



Status of the Department of Justice's Implementation of the Unified Financial Management System

U.S. Department of Justice
Office of the Inspector General

Report 11-23
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Status of the Department of Justice's Implementation of the Unified Financial Management System

Introduction*

In 2001, the Department of Justice (Department) began the Unified Financial Management System (UFMS) project to upgrade and consolidate the six financial management systems used by the Department and its components.¹ Financial management and the need for accurate, real-time financial information, has been a top priority for the Department, as well as one of the top management and performance challenges facing the Department since 2000.² The Department has sought to implement UFMS to replace the disparate major accounting systems and provide the Department with a single financial management system that would allow standardized financial management and procurement processes across the Department's components using an integrated commercial-off-the-shelf solution.

In September 2009, the UFMS was expected to cost over \$1 billion in development, modernization, and maintenance costs and would be completed in February 2013. The UFMS was to be deployed at the Offices, Boards and Divisions (OBDs); the Drug Enforcement Administration (DEA); the Federal Bureau of Investigation (FBI); the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF); the United States Marshals Service (USMS); the Bureau of Prisons (BOP); and the Office of Justice Programs (OJP) to enhance the management and reporting of the Department's finances.

In August 2010, the Department of Justice Office of the Inspector General (OIG) began an audit of the UFMS project to determine whether it

* The full version of this report includes information that is procurement sensitive, and therefore could not be publicly released. To create the public version of the report, we redacted the portions of the full report that are considered sensitive.

¹ In 2001, the Department's financial systems included: the Financial Management System (FMS), the Financial Management Information System 2 (FMIS2), the Standardized Tracking Accounting & Reporting System (STARS), the Federal Financial System (FFS), the Integrated Financial Management Information System (IFMIS), the Financial Resource Desktop System (FRd), and the Systems, Applications, and Products in Data Processing (SAP) system used by the Federal Prison Industries, Inc. (UNICOR). However, for the purposes of this report, we did not include the UNICOR system.

² Since 1998, the Department of Justice Office of the Inspector General has been required by statute to submit a list of the top management and performance challenges facing the Department. The list is included in the Department's annual Performance and Accountability Report.

was on budget, being implemented according to schedule, and whether its performance would meet expectations. During our review, the scope of UFMS was significantly changed, with key aspects of the project either eliminated or reduced. As a result, the creation of a single, unified financial management system for the Department has been eliminated with the completion of the current project, although unification could still occur with additional funding for future projects. Because of the significant reduction in the scope of the project, we are not continuing with our audit of the UFMS. Instead, we are issuing this report which examines the current status of the UFMS project. We discuss the implementation of the UFMS at the DEA and ATF, the recent Office of Management and Budget (OMB) decision to revise the scope of the UFMS project, and future UFMS procurement vehicles. Finally, we discuss the future of the UFMS project as the Department prepares to implement OMB's 25 Point Implementation to Reform Federal Information Technology (IT) Management.

OIG Results in Brief

The Department's original implementation schedule projected that UFMS would replace all six legacy accounting systems by fiscal year 2009. During our review, we found that the Department's effort to implement the UFMS project experienced schedule delays and increased costs. In 2002, the UFMS project was expected to take 8 years to implement and cost \$357.2 million, which included operation and maintenance coverage until 2012. However, the Department revised its cost estimate in April 2010 to \$1.041 billion, added an additional 3 years to the completion date, and extended the operation and maintenance coverage to 2021.

We found that UFMS has only been implemented at two of the seven components, the DEA in January 2009 and the ATF in October 2010. Since that time, the DEA has continued to receive unqualified audit opinions on its financial statement audits, while no financial statement audit has been completed for ATF since its UFMS implementation. The implementation of UFMS at the DEA and ATF was an achievement, although both of these components' financial systems were among the Department's most modern. We believe that significant challenges may remain for the project because the components where UFMS has yet to be implemented, particularly the USMS and the FBI, continue to use non-integrated and antiquated financial management systems.

As a result of the OMB's review of the UFMS project in 2010, however, we found that the scope of the UFMS project has been significantly reduced,

and for the foreseeable future, the possibility for creating a single, unified financial management system for the Department has been eliminated as the project is not planned to be implemented at the BOP, OJP, and OBDs at this time. Additionally, following OMB's review, UFMS's schedule was revised once again so that the UFMS Program Management Office (PMO) could address OMB's new guidance and changes to the project, with the final component's implementation of the project occurring in 2014. The budget for implementing UFMS at the remaining components, the USMS and FBI, is now \$419 million, and the budget for operations and maintenance of UFMS is \$141 million. While these projected budgets are a reduction of \$190 million from the 2010 revised cost estimate for the project, it only includes the implementation of UFMS at four components, while the 2010 cost estimate included seven components.

The following sections of this report provide further description of the findings of our review.

Background

The Department began planning for the UFMS project in 2001. At that time, the Department had experienced difficulties in preparing its annual financial statements as required by the Government Management Reform Act of 1994. For the Department's consolidated financial statements prepared for fiscal years 1996 through 1998, the firms auditing the financial statements issued a disclaimer of opinion because they were unable to complete the audit procedures necessary to determine whether some of the Department's account balances were fairly stated. In addition, these audits revealed deficiencies in internal controls. As a result of the noted deficiencies, the Department's financial statements could have included significant misstatements that may not have been prevented, detected, or corrected.

In addition to the 1994 legislation mandating audited financial statements, the Department and other federal agencies were also responsible for implementing the initiatives in the President's Management Agenda (PMA). Announced in 2001, the PMA was a collection of 14 initiatives to improve the performance of the federal government. One of the initiatives in the PMA related to improving financial performance, including improvements to agency financial systems. From the UFMS project's inception, the Department was to rely on UFMS to address the issues regarding its financial statement audits as well as the required improvements contained in the PMA.

In 2002, the UFMS PMO was created within the Department's Justice Management Division (JMD). The UFMS PMO manages and executes the UFMS project in coordination with Department component liaisons. The Department's Assistant Attorney General for Administration, who is also the Chief Financial Officer, is the UFMS Executive Sponsor and Data Owner of UFMS. The Deputy Assistant Attorney General, who is also the Controller, is the UFMS System Owner. Following the formation of the UFMS PMO, the Department addressed three critical project issues: (1) selected the software to operate UFMS, (2) selected the contractor to convert the Department's six legacy accounting systems to UFMS, and (3) created a standard set of business processes for the entire Department.

In 2004, the Department officially accepted the Consultants to Government and Industry's (CGI) Federal Momentum (Momentum) software package, a commercial-off-the-shelf financial management system certified by the Joint Financial Management Improvement Program.³ The Momentum software was to provide core federal financial system functions, including general ledger management, funds management, payment management, receivable management, cost management, and external reporting.

In December 2005, the Department awarded a Blanket Purchase Agreement (BPA) to International Business Machines Corp. (IBM) to provide integration and implementation services for the UFMS project, which included the integration and installation of the Momentum financial and integrated procurement software. Immediately following the contract award, the Department created an implementation schedule projecting that UFMS would replace all six legacy accounting systems by fiscal year 2009.

The Department established component working groups to develop a standard set of Department-wide business processes that would be achievable through the implementation of UFMS, as the accounting and business processes used throughout the components were not standardized. Since being established in 2005, the working groups have approved 28 standardized Department-wide business processes. However, new requirements can be added as the implementation of UFMS progresses.

The following table shows the original UFMS implementation schedule.

³ The Joint Financial Management Improvement Program is a cooperative undertaking of OMB, the Department of Treasury, the Office of Personnel Management, and the Government Accountability Office, to work with federal agencies to improve financial management practices throughout the government.

Original UFMS Implementation Schedule

Component	Legacy System	Start Date	End Date
DEA Implementation	FFS	6/1/2006	12/1/2007
FBI Implementation	FMS	6/1/2007	12/27/2008
ATF Implementation	FReD	1/2/2007	7/3/2008
USMS Implementation	STARS	1/2/2007	7/3/2008
BOP Implementation	FMIS2	10/1/2007	4/1/2009
OBDs Implementation	FMIS2	10/1/2007	4/1/2009
OJP Implementation	IFMIS	10/1/2007	4/1/2009

Source: OIG analysis of PMO documents.

Status of the UFMS Project

During our review, the Department's effort to implement the UFMS project experienced schedule delays and increased costs. In 2002, the UFMS project was expected to take 8 years to implement and cost \$357.2 million, which included operation and maintenance coverage until 2012. However, the Department revised its cost estimate in April 2010 to \$1.041 billion, added an additional 3 years to the completion date, and extended the operation and maintenance coverage to 2021.

According to the UFMS PMO, the cost increases and schedule changes were primarily the result of delays in obtaining funding for each component's implementation. According to UFMS PMO officials, relying on "Just in Time" financing was the main contributing factor that led to implementation delays for the project overall, and was an ongoing challenge for UFMS since its inception. As of August 2010, over 70 percent of the available funding for the UFMS project came from funds originally scheduled to be used on other projects as reprogrammed funds.⁴ Because reprogrammed funds are only available after the original programming has been satisfied, which generally occurs at the end rather than the beginning of the fiscal year, the reliance on reprogrammed funds delayed the start of component implementation. Additionally, the UFMS PMO indicated that the differences in cost and schedule were also due to unrealistic baselines for implementation at the beginning of the project.

⁴ Funds from the Department's Working Capital Fund, both Retained Earnings and Unobligated Balance Transfers, were used.

During our review, we found that the Department chose to pilot implementation of UFMS at the Justice Management Division's Asset Forfeiture Management Staff, followed by incremental implementations at the DEA and ATF, the two Department components with the most modern financial management systems. Both DEA and ATF were users of earlier versions of the financial product upon which UFMS is based. As such, DEA and ATF had a high likelihood of success and the UFMS PMO could leverage their experiences and apply them to subsequent UFMS Component implementations. Following the DEA and ATF implementations, the Department was to implement UFMS at the two Department components with the most antiquated financial management systems, the USMS and FBI.

The implementation of UFMS at the DEA and ATF provided the Department with new opportunities to improve the effectiveness and efficiency of its financial management and reporting. By implementing standardized financial management processes, the Department should be better able to obtain uniform financial information and report using that information more readily than in the past. Because of the recent implementation at the ATF, in October 2010, we were not able to fully review whether the efficiencies created by standardized processes were being achieved.

The USMS is scheduled to implement UFMS in March 2012. In light of OMB's recent guidance, this scheduled delivery may not allow an appropriate amount of time to consider the lessons learned from the ATF implementation of UFMS version 2 and the DEA implementation of UFMS version 1 to ensure that the system's performance is meeting the Department's expectations and has the optimum configuration. In addition, implementing UFMS at the beginning of the third quarter could negatively impact the outcome of the financial statement audit.

Ongoing Contracts

In addition to the implementation delays discussed above, we also found issues regarding the contract vehicle used by the Department to implement UFMS. The UFMS PMO used time and materials contracts for about 97 percent of the IBM Blanket Purchase Agreement task orders and used firm fixed price contracts for the remaining 3 percent.⁵

⁵ [REDACTED]

The UFMS Acquisition Plan of 2005 focuses on moving away from time and materials contracting after the initial planning stages of the program. The Federal Acquisition Regulation (FAR) specifically states that a time and materials contract may be used only when it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence.⁶ The uncertain nature of the work estimated during early project planning lends itself to the use of time and material contracts. However, once the contractor possesses the knowledge, experience, and expertise to identify potential constraints and risks that are needed to plan and estimate implementations with confidence, firm fixed price contracts should be employed.

According to a 2009 Government Accountability Office report examining federal contracts, time and materials contracts were the least preferred contracting methodology because the government bears the risk of cost and schedule overruns.⁷

In May 2008, the Deputy Assistant Attorney General, Controller established an Acquisition Working Group to review the UFMS PMO's use of its IBM BPA. As a result of this review, in September 2008, the working group recommended greater use of performance-based task orders for UFMS. The UFMS PMO concurred with this recommendation and has since awarded six performance-based task orders at ATF, BOP, and USMS. However, the UFMS PMO has continued to rely on time and material contracts citing its cost-effectiveness and mitigated risk.

In our opinion, the UFMS PMO may over-rely on time and material contracts and should follow through on its plan to reduce contract risk and award more performance-based task orders. The Department will have to carefully monitor the contracting vehicle employed by the UFMS PMO.

Changes to UFMS Due to OMB Review

Large-dollar, wide-ranging IT projects with long delivery times, like UFMS, are prone to failure or obsolescence before they can be completed.

⁶ FAR 16.601(c)

⁷ U.S. Government Accountability Office, *Contract Management: Minimal Compliance with New Safeguards for Time-and- Materials Contracts for Commercial Services and Safeguards Have Not Been Applied to GSA Schedules Program* (June 2009).

The concern for large IT projects like UFMS has been intensified by the federal government's mounting budget deficits. To address the difficult budget situation by avoiding unnecessary spending, the President established the Accountable Government Initiative in September 2010. A cornerstone of the Accountable Government Initiative was IT reform and modernization efforts to use IT in more efficient and cost-effective ways.

On June 28, 2010, OMB issued Memorandum 10-26 requiring Chief Financial Officers Act agencies to immediately halt all financial system projects, including UFMS, pending review and approval from OMB. The Memorandum encouraged agencies to adopt shorter-term, lower-cost, and easier-to-manage financial management solutions. OMB established a Financial Systems Advisory Board (FSAB), which included three Chief Financial Officers and three Chief Information Officers, to review agency projects. In August 2010, the Department made its presentation to the FSAB in support of continuing UFMS as it had originally planned. While the details of the review and FSAB's recommendations have not been made public, the Department has changed UFMS's scope in response to the review.

As a result of the OMB review, the Department will not pursue a unified financial system as planned at this time. Instead the Department will revise the plan and after the project is completed, the Department will operate two financial management systems, UFMS and the Financial Management Information System 2 (FMIS2). UFMS will have been fully implemented at the DEA, ATF, FBI, and USMS, while FMIS2 will continue to be used by the BOP, OJP, and OBDs.⁸ The possibility remains that UFMS will be implemented at the BOP, OJP, and OBDs in the future; however, this conversion would be a separate project from the current UFMS project that would require both OMB approval and additional funding.

The following table summarizes the effects of OMB's review on the UFMS implementation schedule.

⁸ OJP moved from IFMIS to FMIS2 in fiscal year 2008.

UFMS Timeline Revisions Post-OMB Review

FY 2010 Timeline		Revised Timeline	
Component	UFMS Implementation	Component	UFMS Implementation
FBI	2013	FBI	2014
USMS	2012	USMS	2012
BOP	2013	BOP	No Upgrade
OJP	2012	OJP	No Upgrade
OBDs	2013	OBDs	No Upgrade

Source: OIG analysis of UFMS PMO documents.

In addition to the scope changes, the Department says it will eliminate \$190 million (20 percent) of planned costs. However, \$49 million of the reduction in projected implementation costs is a result of not implementing UFMS at the three components currently using FMIS2. In addition, projected overall operations and maintenance costs for UFMS at the components where it was implemented were reduced by \$141 million through the elimination of major software upgrades, hardware refreshes, and application enhancements. The following table shows the effects of the revisions made to project costs as a result of the OMB review, and the impact of these changes is described below.

UFMS Cost Revisions Post-OMB Review

	FY 2010 Cost	Revised Cost	Total Reduction
Implementation	\$468 million	\$419 million	\$49 million
Operations & Maintenance	\$573 million	\$432 million	\$141 million
TOTAL	\$1.041 billion	\$851 million	\$190 million

Source: OIG analysis of UFMS PMO documents.

According to UFMS PMO officials, by not upgrading and refreshing the UFMS software and hardware, UFMS current and future customers will experience the following:

- longer period of reliance on unsupported technical infrastructure, such as the operating system, database, and/or application software;

- longer period of reliance on two versions of UFMS (versions 1 and 2);
 - as an UFMS version 1 customer, DEA will not be able to take advantage of new standards established in UFMS version 2 (ATF, FBI, and USMS) because there is no funding available for DEA's upgrade
- possible elimination of Momentum upgrades and technology refreshes, which will prevent customers from taking advantage of new functionality, improved interfaces, and batch processing; and
- possible increased costs to maintain legacy systems.

UFMS was originally pursued because of the Department's need for its financial systems to be modernized and consolidated, as demonstrated by the Department's struggle to perform consolidated financial reporting due to six different financial systems used by the components. However, the Department will not be able to fully realize the intended benefits of UFMS with its currently planned implementation. The system will not provide a unified, integrated financial management system because only four components will use UFMS. Additionally, the impact of not upgrading and refreshing UFMS software and hardware at the components where it is used will prevent those components from obtaining improved system benefits and support from the vendor.

Future Changes to UFMS

The UFMS project that existed when the OIG began this audit is no longer the UFMS project that exists today. In addition to the program changes made as a result of the OMB review, the Department must also adjust its IT strategy to correspond with OMB's new IT reform plan. On December 9, 2010, OMB announced the 25 Point Implementation Plan to Reform Federal IT Management. This policy is designed to fundamentally change how the federal government purchases and uses IT. The major goals of this plan include:

- applying light technology and shared services;
- aligning the budget and acquisitions process with the technology cycle;
- strengthening program management;

- streamlining government and increasing accountability; and
- Increasing engagement with the IT community.

OMB and federal agencies are expected to address the initiatives contained in this plan by June 2012 (within 18 months of the date of the OMB IT plan). The Department has developed a preliminary plan to address the effect this initiative has on the UFMS program. According to the Department's plan, most of the points from the OMB are at a higher level and do not suggest the need for a concerted UFMS effort. However, the Department did identify three watch areas that should be monitored for future impact on the UFMS program, including: data center consolidation, a shift to a "cloud first" policy, and the reform of IT investment review boards.⁹

Reducing the number of data centers is central to OMB's new IT policy to save money, increase security, and improve performance. According to the Department's Deputy Chief Information Officer (CIO) for Operations, the Department's data center consolidation plans will not have an impact on the UFMS program at this time. The Department currently operates 28 data centers, as defined by the most recent OMB standards, and is reviewing the closure of some data centers in the future.

In 2010, the FBI awarded a service contract to a commercial facility, in an undisclosed location, that will house classified data and be the FBI's primary classified data center. According to the Department's Deputy CIO for Operations, this shared facility was scheduled to be operational as of October 2010. The contract for the Rockville Justice Data Center, which is currently used to house UFMS Sensitive But Unclassified (SBU) information, expires in mid-2015. There has been some discussion on replacing the Rockville Justice Data Center, but no plans have been confirmed.

In the shift to a "cloud first" policy, the Department is required to move to Web-based software and hardware before spending money on new systems. According to UFMS PMO officials, the Department CIO plans to identify three must-move services, create a project plan, and migrate to cloud computing by June 2012. Depending on the services the Department moves (such as e-mail, content management, and web hosting), the impact on the UFMS program could be the potential disruption of UFMS program

⁹ Cloud computing is internet-based computing whereby shared resources, software, and information are provided to computers and other devices.

activities. Going forward, the Department plans to monitor OMB guidance on cloud computing and look for new software developments in an effort to minimize any negative impact these changes have on the UFMS project.

Finally, OMB is encouraging agencies to strengthen and reform agency IT Investment Review Boards to provide meaningful oversight and decision-making on IT projects within the next 6 months.¹⁰ As part of the reform plan, the capital asset plans and business cases (Exhibit 300), and agency IT investment portfolio (Exhibit 53) will be revamped with new data elements to better serve as management tools for monitoring IT program health.¹¹ The Department plans to restructure the Investment Review Board process according to the TechStat Accountability Session model.¹² The Department plans to monitor OMB guidance on changes to Exhibit 53 and 300 submissions and create new reporting material to address those changes as needed during the remaining implementation of the UFMS project.

Conclusion

In 2001, the Department began the UFMS project to upgrade and consolidate the six financial management systems used by the Department and its components. In 2002, the UFMS project was expected to take 8 years to implement and cost \$357.2 million, which included operation and maintenance coverage until 2012. In 2010, the project's budget and schedule were changed to a cost of \$1.041 billion with implementation taking place in 2013, and extended the operation and maintenance coverage to 2021. As of November 2010, the Department had spent \$290.2 million on the UFMS project with only two components, the DEA and ATF, fully implemented.

¹⁰ The Department Investment Review Board is an executive body that oversees the annual selection of the Department's IT investments for budget submission, and conducts periodic reviews of the Department's high profile, high cost, or high risk IT investments to ensure expected return on investment.

¹¹ The Exhibit 300 establishes policy for planning, budgeting, acquisition, and management of federal capital assets, and instructs federal agencies on budget justification and reporting requirements for major IT investments. The Exhibit 53 details each federal agency's budget estimates for all IT investments and allows OMB to review and evaluate each agency's IT spending and to compare IT spending across the federal government.

¹² The TechStat Accountability Session model is a face-to-face, evidence-based review of an IT program with OMB and agency leadership. TechStat sessions enable the government to turnaround, halt, or terminate IT investments that do not produce dividends.

On June 28, 2010, OMB issued Memorandum 10-26 to Immediately halt all financial system projects, including UFMS, pending review and approval from OMB. The Memorandum encouraged agencies to adopt shorter-term, lower-cost, and easier-to-manage financial management solutions. OMB's review of the UFMS project resulted in significant changes to the project and how it will be managed. Most significantly, the OMB required the Department to cut 20 percent from the project's budget, for a total of \$851 million and, for the foreseeable future, the possibility for creating a single, unified financial management system for the Department has been eliminated. In addition to these changes, the Department must also adjust to new IT policies that will likely affect how the project proceeds.

Additionally, because the financial management systems at some of the remaining components that are going to implement UFMS are antiquated, the Department is going to face significant challenges in fully implementing UFMS while attempting to meet OMB's scope and budgetary changes to the project.

JUSTICE MANAGEMENT DIVISION'S RESPONSE TO THE REPORT



U. S. Department of Justice

MAY - 9 2011

Washington, D.C. 20530

MEMORANDUM FOR RAYMOND BEAUDET
Assistant Inspector General
for Audit

FROM:

fa Jolene Lauria Sullens *Michael H. Allen*
Deputy Assistant Attorney General
Controller

SUBJECT:

Response to the Office of the Inspector General's (OIG) Working Draft
Report: Status of the Department of Justice's Implementation of the
Unified Financial Management System (UFMS)

Thank you for allowing the Justice Management Division, Unified Financial Management Systems Program Management Office (PMO), the opportunity to review and comment on the working draft report "Status of the Department of Justice's Implementation of the Unified Financial Management System." The UFMS PMO appreciates not only the positive findings of this review, but also the opportunity to identify and provide additional recommendations on several areas of the document which could be modified. In reviewing the report, we believe there are two key areas that could benefit from additional explanation. While the facts presented are correct, missing context may lead the reader to an incorrect conclusion. Specifically, we believe additional explanation is warranted regarding changes in cost estimates for UFMS. We also believe the use of the term "eliminated" for the UFMS project is incorrect.

In 2002, the UFMS project's initial Cost Benefit Analysis (CBA) was developed during a time when management was in the process reviewing several alternatives to achieve the goal of a unified financial management system. At that time, based on similar agency financial system implementations going on throughout the federal government, it was projected that the UFMS project would take 8 years to implement and the total investment cost for development, modernization and enhancement (DME) would be \$196.4 million and the O&M cost would be \$160.8 million for a total project cost of 357.2 million. The initial CBA was estimated for a 10 year period. Once the Program began understanding more of the technical, programmatic, and operational parameters involved with the overall scope of COTS implementations, it was determined that an updated Life Cycle Cost Estimate was needed to accurately reflect the updated program decisions, policies and external influences to the program. As a result the revised cost estimate in September 2009 was modified to include additional time to implement the components and increased cost for DME and O&M. The revised cost estimate totaled \$1.051 billion which included extending the O&M coverage through 2021. The revised DME cost was

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\$469.5 million and the O&M cost was \$581.6 million. The major reason for the O&M increase was the doubling of the overall life cycle period from 10 to 20 years. This change was driven not by project delays, but by the funding stream which increased the implementation time. The revised cost estimate was developed utilizing the DEA implementation activities as a basis for scaling the various phases of the implementation process for the remaining components.

With regard to the status of the project, the report focuses on the fact that modifications have been made to the project plan following implementation at the FBI and USMS and the report states that the project has been "eliminated". We believe the report understates the value of what has been accomplished and overstates the impact on the project vision. DOJ took several major steps toward a more efficient way of managing its fiduciary responsibilities by implementing UFMS at DEA and ATF on time and within budget. Furthermore, plans are in place to bring USMS and FBI onto the system as scheduled and within budget constraints. With those two components on the system, DOJ will have consolidated its financial systems to two, (UFMS and FMIS2), having standardized processes and a single organization operating the financial systems for the Department.

Some of the key positive performance objectives that will be optimized at each DOJ component will be:

1. Reduction in manual and duplicative transaction processing efforts - UFMS integrates the acquisition process with finance which means much of the data is entered once and then used many times as the requisition is reviewed/approved, goods or services are acquired/received and invoices are paid. This improves productivity and ensures less opportunity for errors. Prior to UFMS, DEA had an automated acquisition system that was NOT integrated with finance, which required duplicate/redundant data.
2. Effectively use technology with advanced controls for auditing, data integrity and interfaces that support financial and procurement transactions - Improved internal controls delivered systemically by UFMS provide edits/defaults to improve productivity, reduce errors and provide documentation/audit trails that can help to identify gaps, weaknesses and thereby reduce fraud, waste and abuse.
3. Reduction in errors in financial and procurement transaction processing.
4. Timely financial reporting - Improved efficiency and effectiveness of the DOJ's financial management and reporting capabilities.

5. Improved efficiency and effectiveness of the Departments funds management - Automated reconciliation and fund control capabilities also improve productivity and minimize risks.

Memorandum for Raymond Beaudet

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6. Increase ability to pay invoices on time.
7. Improved efficiency and effectiveness of the DOJ's asset management.
8. More modern security tools and practices.
9. Reduced audit effort and costs - Long term efficiencies will be realized in the areas of automated financial statement preparation and the financial audit efforts. The decentralized nature of the Department's financial management is the driving force behind the current process of completing component audits that are then rolled up into the consolidated Departmental audit.

Additionally, once FMIS2 needs to be retired, the Department expects to migrate the users of FMIS2 to UFMS. Accordingly we believe the project as a whole is deferred, not eliminated.

Thank you again for the opportunity to comment. If you have questions about this response, your staff should contact Kay Clarey, Director, Unified Financial Management System Staff, on (202) 514-9215 or Melinda Morgan, Director, Finance Staff, on (202) 616-5800.

APPENDIX II

OFFICE OF THE INSPECTOR GENERAL ANALYSIS OF THE JUSTICE MANAGEMENT DIVISION'S RESPONSE TO THE REPORT

The OIG provided a draft of this report to the Justice Management Division (JMD) for review and comment. The JMD response is incorporated in Appendix I of this final report. The following provides the OIG analysis of the response to this report.

Justice Management Division Response

In response to our report, JMD stated that while the facts presented in the report are correct, missing context may lead the reader to an incorrect conclusion regarding the changes in cost estimates for UFMS and the current status of the UFMS project. The response also included statements regarding the cost and schedule for implementing UFMS at the DEA and ATF, as well as performance objectives that are to occur with the implementation of the UFMS at the Department's components.

As discussed in our report, we initiated an audit of the UFMS project to determine whether it was on budget, being implemented according to schedule, and whether its performance would meet expectations. During the audit, the Office of Management and Budget performed a review of the project, and as a result of that review, the Department greatly reduced the scope of the project. Rather than continue our audit after the scope of the project had been greatly reduced, we instead issued this report covering the status of the project. While our work for this report described some enhanced effectiveness that is anticipated through the implementation of UFMS, the scope of our report did not include a final determination on the improvements achieved through the implementation of UFMS as of the completion of our work. In addition, because our audit was focused on the UFMS project as a whole, we did not determine accomplishments at the component level. As a result, we cannot speak to the statements made by JMD in responding to this report where JMD describes the operational improvements resulting from UFMS and the accomplishments at the individual component level. Below we provide our analysis of the JMD response in greater detail.

Analysis of the Justice Management Division Response

JMD's response stated that the 2009 life cycle cost estimate modified the total project cost to \$1.051 billion and doubled the project's life cycle from 10 years to 20 years when compared to the 2002 Cost Benefit Analysis.

In our draft report, we associated a cost estimate completed in April 2010 totaling \$1.041 billion with the 2009 life cycle cost estimate of \$1.051 billion. The April 2010 estimate was lower due to adjustments related to prior work performed on the UFMS project. We have adjusted our final report to reflect that the \$1.041 billion estimate was made in April 2010, rather than September 2009 as it originally read.

The JMD response also stated that the revised estimates were "not driven by project delays, but by the funding stream, which increased the implementation time." As discussed in our report, due to the significant reduction in the scope of the project, we did not complete our audit as planned because we believed that a review of the UFMS project's cost, schedule, and performance would be limited by the scope change. Instead, our report speaks to the cost and schedule of the project, but we did not examine the specific causes of the project delays. As a result, we are not able to comment on the accuracy of JMD's statement regarding the project's delays.

In response to our determination that the possibility for creating a single, unified financial management system for the Department has been eliminated, JMD responded that our report overstated the impact on the UFMS project's vision and understated the value of the project's accomplishments.

As discussed in the report, the scope of the UFMS project no longer includes the implementation of UFMS at the Federal Bureau of Prisons, Office of Justice Programs, or the Department's Offices, Boards and Divisions, where the Financial Management Information System 2 (FMIS2) will continue to be utilized. Additionally, the retirement of FMIS2 is not currently planned, and funding for the migration of the remaining components from FMIS2 to UFMS has not been budgeted. As a result, the objective to implement a single, unified financial management system within the Department has been eliminated at this time. Additionally, if the objective of implementing a single, unified financial management system is pursued in the future, its completion will not only rely on the remaining components being migrated from FMIS2 to UFMS, but will also require that all of the

Department's components utilizing UFMS at that time to be upgraded to operate using the same UFMS version. As this potential objective moves into the future, necessary upgrades to component UFMS systems will be more likely, as well as the costs associated with those upgrades.

Finally, as we did not complete our audit as planned, we were not able to comment on the accuracy of whether UFMS was implemented on time and within budget at the DEA or ATF, or on the achievement of the key positive performance objectives listed in JMD's response.