with the County’s Purchasing Policies to ensure bids and quotes are obtained when appropriate.
- Checking for compliance with requirements to obtain insurance and bonds on construction projects.
- Checking purchase orders for obvious account code errors (verifying that fixed asset account codes are used when buying items that meet the fixed asset thresholds, etc.).

Audit comment: “Aspire can create a purchase order from the requisition and automatically forward it to the vendor or create a paper copy for mailing.”

Response:

Many factors may prevent the requisition from being turned into a purchase order. For instance-missing vendor information, non-compliance with County policies, violation of budget, etc. The purchase order is created only after review and approval by the appropriate department official(s) and the appropriate purchasing official(s).

Audit comment: “Aspire generates a payment to the vendor after the purchase order, receiving document, and invoice have been reconciled.”

Response:

This comment sounds as if the payment is automatically generated with no user intervention. The payment is only generated after accounts payable staff confirm that the above items are reconciled. This three way match was established by the ASPIRE Steering Team during implementation and takes advantage of standard Oracle functionality.

Audit comment: “OFM established a procedure that requires the purchasing division staff to review and approve the requisitions and manually create every purchase order even though County policy states purchases under \$10,000 are the responsibility of the initiating department. Purchasing staff estimated they spend a significant amount of time accomplishing this task.”

Response:

We do not concur with the first sentence of the above comment. OFM did not establish this procedure. This procedure was established by the ASPIRE Steering Team during implementation. It follows standard Oracle functionality in the purchasing process. The philosophy adopted by the County during implementation was to take advantage of the best business practices already built into the Oracle system and to make little to no customizations or variations from those processes. The ASPIRE Steering Team directed that all transactions that are not done on a purchasing card be entered as a requisition. Standard Oracle functionality in the iProcurement module processes requisitions in the following manner:

1. User enters a requisition into the ASPIRE system. The user completes various information on the requisition such as item description, accounting codes, quantities, buyer, etc. The user has the option of entering a suggested supplier or per unit pricing.
2. The requisition is sent via an automated workflow to the departmental approver(s) as appropriate.
3. The approver(s) have the option of approving the requisition, rejecting it, or sending it back for more information.
4. After approval, the requisition is then automatically sent to the buyer (i.e. purchasing staff). The buyer reviews the requisition, sends it back if necessary, or processes a purchase order.
5. The buyer utilizes a feature in the system that “auto creates” the purchase order with information ported over from the requisition. They do not re-enter the data.
6. The system forwards the purchase order to the supplier via email if the user and/or buyer have requested it to be and if an email address is available for the supplier. If not, the buyer has the option of printing the purchase order and then mailing or faxing it.

OFM has always followed the standard Oracle functionality as described above. No unique procedure was established. Oracle has an optional feature to create an “Urgent Purchase Order” which enables a user to automatically create a purchase order without buyer intervention. This is not standard Oracle functionality. Perhaps the internal Auditor is referring to this optional feature. The second sentence of the Auditor’s comment is an accurate statement. Processing purchases in accordance with standard Oracle functionality and in accordance with the best business practices built into the Oracle system has drastically increased the workload of the Purchasing staff. In the year prior to implementation, purchasing staff processed approximately 3,000 purchase orders in the old LGFS system. That number has now increased to approximately 33,000 purchase orders per year.

Additionally, it should be noted that the \$10,000 threshold stated in the Auditor's comment was not adopted by the BOCC until December of 2004. Prior to that time, the amount was \$2,000. OFM-Purchasing was in the process of reviewing and modifying the entire purchasing process when the Auditor conducted the review of the ASPIRE system. Significant initial changes have been made to the purchasing process. The Auditors comment taken outside of this context would imply that OFM was delegating purchasing responsibility to departments for items under \$10,000 and then continuing to require approval of those transactions. The fact is OFM has not finished implementing planned changes to the process. See below comments on the phased implementation of the County's new purchasing strategy.

Audit comment: *"The purchasing division staff checks the requisition for accuracy of account codes, delivery addresses, and compliance with use of County-wide supplier contracts. All these functions are the responsibility of the ordering department and should be addressed at the ordering department level before the requisition is processed."*

Response:

We concur with the statement that "...these functions are the responsibility of the ordering department...". But, as explained above, the Purchasing division staff does review the requisition for various things including compliance with various County policies (such as supplier contracts) and insurance requirements. Account codes are reviewed, but only for obvious errors-for instance-a requisition for gasoline is being charged to office supplies. This reduces the need for corrections and ensures that the County has the necessary information to evaluate historical data when seeking to obtain better prices for goods and services in the future. They also check to see if a fixed asset is incorrectly charged to a non-fixed asset account so that the County meets accounting requirements to record all fixed assets.

Purchasing staff has always filled a compliance checking role for the County. This is done to ensure that the County obtains the best prices, complies with purchasing policies, and provides for fair and competitive opportunities for all potential suppliers.

Audit comment: *"iProcurement users were not satisfied because they felt the manual review process was time consuming. Users blamed the Aspire system for delays in processing purchase orders."*

Response:

From our observations and ASPIRE generated data, the vast majority of requisitions become purchase orders the same day they are approved by the department. This is monitored throughout the day by the Purchasing Manager. Data supplied by the ASPIRE system indicates that the average processing time from the time of approval at the department to creation of the purchase order as being 4 hours during the time period of 9-10-2004 through 1-6-2005 (this is the busiest time of year for purchasing staff because of the increase in purchases at year end). During the time period from 1-6-2005 through the present, the average was only 1 hour. On the other hand, data from the ASPIRE system indicates that the average processing time from creation of the requisition until approval by the department approving official was 1.1 days and .8 days respectively, during those same time periods.

There are various reasons for delays in processing purchasing orders. It is occasionally true that the requisition to purchase order process might incur some delays. Some purchase orders take longer because Purchasing staff needs to request additional information from the departments (such as quotes, bids, and insurance requirements) before proceeding with the creation of a purchase order. In a governmental purchasing environment, it is important that the County make sure that fair and competitive purchasing practices are followed so that all potential suppliers have the opportunity to do business with the County.

Audit comment: *“As a consequence, some departments circumvented the system and made direct orders to vendors, received the products, and sometimes consumed them, before entering the requisition... As a result, the County is at risk of making unauthorized expenditures, exceeding budget limits, and is exposed to cash flow shortfalls.”*

Response:

*The second sentence provides good examples of the value that Purchasing staff can add to the requisition process. The comment implies that the alleged delays caused users to circumvent the procedures. Unless the department has a need for an emergency purchase, there should be no need to circumvent standard procedures. Users need to plan for their purchases, get adequate quotes, bids, or pricing on items in advance, and get appropriate approval **before** ordering items. Users also have the option of using the County’s purchasing card program. This program allows users to make purchases without a purchase order. But, this does not relieve the department from the responsibility of monitoring expenditures and budget limits. There is no valid reason for a department to violate policies, make unauthorized expenditures, etc.*

Audit comment: *“...we are concerned about the breakdown in internal controls resulting from the employee actions. Compliance with purchasing policies must be mandated for every department. Alternative internal control procedures should be designed to ensure compliance while minimizing the impact on the process flow, e.g. the Finance department could spot-check transactions, identify errors and trends, and work with the departments to modify and improve the purchasing practices.”*

Response:

We concur with the concern about a breakdown in internal controls. However, as mentioned before, we do not concur with earlier related comments that suggest that OFM or the ASPIRE system has contributed to any breakdowns in internal control. The procedures in place have excellent internal controls built into them. We assert that review by Purchasing staff serves to enhance internal controls. We will continue to research alternative internal controls that ensure compliance while minimizing the impact on the process flow.

We also concur that compliance with purchasing policies must be mandated for every department. OFM has always strived to enforce compliance with purchasing policies. The methods that have been in place attempted to enforce compliance prior to a purchase rather than after a purchase.

Concluding response on the iProcurement process:

Since implementation, OFM has been studying the impact of the new procedures put into place with the ASPIRE system. These procedures took advantage of standard Oracle functionality and best business practices. Unfortunately, these best practices have not been fully accepted by the organization. As with any new procedure, its effectiveness relies on many things including compliance by users and adequate time for the organization to adapt. After much study, we concur that this organization is not ready for these best practices. Additionally, the first year or two after implementation should focus on stabilizing the system and correcting errors, etc. from the transition. The effort to stabilize the system, document procedures, and make other changes is a huge drag on resources. Staff continued to work many long hours for months after the go live date. For this reason, the early months after implementation are not a good time to make major changes to processes adopted during implementation. However, that does not preclude or eliminate the need to continually assess the effectiveness of procedures and to implement a plan of action to remedy them. OFM is continually evaluating business processes. As part of our study of the procure to pay process, we identified several major changes that would occur in phases.

One of the first phases was to re-write the purchasing policies and procedures. These had not had a major overhaul since 1996. A focus group of user departments was formed during the summer of 2003 with the purpose of bringing the documents up to date regarding procurement dollar thresholds and current purchasing best practices. After review by the focus group, the Legal department, the E-Team, and County management, these policies and procedures were finally adopted by the BOCC in December of 2004. This was a necessary first step in making changes to the purchasing process. The new policies increased thresholds for competition and made other changes to improve the process.

Another major phase was to implement new purchasing card software. This made it easier for employees to use their purchasing cards and improved the reporting capabilities and controls of the purchasing card program. This software was implemented during the summer and fall of 2004. OFM's overall purchasing strategy contemplates increased utilization of the purchasing card in the procure to pay process in the future.

Those first two phases enabled the next phase of the changes OFM put in place. The increased purchasing thresholds and the purchasing card software enabled us to release the next phase of the project on 2-23-2005. This phase increased the thresholds on purchasing card transactions to \$10,000. This is in line with the new purchasing thresholds that were adopted in December of 2004.

Another ongoing phase is the creation of interfaces from the various systems in use by the County that are not part of the Oracle system. Oracle functionality is not available for every one of the County's business needs (e.g. tax billing, motor vehicle, court systems, etc.). When this is the case, an evaluation is made to determine if an interface to Oracle is needed. The interface can save work by porting data over to Oracle for further processing. A recent example of an interface that has been built is for payments to court appointed attorneys. The courts have a system that manages court appointed attorneys. Payments to court appointed attorneys can now

be processed without manually entering that information into Oracle on a requisition. This interface resulted in an annual reduction of 3,000 purchase orders. These interfaces will continue to be built as resources (e.g. programmers, etc.) are available.

One of the final phases is to implement a way for users to process non purchasing card transactions under \$10,000 without purchasing staff intervention. This phase is nearly complete and will be released to users shortly.

These steps will have the impact of reducing or eliminating purchasing involvement in transactions under \$10,000 (which accounts for nearly 97% of purchasing transactions, but less than 15% of the total dollar value of purchases). OFM recommends that purchasing involvement in the requisition and purchase order process still be done for purchases over the \$10,000 threshold.

In addition to the comments addressed above regarding the iProcurement process, staff would like to specifically address other comments made by the Auditor throughout the report. Following are those comments with corresponding responses.

Auxiliary systems need scrutiny (page 8)

Audit comment: “The Treasury module may perform the basic tasks needed by the cash manager.”

Response:

Staff disagrees with the comment. Initial review of the Treasury module revealed that the module could not meet all of the required functionality needed by the cash manager to perform daily portfolio management. This was explained to audit staff during the interview on February 11, 2005.

Audit comment: “Currently, County staff are not sure whether the reporting and analysis capabilities needed for the County’s treasury function can be performed by ASPIRE.”

Response:

Staff advised the Auditor that initial review of the module revealed that the module could not provide the necessary reports. We have recently reviewed the documentation and the module again to confirm this.

Audit comment: “However, we did not find any indication County staff had worked to resolve these issues.”

Response:

Staff has not worked with the ASPIRE team on resolving the reporting issues of the treasury module, because from a priority standpoint, this issue of not using the module due to lacking of reporting capabilities is not as high of a priority as other issues the ASPIRE team is working on. ACSC resources are limited, and are devoted to issues that have greater user impact.

Audit comment: “Additionally, since some of the data from Sympro has to be entered into the ASPIRE financial system, staff enter the same data into two systems resulting in questionable use of their time and additional risk of errors.”

Response:

Minimal data is actually re-keyed into ASPIRE. Significantly more data is input into Sympro to track the securities held and evaluate potential security trades. The Finance Director has looked at the option of an automated interface to upload that data, but again, given the priority of all ASPIRE issues, deemed the interface as a low priority given the minimal cost associated with the current business practice.

Users need management and operational reports (page 8-9)

Audit comment: “Examples of the most needed reports, or reporting issues, are the timely and accurate reporting for Grants and reports for vacation and leave balances.”

Response:

Accrual reports have been available since December 2003 through the Discoverer reporting application. Department users must receive Discoverer training before they are given access to Discoverer.

Audit comment: “The needs assessment should focus on developing reports that are relevant and useful as determined by the system users”.

Response:

We partially concur with this statement. There are many components to consider when developing reports. First and foremost, system users need to learn that most of the information they are seeking is already available in the system either in a standard Oracle report or by doing on-line inquiry. Building reports “as determined by system users” could result in a glut of unnecessary reports. Too many departments are trying to have reports look exactly like the ones previously used in the old systems. It was determined before the implementation that many reports were printed and under-utilized. The philosophy of the implementation of Oracle was to accept Oracle standard setups and seeded reports and only develop custom setups or reports as needed. Departments have lost focus that one of the business practice changes would be accepting seeded reports. Users often run a whole report and look for one piece of information; this is often a waste of resources. Before a report is built, it should be determined if the information sought is readily available in a standard report or by doing on-line inquiry. If so, users need to be informed and trained on how to obtain the information. Additionally, if a report requested by one department is nearly the same as one requested by another department, then maybe the two reports can be consolidated into one. We do not believe that developing reports based solely on the system users’ requests is a good model. It should be a combined effort between system users, central services module leads, and ASPIRE team members.

Audit comment: “OTL was operational in December 2002.... Since 2002, the County’s hardware environment has been enhanced. OTL needs to be reevaluated in light of system improvements to determine if it can be restored to full operation.”

Response:

It should be noted that OTL was only operational for three days in 2002. The hardware needed to handle the volume of transactions was initially underestimated. To date, only portions of the hardware environment have been enhanced. Additional memory and servers have been purchased, but the true issue to resolve the Self-Service entering of time (OTL) has not been resolved. The middle-tier hardware still needs substantial upgrades before the County can promote OTL to the whole Organization.

In conclusion, staff appreciates the Internal Auditor's efforts to improve the County's processes regarding ASPIRE. Staff plans on presenting to the BOCC later this year a full analysis of the ASPIRE implementation and corresponding strategic plan to address organizational challenges.

County Auditor's Response: A central theme of the audit was to examine the management process and determine its effectiveness. To that end, we identified areas where improvements would help the County move forward in implementation and management of the ASPIRE system. County management has agreed with the recommendations which we appreciate. However, there are some concerns raised by the response that need to be addressed.

1. The discussion regarding the iProcurement process demonstrates the need for a business process assessment. County management discusses the growth in transactions from 3,000 to 33,000 purchase orders a year. Each of these transactions is reviewed by purchasing department staff for the reasons cited by County management. Our point is that much of the review that is being done can be built into the ASPIRE system with automated edit checks that would allow the appropriately executed transactions to process without manual review.
2. County management stated there is a continual review of business processes, however, as mentioned in the report, those efforts have not had a county-wide view point nor have they included adequate cost-benefit analysis. The needs analysis must be combined with a county-wide strategy.
3. The breach of internal controls by department employees is significant. County management and OFM have the ultimate responsibility for ensuring the integrity of the County's financial system.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The initial objectives of this audit were to:

1. Determine the ASPIRE modules purchased and how many are currently functional, at what level, and the reasons for not using the non-functional modules.
2. Determine the number and extent of use of auxiliary systems.
3. Determine the user satisfaction with the ASPIRE system.
4. Determine the status of the ASPIRE system reporting capabilities.
5. Determine the extent and effectiveness of ASPIRE training activity.

Background

The ASPIRE system is the County's financial, HR, and management software solution. It is an Oracle system. It was installed during 2002 and went live on October 1, 2002 (financials) and December 18, 2002 (HR/Payroll).

The installation project was managed by a steering committee led by the Directors of Budget and Financial Planning, Office of Financial Management, Human Resources, Information Technology Service, and the Deputy County Manager. Subsequent to the installation, the Deputy County Manager resigned, but the remaining four individuals continued in a management/oversight capacity until the departure of the Director of Budget and Financial Planning in December 2004.

An ASPIRE manager was hired to manage the ASPIRE Customer Support Center and some members of the implementation team have remained with this Customer Support Center.

Scope and Methodology

To accomplish the audit objectives the auditors:

- Interviewed members of the Sponsors Committee and the Executive Committee.
- Interviewed ASPIRE Customer Support Center staff.
- Interviewed the County Manager.
- Reviewed contracts and Board of County Commissioners minutes related to the ASPIRE system, its purchase, and implementation.
- Surveyed 3,290 County employees about their use of the ASPIRE system.
- Summarized and analyzed the survey data.
- Reviewed the available ASPIRE Training materials.
- Observed various meetings related to the ASPIRE system including User Group meetings and an Executive Committee meeting.

Based on the materials gathered, we analyzed the current status of the ASPIRE system and developed our conclusions about the direction needed for further progress.