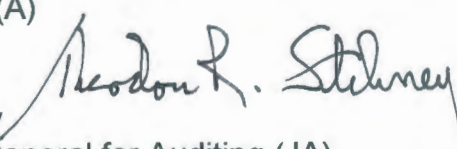




**Office of Audits  
Office of Inspector General  
U.S. General Services Administration**

DATE: February 27, 2015

TO: Denise T. Roth  
Acting Administrator (A)

FROM: Theodore R. Stehney   
Assistant Inspector General for Auditing (JA)

SUBJECT: Challenges Facing GSA's Financial Management Line of Business  
Transition to the U.S. Department of Agriculture  
*Audit Memorandum Number A150049-2*

The purpose of this memorandum is to highlight current challenges to GSA's transition of its Financial Management Line of Business (FMLoB) to the U.S. Department of Agriculture (Agriculture). GSA's FMLoB transition is a complex undertaking involving the transfer of approximately 300 employees, the accounting functions performed by GSA's Greater Southwest and Heartland Finance Centers, and numerous financial systems, including Pegasys.<sup>1</sup> In October 2014, GSA announced that the FMLoB transition would be completed by March 2015; however, GSA has subsequently indicated that the transition may not be completed until September 2016. Although GSA still plans to transfer employees to Agriculture in March 2015, the Memorandum of Understanding (MOU) necessary to authorize the FMLoB transition is not yet in place.

As part of the Office of Inspector General's monitoring of this transition, my staff has reviewed documents provided by the Office of the Chief Financial Officer and has met with senior staff responsible for leading GSA's transition efforts. In conducting our monitoring effort, we have identified three challenges related to the FMLoB transition: planning, documentation, and the completion of the MOU.

**Need for Effective Planning**

GSA must ensure that it thoroughly plans for the FMLoB transition. GSA needs to identify and mitigate potentially avoidable risks and ensure minimal interruption to its financial operations. While GSA has developed initial plans for its FMLoB transition, a careful and thorough reassessment of those plans should be undertaken to ensure that they are comprehensive. For instance, GSA's planning process should include the

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<sup>1</sup> Pegasys is a Momentum-based financial management system. GSA uses Pegasys as its accounting system of record.

development of contingency plans to establish ready-to-employ alternatives in the event that any aspect of the transition does not occur as anticipated. In particular, GSA should assess the resources necessary should it be required to transition from its current Momentum-based accounting system to Agriculture's SAP-based accounting system.<sup>2</sup> Such plans should include an assessment of the effect a possible transition to SAP would have on GSA's day-to-day business processes and financial operations, as well as the Agency's ability to access historical financial data. Further, GSA needs to develop plans for how its financial operations and management will function in the future. This includes developing the policies, procedures, and guidance that identify the responsibilities, authorities, and functions of GSA staff and management, as well as those of Agriculture.

### **Need for Documentation of Key Decisions**

GSA should take steps to document all major project actions and maintain complete records of decision points to ensure accountability and historical reference for future decisions and/or new decision makers. The Government Accountability Office's *Standards for Internal Control in the Federal Government* require that agencies document significant events and maintain documentation for purposes of examination.<sup>3</sup> The documentation should include position papers supporting significant decisions, as well as clear, organized minutes from executive management and working group meetings. The meeting minutes should outline the discussion and rationale for impactful decisions. Sound documentation of key decisions made throughout the transition will better position GSA to address any questions or disputes which may arise.

### **Timely Finalization of the Memorandum of Understanding and Supporting Agreements**

GSA must have an MOU, signed by both GSA and Agriculture, in place before any aspect of the FMLoB transition occurs, including, but not limited to, the transfer of personnel, systems, or Agency functions and operations. In light of the complexities surrounding the FMLoB transition, finalization of the MOU has been an extensive undertaking. To date, an MOU has not been completed and signed into effect. While a preliminary MOU has been drafted, much work remains. The FMLoB transition deadlines are fast approaching with GSA personnel set to transfer to Agriculture by March 22, 2015. Completion of the MOU and other supporting agreements requiring the approval of GSA and Agriculture, such as those surrounding the annual financial statements audit, are integral to ensuring that GSA and Agriculture have a clear understanding of the underlying requirements and responsibilities of each party.

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<sup>2</sup> The draft statement of work between GSA and Agriculture states that if Agriculture is unable to increase its market share as a Momentum Shared Service Provider within 2 years of the FMLoB transition, Agriculture and GSA will begin plans (including transition costs) to migrate GSA onto Agriculture's SAP-based platform. Furthermore, Agriculture will have to first request and obtain approval from the U.S. Department of Treasury's Office of Financial Innovation and Transformation and the Office of Management and Budget before marketing Momentum to additional agencies.

<sup>3</sup> GAO-14-704G, *Standards for Internal Control in the Federal Government*, dated September 2014.



Furthermore, GSA should have a signed written agreement in place in order to exercise the authority it is citing for the FMLoB transition.<sup>4</sup>

Management Comments

In its response, management took no exception to the memorandum. Management comments are included in their entirety in **Appendix A**.

I appreciate GSA's efforts to keep the Office of Inspector General apprised of the status of the transition. I look forward to continuing this open dialogue and would like to thank you and your staff for the courtesies extended to this office. If you have any questions regarding this audit memorandum, please contact me or any member of the audit team at the following:

Rolando N. Goco Principal Deputy Assistant Inspector General for Auditing	<a href="mailto:rolando.goco@gsaig.gov">rolando.goco@gsaig.gov</a>	(202) 501-2322
James P. Hayes Deputy Assistant Inspector General for Auditing	<a href="mailto:jamesp.hayes@gsaig.gov">jamesp.hayes@gsaig.gov</a>	(202) 273-7321
Marisa A. Roinestad Associate Deputy Assistant Inspector General for Auditing	<a href="mailto:marisa.roinestad@gsaig.gov">marisa.roinestad@gsaig.gov</a>	(202) 273-7241
Brian J. Gibson Program Director	<a href="mailto:brian.gibson@gsaig.gov">brian.gibson@gsaig.gov</a>	(202) 273-7278

cc: Adam Neufeld, Acting Deputy Administrator (AD)

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<sup>4</sup> 40 U.S.C. 121(e) gives the GSA Administrator the authority to assign functions to another agency with the consent of that agency.

## Appendix A – Management Comments



GSA Office of the Chief Financial Officer

Theodore R. Stehney  
Assistant Inspector General for Auditing (JA)  
General Services Administration  
1800 F Street, NW  
Washington DC 20415

Dear Mr. Stehney:

This letter is in response to your February 18, 2015 draft memorandum entitled, "Challenges Facing GSA's Financial Management Line of Business Transition to the U.S. Department of Agriculture," (Audit Memorandum Number A150049-2).

We appreciate your report on this effort and the analysis from you and your team. While we agree with some of the findings, we want to note for the record our response to two areas:

1. The memorandum correctly notes the importance of, "document[ing] all major project actions and maintain complete records of decision points to ensure accountability and historical reference for future decisions and/or new decision makers." To that end, GSA and our USDA counterparts have been working for the past several months to ensure proper documentation for maintaining historical records, including documenting nine key decisions through decision memorandums and meeting minutes. As of February 25, 2015, eight of these decision memorandums have been signed by both GSA and the USDA. Enclosed is the list of the decision memorandums.
2. The GSA team has worked with the USDA, external project planning experts, and Senior Management to ensure effective planning for this initiative. This effort includes:
  - a high-level project plan,
  - a detailed project plan for each sub-team,
  - documentation and reporting of key milestones,
  - a regularly updated risk register,
  - a discussion of key risk and mitigation plans,
  - weekly executive reporting, and
  - weekly governance council meetings.

U.S. General Services Administration  
1800 F Street, NW  
Washington, DC 20405  
[www.gsa.gov](http://www.gsa.gov)

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## Appendix A – Management Comments (cont.)

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While we believe there has been significant and effective planning and oversight for this effort, we do agree with the Inspector General's assessment that GSA should develop contingency plans at some point in the future to prepare for the unlikely event that GSA, "be required to transition from its current Momentum-based accounting system to Agriculture's SAP-based accounting system". The joint GSA and USDA leadership team have discussed this concern, and we have agreed to begin more robust contingency planning efforts at a later date if needed, since this unlikely event would not occur for at least two years, if at all.

Again, we appreciate the opportunity to respond to this draft memorandum. We look forward to your final investigative report and findings. If you have any questions please contact me or Jacob Broder-Fingert at (202) 578-1793.

Sincerely,



Gerard Badorrek, CFO  
Chief Financial Officer

Enclosure

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**Appendix A – Management Comments (cont.)**

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Enclosure: List of Decision Memos shared with the Office of the Inspector General

<b>Decision Document No.</b>	<b>Decision Title</b>	<b>Date Submitted</b>
FMLOB-1	Customer Service/Help Desk Decision	01/29/2015
FMLOB-2	IT Requirements (KC Space) Decision	01/29/2015
FMLOB-3	File Room Space (KC Location) Decision	01/29/2015
FMLOB-5	Occupancy Agreements Decision	02/12/2015
FMLOB-4	External Client Agreements	02/23/2015
FMLOB-7	Recruitment Decision Paper	02/23/2015
FMLOB-10F	Parking (Fort Worth) Decision	02/23/2015
FMLOB-6	Federal Occupation Health (FOH) Access for Transferred Employees	02/24/2015

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## ***Appendix B – Memorandum Distribution***

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Acting Administrator (A)

Acting Deputy Administrator (AD)

Acting Chief of Staff (AC)

Chief Financial Officer (B)

Director, Financial Policy Operations (BC)

Chief Human Capital Officer (C)

Chief Administrative Services Officer (H)

Chief Information Officer (I)

Branch Chief, GAO/IG Audit Response Branch (H1C)

Assistant Inspector General for Auditing (JA)