

May 2, 2000

Citizens of Snohomish County

The Performance Audit Division completed their SFG Integrated Financial Management System Review (FCS03-0101-1998).

To comply with the Performance Audit Committee report issuance process, the Performance Audit Committee authorized release of the SFG Integrated Financial Management System Review as reported by the Performance Audit Division.

This report is intended to inform department managers and elected officials, and it serves to disseminate information to the public as a reporting tool to help citizens assess government operations. This report is a matter of public record and its distribution is not limited.

Sincerely,

Bob Terwilliger
Chairman
Performance Audit Committee

**SFG INTEGRATED FINANCIAL
MANAGEMENT SYSTEM REVIEW**
(FCS03-0101-1998)



Snohomish County
Performance Audit Division

Final Report

**Issued to:
Performance Audit Committee**

April 27, 2000

**Issued By:
Performance Audit Division**

April 27, 2000

Performance Audit Committee Members:

This report presents the results of our review of the SFG Integrated Financial Management System used by the County. The primary review objectives included reviews of contracted versus actual SFG System deliverables, a survey of end users to determine if the SFG System achieved reasonable success in meeting identified objectives, and the System's Oracle-based report writer upgrade. The report writer upgrade portion of the review was not completed due to Y2K efforts taking priority over the upgrade; the upgrade is scheduled for completion in 2000.

Due to County official and manager concerns regarding SFG System performance, the County Performance Audit Committee initially approved the review June 1, 1998. Upon completion of the interview phase, the Committee modified and approved the above review objectives May 4, 1999.

We found the SFG System performs its basic accounting functions with the exception of a few components which cannot be completed until a relational database management system (RDBMS) is in place; although user surveys indicated the SFG System was satisfactory in only four of six survey categories overall. The Sybase software originally planned as the System's RDBMS could not be implemented and this influenced other planned component and support software delivery. Also, installation took longer than expected primarily due to System complexities and these further impacted training; users indicated training is still a concern. Further, while SFG performed for the County for nearly three years, it has never been formally accepted, and replacement RDBMS software necessary for custom or ad hoc reporting has not been acquired.

We recommended the County should continue to pursue actions necessary to fulfill the contract requirements specified to make the System complete and then formally accept the SFG System. Also, the delay in system acceptance and project complexity challenges clarified that, as standard policy and practice, the County needs to assign a dedicated, experienced, and formally trained DIS project manager for large-scale, countywide, computer-based project implementation. Further, the County should authorize development of a formal Project Management policy, practice and procedures manual.

We wish to acknowledge the efforts of Ron Knight, DIS and Ken Johnson, Finance, for their efforts to provide data and access to records in support of this review. That type of cooperation was a major factor in the success of SFG System implementation and its performance of basic accounting functions.

The project audit team of Martin Stadel, as lead, and Steven Torrence conducted the review. Such studies provide lessons learned that help make future computer-based system implementations more successful.

Dean L. Ritchhart
Performance Audit Manager



Executive Summary

Background/Approach

In June 1993, Snohomish County began their financial systems replacement project. In March 1996, SFG Technologies Inc. was selected as the prime contractor to assist in the implementation of system software and supporting software operating systems (products). (NOTE: We define implementation as a system/process/software installed, tested, meeting contract specifications and approved.)

A project team was organized to work with SFG with guidance from a Sponsor's Committee comprised of major user department managers. Budget & Finance led the County implementation effort and provided the project manager. Also, "Focus Group Leaders" were responsible to coordinate implementation of specific system modules with technical staff in each department.

In June 1998, the Performance Audit Committee approved an SFG review with the following initial objectives:

- Clarify the status of financial systems development projects (SFG interface with Assessor and Treasurer systems).
- Define interface relationships between the above systems.
- Assess implementation progress and issues.
- Report on actions in progress to address known problem areas, and identify areas requiring additional support.

In May 1999, following a project progress review, the Committee modified the objectives and scope to focus on:

- Contracted vs. actual deliverables.
- Status of the Oracle report writer upgrade
- Survey system end-users to determine whether the SFG system was meeting objectives.

The Assessor/Treasurer interface systems review was delayed. The new interface was being tested and any review would have to occur after testing was completed and it was implemented.

The basic study approach was not an audit, but a review of the SFG management system. However, basic government auditing standards were followed and a review of recent State Auditor findings and management letter reports was part of the scope.



Findings

The SFG System performs its basic accounting functions with the exception of a few components, which cannot be completed until a relational database management system (RDBMS) is in place. The Sybase software originally planned as the System's RDBMS could not be implemented and this influenced other planned component and support software delivery.

Installation took longer than expected primarily due to System complexities and the impact these had on training. Certain System components required more training than anticipated.

In a September 4, 1998 letter to the project manager of SFG technologies, Inc., Snohomish County presented a formal "notice of failure to perform and demand for cure." Issues concerned non-delivery of products and failure to deliver support services as measured by a large backlog of SANs (system action notices). Many of SFG's non-performance issues have not been resolved.

Regarding overall System performance, the implementation team conducted surveys in 1997 and 1999 to identify major user concerns and to address these concerns with training and/or contractor support actions. They found some degree of satisfaction with certain System components and they identified areas of concern, primarily training and technical support.

In 1999, our audit division conducted a user survey which addressed user satisfaction as defined by contract document System benefits. In the six general categories defined by the survey, four received satisfactory ratings. The two major benefit criteria not receiving a satisfactory or better rating were 1) reduction of Resource Costs, and 2) Improved Financial Processes. The two most frequent general recommendations were to 1) correct on-going systems problems, and 2) secure the report writing feature (RDBMS) to improved the System's report generation capabilities; an expected major benefit of the System.

Other municipalities and the State Auditor informed us the SFG System is powerful, worked well, and has good potential. However, these agencies did not experience a comprehensive SFG installation; they only used a few of SFG's components which made their training and implementation challenges much less complex.

While reviewing previous State Auditor reports that noted SFG concerns (required to be done under government auditing standards), we found the Auditor identified an account balancing problem now substantially resolved. Also, there were a number of System-related issues regarding System access and the associated internal control risks; some are still a concern.

Efforts to address SFG's failure to deliver the Sybase RDBMS (and associated problems) have taken over three years with no final resolution. The Performance Audit Committee decided we should not pursue this issue further until they, at a future meeting, determine specifically what steps should be taken.



Recommendations

Our basic recommendations address findings from our investigation of each of the project objectives. In summary, we recommend:

1. Expedite project completion; move quickly toward decisions to secure an acceptable RDBMS software so custom or ad hoc reporting can be achieved, and complete those components which require that software to function.
2. The County should continue to pursue actions deemed necessary to fulfill the contract requirements specified to make the System complete and then formally accept the SFG Integrated Financial Management System.
3. Develop or enhance SFG training programs to ensure users and their designated backups are well trained and help prepare them for future system advances including when a new RDBMS component is secured and becomes operational. Continue to periodically survey users to determine where training is needed and better respond to user needs.
4. Continue to address the internal control issues identified by the State Auditor in management letters and findings reports.
5. For large-scale, countywide, computer-based project implementation, assign a dedicated, experienced, and formally trained DIS project manager as standard policy and practice.
6. Address project management shortcomings as identified by Colin Bottem and his Committee in his report to the County Council in response to Budget Item 8. Consider revising the appropriate County Code which addresses these issues (SCC) 2.350.030, to reflect new policies and practices relative to project management, and finalize a statement of authority and responsibility for the Department of Information Services relative to the management of computer networks, systems, development activities and implementation activities.
7. Decisions on all future major planned projects, involving computer systems or not, should be supported by a comprehensive cost/benefit analysis covering all traditional areas such as technical feasibility, and all costs whether they be contractor or internal costs. Furthermore, such feasibility studies should include an assessment of risks the County faces if the project is pursued and/or implemented; contain alternatives and risk abatement plans; and all should be included in final recommendations to the Council.



Snohomish County
Performance Audit Division

8. The County should authorize development of a formal Project Management policy, practice, and procedures manual. This manual should assist future project managers and staff assigned in performing prescribed tasks according to a pre-approved process.
9. Ensure system training is on-going and comprehensive, and training budgets are adequate for trainers and users to achieve this.
10. If not already done, DIS should formalize and document their current, formal user response process; this process should contain a timeframe for responses and a method to keep concerned parties updated regarding final problem resolution.
11. Consider developing a formal “systems newsletter,” or some similar communication vehicle to keep county employees, system administrators, and system managers even better informed. Focus on positive accomplishments and future plans for improvements, additional training, enhancements, etc.

Table of Contents

Management Letter.....	ii
Executive Summary.....	iii
Background.....	1
A. The SFG System.....	1
B. The Implementation Project.....	1
C. Events Leading to this Project.....	3
Approach.....	5
A. Diagnostic Investigation.....	5
B. Government Auditing Standards Applied.....	5
C. Field Work/Investigation.....	8
D. Reporting.....	9
Findings.....	10
Objective 1 – Clarify the Status of the Project to Implement SFG.....	10
Objective 2 – Assess Status of Contract Compliance Issues and Problems.....	12
Objective 3 – Assess Implementation Progress and Issues	13
Objective 4 – Identify Areas Requiring Additional Support.....	18
Other Observations.....	20
General Findings and Conclusions.....	20
Recommendations.....	22
1. Overall Status of Systems Implementation.....	22
2. Status of Contract Compliance Issues and Problems.....	22
3. Implementation Progress and Issues.....	22
4. Additional Support.....	23
5. Other Issues.....	23
Department Comments/Responses	25

Attachments

- A. Snohomish County Contract Costs (1 Page)
- B. Sybase Chronology (7 pages)
- C. DIS Memorandum to SFG, September 4, 1998, Notice of Failure to Perform and Demand for Cure (2 pages without attachments)
- D. Performance Audit Division SFG User Survey (User Respondent Statistics) (10 pages.)
- E. DIS Memorandum to Martin Standel, Performance Audit Division, April 12, 2000, Review of Final Draft Report of SFG Status Review
- F. Budget & Finance email from Dan Clements to Martin Standel, Performance Audit Division, April 14, 2000, 8:24AM, RE: Review of Final Draft Report of SFG Status Review
- G. SFG Audit – Revised Executive’s Response (Dated June 23, 2000)



Background

This section contains basic information about the SFG System Project and events that led to review of the Project's implementation status and activities.

A. THE SFG SYSTEM

The SFG System is an Integrated Financial Management System developed under contract by SFG Technologies (U.S.) Inc. to provide financial and accounting information for the County. The system is comprised of hardware and software modules to include System Security, Payroll, Human Resources, Cost Accounting, General Ledger, Accounts Payable, Purchasing, Bid Management, Accounts Receivable, Fixed Assets, and Client View (200 users licenses). The implementation contract with SFG also requires documentation, support and maintenance services, which can be extended on a year-to-year basis at the County's sole option. (NOTE: We define implementation as a system/process/software installed, tested, meeting contract specifications, and approved.)

Third party products (per the contract) were to include a Budget Preparation module to be provided by Budget Technologies Inc. (BTI), and seven system support software products including IQ for Windows, AcuCobol & Acu4GL Runtime, Sybase Runtime RDBMS & Open Client, UniQue and UniBatch, and IQ SmartServer.

B. THE IMPLEMENTATION PROJECT

In June 1993, Snohomish County began their financial systems replacement project, and by November 1993, a project charter and plan was completed. During 1994, a Request for Information (RFI) was developed and several vendors were invited to present proposals to the County. During 1995, the Request for Proposal (RFP) was distributed and evaluated, and the top three vendors were "short listed." Following onsite evaluations, SFG Technologies (U.S.) Inc. was selected, and a five-year contract was negotiated.

The contract, in the amount of \$1,423,069, was approved by the Snohomish County Council and signed on March 27, 1996 by the Deputy County Executive. Also on that date, the Finance Director signed a Maintenance Agreement between Snohomish County and Budgeting Technology, Inc; the fees for these maintenance services (\$149,629) were included in the contract amount shown above. The County Council initially approved \$1.83 million for all project costs, including hardware costs, and the 1996-1998 budget allocations totaled \$1.86 million. (See Attachment A)



As of October of 1999, per Finance, the estimated System implementation expenditures were \$1,687,904 for contracted services. This compares to an initial appropriation (by the Council) of \$1,826,969. The three-year budget allocation for this project was \$34,826 less than this expenditure. These amounts include costs for software, hardware, services, travel, printing and more, but do not include labor costs of county employees involved in implementation. System implementation has extended over a three and half year period and still is not yet complete.

To operate the software, the County purchased two HP9000 Unix servers, one to serve for the production system and the other for testing and training. The costs for this hardware were included in the County appropriation.

The project objectives, goals, system components and features, performance specifications, contractor services and other contracted products were defined in the contract between Snohomish County and SFG Technologies Inc. As prime contractor SFG was responsible for the performance of “sub-contractors” such as Budgeting Technologies Inc. who, through a contract with SFG, were required to support project development services and for the delivery of products specified in the contract through those product providers.

Project management was originally defined within the contract (Section 5.0 Project Administration) in terms of roles and responsibilities for the contractor, their assigned managers and technicians and for County individual managers, committees, and implementation teams. The basic reporting groups defined under Section 5.1 for Snohomish County were the:

- County Executive (County Executive and Deputy County Executive)
- Sponsor’s Committee (Managers of selected major departments)
- Project Team (Project Manager and Focus Group Leaders)
- Focus Groups (Twelve groups with 80 members)

The SFG System implementation process was guided by a County Steering Committee of select department directors and an Executive Office representative. They met monthly to receive project progress reports, approve or modify actions brought before it, and advise the Project Team on direction and strategy. Committee members included, Joni Earl (Executive’s Office), Bridget Clawson, (Human Resources), Dan Clements (Finance), Peter Hahn (Public Works), Bill Harper (Facility Management), Robin Trenbeath (DIS) (replaced by Colin Bottem following Robin’s departure from county service), and Dave Waggoner (Airport).

Project management and implementation was spearheaded by the County’s Financial Department to ensure the project management lead was a financial expert and had the necessary accounting knowledge to aid in financial system implementation.

The Project Team consisted of eight County employees (experts in their functional areas) who were aided by Focus Groups formed from each functional area. At the peak of activity, late



summer and early fall 1996, nearly 80 employees from all departments were involved in Focus Groups, and the County began system implementation in 1997.

The basic reporting groups for the contractor (SFG Inc.) were:

- SFG Executive (President and Vice President)
- Project Team (Ten technical/management personnel including a Project Coordinator)
- Software Team (Five software product managers)

Primary day-to-day management and coordination of communications between County organizations was performed by the Project Manager (PM), Ken Johnson of the Budget & Finance Department. For SFG Inc., the Project Coordinator (PC) initially was Nancy Todd, but due to staff turnover, SFG replaced their Project Coordinator four times during the implementation process.

C. EVENTS LEADING TO THIS AUDIT PROJECT

In June 1998, the Performance Audit Committee reviewed a number of candidate projects for the Performance Auditor's first annual audit plan. Based upon a formal countywide risk assessment, the Performance Auditor recommended a list of 14 potential projects. Two of these recommended projects (taken directly from the risk assessment report) were:

- "Analyze Status of SFG System Implementation. Focus on Payroll component, and system training. The number 1 concern of most departments is the inordinate resource demand with strains on staff moral. Data accuracy is also a concern. Since problems are known to exist, the emphasis of the study would be on identifying solutions and improvements in current trouble-shooting procedures."
- "Audit Computer Systems Project Management Practices, including authority and responsibility roles during all phases of systems life-cycle. Emphasize consultant contract management processes."

Besides the information provided in support of the above projects, some Committee members expressed concerns about the overall status of implementation activities on other financial systems such as the Assessor's tax collection conversion system and the Treasurer's cash/Investment management system. These concerns led the Performance Audit Committee to authorize a general review of the SFG system's implementation status.

The Committee initially identified the following project objectives. Titled the "Financial Systems Development Status Review," its objectives were:

- Clarify the status of financial systems development projects (all systems involving the accounting and reporting of the financial status of all accounts) that are either currently



in the implementation phase, or have not met all major product or schedule performance goals per design specifications or contract terms.

- Define the interface relationships between these (above) systems.
- Assess implementation progress and issues.
- Report on actions in progress to address known problem areas.
- Identify areas requiring additional support.

On September 1, 1998, the Performance Audit Committee added two new projects to the annual audit plan with higher priorities than the SFG review and instructed the Performance Auditor to drop the SFG review to fourth on the project priority list. This change in priority coupled with a reduction of staff resulted in a reduction of audit effort for a short period.

On May 4, 1999, following a review of SFG project status and findings to date, the Performance Audit Committee modified the project scope. Based on initial findings, the Committee approved a change of project focus to concentrate on the following: a review of contracted vs. actual deliverables; a review of the Oracle based report writer upgrade; and a survey of end users to determine if SFG achieved reasonable success in achieving identified objectives. The Committee also postponed a review of the status of the Treasurer's and Assessor's systems as identified in the original project scope since those systems' development were being delayed.



Approach

This section discusses the approach used to meet study objectives.

A. DIAGNOSTIC INVESTIGATION – NOT AN AUDIT

The Performance Audit Committee authorized that we conduct a diagnostic and fact-finding review. Information was gathered through interviews with systems managers and selected Focus Group members, and by reviewing Project documentation provided by the interviewed managers and the System Project Manager. This approach, while not considered a performance audit, still required a complete review of contract deliverables and full understanding of county code. The study was conducted in accordance with generally accepted government auditing standards, and the approach used to meet these standards and the study objectives is described below.

To gain a perspective on how other municipal SFG System users addressed implementation, we interviewed the Computer Services Manager and Internal Auditor from the City of Everett, an Accounting Supervisor in the City of Bellingham, and a Financial Manager from the Kittitas County Auditor's Office. We also talked with two representatives of the Washington State Auditor's office who were familiar with SFG implementation activities through their SFG auditing assignments and who had knowledge of other Washington State agencies that installed selected SFG System components.

To meet the end-user survey objective, we designed and distributed a confidential questionnaire that addressed user satisfaction, system strengths, system problems, and ideas for enhancing system effectiveness. The Department of Information Services provided us with documentation on a SFG system user survey they conducted earlier which was designed to identify areas for user training improvements. Also, documentation included an executive summary of an SFG Financial System Survey done in 1997 by System project management. Our findings incorporated conclusions from all surveys.

B. GOVERNMENT AUDITING STANDARDS APPLIED

Snohomish County Code (Chapter 2.700.020) states all performance audits and or reviews be conducted in accordance with government auditing standards. Per Division policy, this review adhered to Government Accounting Office standards concerning procedures to develop findings and for communicating results with responsible managers and officials.



The primary auditing standard that was applied regarding findings was Standard 6.49. The standard states, “audit findings often have been regarded as containing the elements of criteria, condition, and effect, plus cause when problems are found. However, the elements needed for a finding depend entirely on the objectives of the audit.”

Thus, a finding or set of findings is complete to the extent that the review objectives are satisfied and the report clearly relates those objectives to the finding elements. Unlike an audit finding, a review finding is a statement of a condition and/or conclusion, which may not necessarily imply a problem exists, or some corrective action must be implemented.

B1. General GAO Standards

We conducted our review in accordance with generally accepted auditing Standards and the Government Auditing Standards issued by the Comptroller General of the United States (1994 Revision). This included the responsibility of reviewing previous subject audits that pertain to the review being performed. Those standards required we plan and perform the review to obtain reasonable assurance the SFG System provides the critical financial controls and oversight Snohomish County requires.

B2. Investigation Criteria

To meet review requirements, we identified specific criteria and express that criteria in the form of questions. These questions summarized specific objectives identified and approved by the Performance Audit Committee. Our findings relate to those questions.

The questions have been modified to reflect revisions and approved Committee changes to the original objectives and scope. As an example, the objective to review the interface between the Assessor, Treasurer and SFG system needed to be postponed until after year 2000 as Y2K issues took a higher priority. Our review covered the following four objectives:

1. Clarify the Status of SFG Implementation.
 - What is the overall status of the project?
 - What system components/products have been installed/delivered?
 - What system components or products have yet to be installed or delivered?



2. Assess Status of Contract Compliance Issues and Problems.

- Were major milestones generally met during the project?
- What is the status of contract compliance?
- What issues/problems are being addressed?

3. Assess Implementation Progress and Issues.

- What progress has been made to resolve the issues/problems identified by County Project Manager or the State Auditor? What actions have been taken?
- How well is the system performing?

4. Identify Areas Requiring Additional Support.

- Need for user training.
- Project Management practices.
- Educate for ongoing challenges.

Note: Our review of the Oracle-based report writer upgrade could not be completed. Oracle software is being considered as a replacement for the Sybase software that failed to meet contract specifications, but replacement efforts have slipped to early 2000 due to high priority Y2K concerns. The Performance Audit Committee at their August 5, 1999 meeting, felt the Sybase implementation history chronicled serious enough concerns that they will consider a Sybase review during 2000 and instructed the audit team not to pursue further investigation of contract compliance issues relative to the Sybase RDBMS (relational data base management system). As a result, our response to question 2 above will be incomplete. (See Attachment B)

B3. Findings – Previous Audit Reviews

As part of our compliance with Government Auditing Standards, we reviewed “known material findings and recommendations from previous audits...” (*Government Auditing Standards*, June 1994, pg. 34). A few significant items from recent Washington State audits relating to SFG implementation and use are discussed in the Findings Section of this report.

B4. Report Review/Comment and Distribution

This report is intended initially to provide information to the County Executive, County Council, and to Department Directors. All of this report is a matter of public record and distribution should not be limited. **However, Confidential information is not public record and shall not be distributed.** Information extracted from this report may serve as a method to disseminate information to the public as a reporting tool to help citizens assess government operations. All



audit division reports are reviewed internally by responsible managers and officials and their formal written responses are incorporated into final reports as both a policy of the performance audit committee and government auditing standards. (GAO Standard 7.38).

C. FIELD WORK/INVESTIGATION

The review included a study of existing agreements between Snohomish County and SFG including contractors involved in the project. This included identification of implementation milestones and output (system component) design criteria; comparing performance milestones to actual and identifying any shortfalls. We reviewed training and implementation activities; contractor coordination and performance; and reviewed financial reporting output and compared the results with the contract specifications. Also, we asked users whether the SFG system increased or decreased their need for so “ghost systems” or secondary and independent reporting systems; whether the system was meeting expectations; and whether SFG Inc. provided timely support in correcting system performance problems.

The review examined major activities which supported implementation of SFG Inc’s Integrated Financial Management System. Methodologies included:

- Review of the Code of Federal Regulations, Revised Code of Washington, and Snohomish County Codes. (Contract Management/Compliance)
- Review of the SFG System contract. (Contract/System Objectives, Deliverables, and Services)
- Review of documents developed by the Project Manager and others involved in implementation.
- Survey of SFG System end users.
- Reviewing previously conducted surveys (1997 and 1999) to identify training needs and better understand user satisfaction with the system.
- Review of department policies/procedures regarding SFG System maintenance and use.
- Interviews of selected County officials, managers, and SFG System end users.
- Interviews of managers and auditors in three other Washington municipalities who installed selected SFG system components.
- Interviews of Washington State Auditor’s Office representatives regarding their recent SFG audits and their impressions of the System’s potential benefits.
- Review of the Monthly Management Status Reports as identified in the SFG Contract, Section 5.3 PROJECT REPORTING, page 131.
- Reconciliation of actual funds paid by the County for the SFG System versus the contracted amount. (Amounts reviewed were provided by County managers and unaudited).



Snohomish County
Performance Audit Division

D. REPORTING

After completing our initial reviews and interviews, we developed a draft report of preliminary findings based upon information provided. Included in that draft report were preliminary conclusions regarding the significance of the findings. This report was distributed to DIS who in turn sent copies to the managers actively involved in either project management or system implementation for their review and comments. Based upon their responses, we made revisions where appropriate.



Findings

This section presents our findings related directly to the project objectives and review questions as defined earlier in this report's background section.

Objective 1: Clarify the Status of SFG Implementation.

❖ **What is the overall project status?**

The SFG system has been installed, but not completely implemented. Components that are not operational such as the Bid Management and Fixed Asset modules are not essential to the System's ability to provide basic accounting and financial information. The Human Resources module was operational, but had a critical security access problem that allowed any module user access to all information. SFG's Y2K software release 4.2.1 installed 3/18/99 apparently fixed the problem, but the module wasn't security tested until 11/09/99 due to SFG failure to notify the County of the fix. However, until the RDBMS (relational data base management system) is corrected, installed and operational, the System does not have the ability to generate all needed custom reports and components with the ease of use that was anticipated.

A spreadsheet provided by Finance identifies "all payments expended out of the financial system replacement project budget account" as totaling \$1,687,904 and notes this amount to be under the original appropriation by \$173,826 but over the three year budget allocation by \$34,826. An acceptance milestone payment of \$58,101 to SFG has yet to be made.

❖ **What system components/products have been installed/delivered?**

The following contracted components have been delivered and are being used:

Application Software:

- System Security
- Payroll
- General Ledger
- Accounts Payable
- Purchasing
- Accounts Receivable



- Cost Accounting
- Client View
- Budget Preparation (third party product)

Operating Systems Software: (SFG Provided)

- AcuCobol & Acu4GL (K420 and K200)

❖ What system components or products have yet to be installed or delivered?

The following contractual components are not installed or operating:

Application Software

- Bid Management (eliminated; did not function according to specifications)
- Fixed Assets (to be developed using Sybase RDBMS which failed to deliver per contact)

Operating Systems Software: (SFG Provided)

- Sybase Runtime RDBMS & Open Client (K420 and K200)
- IQ for Windows (As of September 4, 1998)
- IQ Smart Server (As of September 4, 1998)
- UniQue and UniBatch (As of September 4, 1998)

NOTE: A number of the operation software products were last-minute purchases and included no documentation or training. Their functional purpose was to allow reports and other processes to be invoked by DIS Operations staff through an automated method similar to that commonly done on a mainframe, i.e. Batch Processing. DIS understands they are functional products, but until recently, client departments have not requested DIS to run reports or had processes that necessitated use of the products. (Client departments have chosen to run reports and processes from their desktops – as the system was designed to do.) DIS is planning to try using UniQue and UniBatch in the near future, since the number of requests to have them run processes and reports is now increasing.



Objective 2: Assess Status of Contract Compliance Issues and Problems.

❖ Were major milestones generally met during the project?

The contract called for some software products to be operational or “live” by January 1997 while four components (Bid Management, Service Requests, Fixed Assets, and Budget Preparation) were targeted to go “live” by May 1, 1997. Some components did not go “live” by the target dates and although many are used, formal component approval and sign off by Project Management has not been accomplished. Whether any of these delays caused significant costs or contractual remedies to be sought by the County may be reviewed as part of a Performance Audit work plan to be developed by the Performance Audit Committee.

❖ What is the status of contract compliance?

In a September 4, 1998 letter to the SFG Technologies, Inc., Project Manager, Snohomish County put forward a formal “notice of failure to perform and demand for cure.” Details of the claim of non-performance and a schedule of extra costs the County had incurred trying to “work around” software or system performance problems were attached as was a listing of over 50 formal software action notices to SFG on unresolved software issues. Of most concern to the County was the listing of seven SFG products which, at that date, were not being used for various reasons. (See Attachment C)

We were provided only one other document on this matter, an April 6, 1999 letter from SFG’s VP of Corporate Development to Ken Johnson, Snohomish County’s SFG Project Manager. In the letter, a number of offers for discounts were presented. We are not aware of the County’s response to this “offer”. While we were told communications occurred between the County Council and County Executive offices, we were not provided any documentation which supports this statement.

To date, the County has not formally accepted the SFG System’s major modules and other supporting software. In addition, consulting fees along with implementation milestone payments have been withheld.

❖ What issues/problems are being addressed?

The following major issues with system implementation and consultant product/service delivery were relayed to us and were addressed by County managers and officials.

- Contractor performance; delivery of products.
- Contractor performance; responsiveness to contract support service requests.



- User training and response to related support requests (County resource and contractor issues).
- State auditor findings/issues: account balancing; system security and internal controls.

Objective 3: Assess Implementation Progress and Issues.

❖ **What progress has been made to resolve the issues/problems identified by County project managers or the State Auditor? What actions have been taken?**

In September 1997, the Financial System Project Team noted they were working on “identifying and resolving issues related to acceptance of the SFG system.” As of November 18, 1999, the SFG System “major modules have not yet been formally accepted.”

Contractor performance; delivery of products Project Management identified issues with the delivery of SFG core financial software in March 1996. Since that time (3 years and 8 months) there have been over 40 communications (mostly internal) regarding software delivery and performance issues. To date, total resolution of these issues has not been achieved.

Contractor performance; responsiveness to contract support service requests A formal process for addressing software questions and problems was established in the contract. Each issue was documented and communicated with the SFG Project Coordinator who passed them on to SFG’s technical staff for resolution. At the time of the County’s September 4, 1998 letter to SFG (notice of failure to perform), there were over 50 unresolved SANs (software action notices). The project management documentation we received does not contain information to confirm that these issues were eventually resolved. We have no information on whether there are still outstanding SANs or whether that communication process was terminated following substantial installation of system components.

The following items also address the issue of SFG’s performance regarding service delivery.

- SFG Survey Response (June 9, 1997); “Instruction from SFG rep was below average...not very well sequenced.”
- SFG assigned four different project coordinators during the first two years of the project.
- Performance Auditor Survey Responses (June 11, 1999): “problems do not have “...a sense of time urgency from internal staff plus SFG in addressing



on-going SFG concerns;" "when we have problems ... response time for a fix from SFG takes months;" and no surveyed user felt SFG System response was better than satisfactory and 45 percent felt it was worse.

User training and response to related support requests County project managers have attempted to improve training efforts. The Focus Groups and their leaders worked diligently to deal with the challenges presented by the System's complexity of the System and the shortcomings of the "train the trainer" approach used by the contractor. There are several references in the documentation regarding the shortage of resources to support the level of training effort needed by all County System users.

Project implementation management and individual department heads may not have fully recognized the broad diversity of computer experience individuals possessed or the dramatic cultural impacts imposed by the SFG financial system; this may have resulted in more implementation problems.

The following observations and user comments address the training issue:

- The SFG Financial System Survey, June 9, 1997, noted training concerns:
 - "More testing/training should have occurred prior to going 'live.'"
 - "Training classes were too unstructured..."
- An April 1999 survey of the SFG System noted:
 - "We need more reports and training"
 - "Would like training for new users"
 - "Need more training."
 - "Training was inadequate" and "training on the system itself was minimal at best."
 - "A need for "more training for new staff/users."

While initial training for employees was planned, there was such a disparity of computer knowledge among users that thorough SFG System training was difficult. Also, formal training programs (with certification) for replacement employees and refresher training for users on the SFG System were not developed to ensure current end users received all necessary training.

State auditor findings/issues: account balancing; system security/internal controls.

As part of our compliance with Government Auditing Standards, we reviewed "known material findings and recommendations from previous audits..." (*Government*



Auditing Standards, June 1994, pg. 34). The Washington State Auditor's Office recent audit reports noted problems related to SFG implementation. Four significant items (Concerns) from Washington State audits relating to SFG implementation and use follow:

Concern 1: The Washington State Auditor's Office Schedule of Audit Findings for Snohomish County January 1, 1997 through December 31, 1997 noted "...the General Ledger for outstanding warrants payable was at least \$1,840,886 more than the total on the listing of warrants outstanding." The cause of this condition was stated as, "The County converted to a new financial software (SFG) on April 7, 1997. Controls were allowed to lapse because of the time involved with this conversion and problems with automating the warrant redemption process for payroll."

Current Status: The State Auditor noted the County resolved controls on the warrants themselves (paper copies) with better management and physical controls.

Concern 2: During the Washington State Auditor's EDP General Control Review of Snohomish County, dated August 13, 1997, also noted a "high risk situation by the County," in that "...all of these individuals have access to the produced warrant run. Though the system has the capability to provide limit [s] on the maximum amount of any single disbursement, this limit was not operational. "Regardless of what option is developed the County should demand that SFG immediately resolve the 'bug' that keeps the security level control from functioning properly as described above."

Current Status: The State Auditor noted the County resolved much of the warrant problem. The "high risk situation by the County" has been resolved. "The high risk situation referred to was that accounts payable staff (6 employees) had incompatible menu picks on their SFG screens. These menu picks authorized them to approve invoices, generate warrants and modify the vendor master table. Once the situation was reported in the management letter, Finance reorganized the menu picks." Two employees were "authorized to modify the vendor master table and generate warrants. The ability to approve invoices was removed. The other AP staff was authorized to approve invoices. Removed from their screens was the ability to modify vendor master records and generate warrants." (Memo, October 8, 1999, Information Request – Integrated Financial Management System Project)

Concern 3: The Washington State Auditor's management letter to the County, September 25, 1998, noted regarding SFG Accounts Payable systems browsers, that although they were "supposed to be protected by security level privileges...three of the five workstations tested allowed the user to change data using the system's



A003M paid Invoice Master File Browser program.” “Accordingly, we consider this uncontrolled access to the browser programs a significant risk to the County...” Problems with payroll system browsers and data entry were also addressed. Further, DIS noted, “we all agree that having the ability to make changes in this manner at all is unacceptable, and DIS is pursuing better methods with SFG.”

Current Status: The State Management Letter, September 2, 1999, notes “the County has made significant improvements in controlling Browser access,” but suggests management still consider two additional Browser controls.

Concern 4: During the 1997 and 1998 audits the State Auditor discovered that cash accounting to the County’s General Ledger had not been reconciled to Snohomish County Treasurer’s records, called the “Cash Book” at year end. Timely reconciliation of cash was also noted in their audits of 1995 and 1996. The State Auditor noted that “Reconciling cash became more difficult in 1997 when the County converted to a new financial software system (SFG) on April 7, 1997. Because of the time required for this conversion, the County’s decision to proceed without adding additional support staff and its unfamiliarity with how all transactions are posted to the cash accounts, it was significantly delayed in finding and identifying all the differences between the General Ledger and actual cash recorded in the County Treasurer’s ‘Cash Book’.”

Current Status: “During the current audit, after spending considerable time working with the Finance Department on this issue, we [State Auditors] confirmed that cash was reconciled from the General Ledger to the Treasurer’s Cash Book. The County’s Finance Department staff put forth a tremendous effort to reconcile cash as of December 31, 1998.” (State Auditor Management Letter to Snohomish County, September 2, 1999) The County is now making efforts to reconcile cash every month.

❖ How well is the system performing?

User Surveys

Several surveys were conducted during the implementation process, the first, the SFG Financial System Survey (June 9, 1997), was conducted by the Budget & Finance Department and later, a follow-up survey (April 1999) was completed. General Budget & Finance Department 1997 survey results from their 107 System user responses follow:

Areas of greatest relative user satisfaction were System Response Time, Quality of Information, Quantity of Information, Focus Group Leaders Help Call Support, Printing, and Ease of Inquiry. Areas less favorable were Personal Productivity,



Reporting, and online Help/System Documentation. On the System report issue, there was a survey rating of 2.67 (scale of 1-5) perhaps best summarized by one comment that "...attention ought to be paid to concerns over reporting (especially ad-hoc reporting)..." Overall ratings were 3.14 on a scale of 1-5 which can be interpreted to mean users view the System as satisfactory.

The results of the April 1999 survey showed ratings numbers for the various System components did not fluctuate much between this survey and the one taken two years earlier. Overall satisfaction went up slightly for two components, went down slightly for two, and the others rated about the same. Individual user comments were documented and responses were distributed by System managers back to the users.

The Performance Audit Division conducted a confidential user survey in July 1999. Our survey was designed to address users' perceptions about how well the System was performing using 34 benefits (reduced to six categories) as identified in the SFG contract document. Responses of the 30 user respondents showed a general satisfaction with most System aspects. For the six survey categories covering the 34 benefits, satisfactory or better ratings were scored by 50% or more of the users on all categories except "Reduction of Resource Costs". Also of note, 39% of those responding said the System is less than satisfactory in improving financial processes. (See Attachment D)

The two areas users said still needed improvement were 1) on-going System problems need correcting and 2) a better report writing capability is needed. On the latter issue, many users said they had to transfer data from SFG to their own custom report writers to generate a number of needed reports.

Comments had a broad range.

- "Has reduced some input time, mainly in accounts payable and purchasing. It is very helpful to prepare and post entries directly to General Ledger and be able to run reports that reflect entries just posted."
- "The System has the capability to do much more than the old System. Decentralizing and job costing are extremely helpful to the County."
- "The System has a lot of flexibility...however, the System is not as user friendly as others I have worked on. If you know a lot about how the System works, it is easier to understand and deal with problems that occur."
- "...the System [seems] to be more cumbersome for the end user than previous, in fact, due to required balancing of multiple off-line systems, timeliness and effort are probably slightly worse than with LGFS (County's previous financial System)."



While all surveys subjectively evaluated are subject to criticism for not being objective, the way the County's managers analyzed the specific comments resulted in learning and allowed better focus of training efforts.

Outside User Comments

The State Auditor's August 1997 report noted "The SFG acquisition has managed to provide reasonable assurance that the project accomplishes the business objectives of the County" and the System continues to perform today. Management letter comments and findings relative to SFG performance are being addressed. While their focus is more on internal controls and system management and administration, and not on technical deficiencies with system component programs, issues like access control and cash balancing are being addressed with enhanced internal controls and improved training.

Other state municipalities that have installed some of the SFG components expressed general satisfaction with its performance. However, none interviewed installed nearly as many components and Snohomish County performed more component integration than other outside users. We conclude this made training somewhat less difficult for these other agencies.

Objective 4: Identify Areas Requiring Additional Support.

❖ User training.

Many users learned how to use various System components with some formal training, but follow-up training was often by a "trial and error" method. In some cases, Focus Group leaders and others developed support systems using Access and other application software to accommodate their needs. As turnover occurs and when people are promoted or change jobs, their replacement may or may not receive proper training. Also, there are no routine "retraining" sessions to test skills and help those who reached learning plateaus move to the next level.

Following installation of the selected RDBMS System (replacement for Sybase), another series of comprehensive training sessions will be needed for current users and others who may become involved with ad hoc financial reporting duties.

❖ Project Management practices.

The concern about project management practices has been expressed by managers, elected officials, the Executive's Office and the County Council. Efforts made by Colin Bottem and the discussion group he assembled to address the Council's Budget Note 8: Failed/Flawed Projects, did address key project management issues. Many of the same



management problems identified in Mr. Bottem's April 21, 1999 memo to the Council's Operations Committee were observed in the SFG project.

For example, not having a highly experienced and trained full-time project manager, dedicated and strongly supported, can lead to less than satisfactory implementation results. This comment is not an individual criticism, but rather "a failure of the County to recognize this need," paraphrasing Mr. Bottem's comments to the County Council.

Furthermore, in support of Mr. Bottem and his Committee's memo, appropriate changes should be made in County code that address the full range of project management issues ranging from a revised statement of project management authority and responsibility down to more specific directives dealing with his group's recommendations.

❖ **Educate users for ongoing challenges.**

When a large number of employees are involved with significant systems issues there exists a wide range of perspectives based upon individuals' experience and training; the systems and data each user primarily works with; their patience and tolerance regarding the inevitable implementation frustrations, the continuing rate of system change, and more.

Consequently, user comments leave both positive and negative impressions. For those having time to sort through these comments and try to objectively assess their real meaning, two positive things can result. First, one can learn what is being done right, and one can learn what is wrong, which provides the opportunity to fix it.

To fight negative impressions many users get, continuing communication efforts should be made to address the facts. Where it exists, progress should be noted and specific plans to address problems (for example new and more comprehensive training programs, new software capabilities, etc) should be spelled out. Specifics on future changes such as added features/capabilities or plans for new software (for example the relational data base software to improve ad hoc reporting) should be communicated.

Also, for those who work hard to make system and components work well, there should be recognition and some reward. An enhanced, periodic communication process, perhaps similar to the "What's Happening" SFG System implementation newsletter might help better educate and reward system users, or perhaps broader use of a web page format. Further, it might aid ongoing user training efforts.



Other Observations

During the review, we noted difficulties the County had with the contractor relative to securing workable relational database management system software. Performance Audit Committee requested this issue be postponed until it can be presented to them at their January meeting for reconsideration as a new audit.

During our review, we requested project management files from project inception until transfer to DIS. After the "Findings Report" was issued on October 14, 1999, noting missing management files from November 7, 1997 through August 13, 1998, we were provided the remainder of the project management files.

Also during our study, we became aware of the County's Monthly Budget Report. This report, as is formatted, developed and distributed, is not easily understood by the average user and cannot be quickly reconciled to the County's 1999 adopted budget. This may provide misleading information of the County's actual expenditures and revenues. The County's Assistant Finance Manager informed us that this concern is being addressed.

GENERAL FINDINGS AND CONCLUSIONS

As a result of our investigations, we concluded:

- A. The SFG system performs its basic accounting functions. Components that are not operational such as the Bid Management, and Fixed Asset modules are not essential to the system's ability to provide basic accounting and financial information. However, the lack of a workable RDBMS software (report writing and data base management) places serious limits on the expected and needed system capabilities. The County's relative success with implementation thus far does detract from the fact that all contract terms for system implementation have not been met.
- B. Since implementation was begun in 1997, SFG provided the County reasonable computer-based financial service. As the State Auditor noted, "The SFG acquisition was managed to provide reasonable assurance that the project accomplishes the business objectives of the County."
- C. Although often frustrated by the SFG System's complexities throughout its implementation process, the efforts demonstrated by the Budget and Finance Department, Department of Information Services, and all Focus Group members ultimately made the SFG System workable.



- D. The SFG System's flexibility allows it to handle the County's "real time" payroll system and provide basic financial data. However, the System's potential to achieve other planned capabilities cannot be achieved until such time as a workable relational database system is operational with key users trained. At such time, more custom reports can be generated to meet the needs and expectations of all levels.
- E. SFG Technologies Inc's performance as the prime contractor did not meet the County's expectations in spite of considerable modification efforts and trying to "work around" technical issues. The issues raised by the County in their September 4, 1998 letter to SFG regarding non-performance still have not been resolved to the County's satisfaction.
- F. The complexity and ultimate resource needs for user training were not anticipated. The overall approach to training users (train the trainers) was not as effective as hoped for and caused users much stress and frustration.
- G. During the implementation process, there appears to be some voids in the intensity of project management and coordination activities. While perhaps caused in part by layoffs, which occurred at the beginning of the SFG implementation, and which, according to SFG's project manager, happened in a number of departments, especially those that provide central service, this hindered implementation. Although there appeared to be a higher priority to retain certain staff, a full-time project manager would have been beneficial to System implementation success.



Recommendations

Recommendations are presented in response to overall findings from investigations relating to each project objective and specifically in response to the objective of “identifying areas requiring additional support.” Since several contact deliverables did not perform per specifications or were not provided, the System has not yet been officially accepted. Our recommendations in this area relate to completing the necessary tasks to formally accept the SFG system, negotiate with SFG in finding acceptable alternatives, and where necessary, make the County whole.

Overall Status of System Implementation

1. Expedite project completion; move quickly toward decisions to secure an acceptable RDBMS software so custom or ad hoc reporting can be achieved, and complete those components which require that software to function.

Status of Contract Compliance/Issues and Problems

2. The County should continue to pursue actions deemed necessary to fulfill the contract requirements specified to make the System complete and then formally accept the SFG Integrated Financial Management System.

Implementation Progress and Issues

3. Develop or enhance SFG training programs to ensure users and their designated backups are well trained and help prepare them for future system advances including when a new RDBMS component is secured and becomes operational. Continue to periodically survey users to determine where training is needed and better respond to user needs.
4. Continue to address the internal control issues identified by the State Auditor in management letters and findings reports.
5. For large-scale, countywide, computer-based project implementation, assign a dedicated, experienced, and formally trained DIS project manager as standard policy and practice.
6. Address project management shortcomings as identified by Colin Bottem and his Committee in his report to the County Council in response to Budget Item 8. Consider revising the appropriate County Code which addresses these issues (SCC) 2.350.030, to reflect new policies and practices relative to project management, and finalize a



statement of authority and responsibility for the Department of Information Services relative to the management of computer networks, systems, development activities and implementation activities.

7. Decisions on all future major planned projects, involving computer systems or not, should be supported by a comprehensive cost/benefit analysis covering all traditional areas such as technical feasibility, and all costs whether they be contractor or internal costs. Furthermore, such feasibility studies should include an assessment of risks the County faces if the project is pursued and/or implemented; contain alternatives and risk abatement plans; and all should be included in final recommendations to the Council.
8. The County should authorize development of a formal Project Management policy, practice, and procedures manual. This manual should assist future project managers and staff assigned in performing prescribed tasks according to a pre-approved process.

Additional Support

9. Ensure system training is ongoing and comprehensive, and training budgets are adequate for trainers and users to achieve this.
10. If not already done, DIS should formalize and document their current, formal user response process; this process should contain a timeframe for responses and a method to keep concerned parties updated regarding final problem resolution.

Note: We recognize DIS established an end-user response process that appears acceptable. DIS management is actively involved in dispute resolution between the County and SFG and takes an active role in attempting to resolve user concerns. SFG does have a Web page it weekly updates with technical information and there is a Northwest SFG User Group, which convenes to assist in solving problems.

Other Issues: Not related to specific project objectives

11. Consider developing a formal “systems newsletter,” or some similar communication vehicle to keep county employees, system administrators, and system managers even better informed. Focus on positive accomplishments and future plans for improvements, additional training, enhancements, etc.



Department Comments/Responses

Information Services Department and Budget & Finance Department comments (Attachments E F, and G) to the final draft are summarized below and followed by Performance Audit Division comments.

Information Services

“It appears that you have incorporated the suggested changes DIS submitted in our December 13, 1999 response. We have no further substantive changes to submit.” (Attachment E)

Auditor Comments: Suggested changes were incorporated and we have no further comments.

Budget & Finance

Budget and Finance comments from December 9, 1999 (Attachment F) are noted below.

OBSERVATIONS

Auditee Comments:

“First, all issues with SFG seem to be directed to software performance. While there are a number of software issues, we have found the root cause of many performance issues to center around current County business practices.”

Auditor Response:

We agree with this statement. There were and continue to be software performance issues that are still important; some deal with software failing to perform to contract specifications. However, some software performance is also impacted by County business-user training, and communication practices and procedures. Another County business practice that negatively impacted performance noted in the report was not using a professional DIS manager to lead the County-wide SFG computer-based system implementation. We understand the desire to have a professional financial manager lead the County’s SFG financial computer replacement and we know there was not a strong DIS manager to lead such a program at that time, but we would be concerned if the County did not consider using DIS managers to lead county-wide, computer-based program upgrades in the future.



Auditee Comments:

“This is especially true in payroll, where no pay lag exists. Estimating hours, and then reprocessing them with actuals generates thousands of redundant transactions, causes much additional work, and creates a host of other storage and processing problems. I would urge you to carry out a closer examination of what issues SFG owns, and what issues Snohomish County owns.”

Auditor Response:

We agree with this statement and did examine issues SFG and Snohomish County own. Not having a lag pay system does cause additional work and creates other problems, and we recognize the County would more cost efficiently handle its financial transactions using SFG in a lag pay system. (This was not addressed in the report for two reasons, first, during SFG implementation the sponsor’s committee (senior County managers) addressed a lag pay system to senior County leadership on several occasions; if the County didn’t implement a lag pay system during this change period, there was little reason to address it again. Second, we did discuss a lag pay system with Council, Executive, and department managers and were told that trying to implement such a system today is still too politically sensitive with the union and certain employees. For both reasons we didn’t emphasize or readdress that issue.) Also, while a lag pay system should cause fewer redundant transactions, that does not excuse the SFG system from not operating properly when the extra transactions necessary to overcome the existing pay system are input, and some aspects of the SFG software system did not meet contract performance requirements.

Auditee Comments:

“Another business practice that causes many problems and costs were the way in which high tech contracts were (and still are) approved. The legal and contract review that took place created a situation where the County was not able to cut over on January 1, as originally envisioned. Instead, cut over took place at the end of the first quarter, 1997. This resulted in developing conversions from one set of systems to another, balancing two systems during 1997, and a great deal of angst on everyone’s part.”

Auditor Response:

We believe the way high tech contracts were and are approved can make a difference, but should have made little impact on SFG System implementation. Financial balances from the beginning of the year could simply have been updated and used at the time of system conversion. The contract was approved on March 27, 1996 and there were nine months to prepare for 1997 conversion. Further, conversion could have been delayed until 1998 if beginning mid year was a critical factor in successful implementation. No matter when a new system replaces another, normally both operate in parallel for a time, and balancing those systems always causes some frustration on everyone’s part.



Auditee Comments:

“Second, I believe the audit is in error when it indicates that custom reporting and interfacing with other systems is dependent upon installation of a relational data base. Access to a tool like Oracle will provide the County with an additional, high-powered tool. In the mean time, however, staff have used SFG general ledger report writers, Crystal Reports, and Clientview 2 to generate many custom reports, interfaces, and inquiries. Many of these will still be used once Oracle is installed. “

Auditor Response:

We agree many existing SFG tools will continue to be used even if another relational data base management system (RDBMS) is installed. However, through survey and interview data we confirmed “shadow systems” for custom report production proliferate largely because there is no usable RDBMS. Further, several SFG modules required a usable RDBMS to better operate and produce their necessary reports making installation of an acceptable RDBMS critical.

Auditee Comments:

“Third, the model that was used to bring up SFG was a cross departmental structure based on private industry. It was similar to process used by companies like Boeing. While the procedure recommended in the audit appears quite sound, it is difficult seeing how adding an additional \$150,000 or so per year in overhead costs could have been justified at a time when major layoffs were taking place.”

Auditor Response:

We agree, that based on the existing DIS management staff at that time and the desire for Budget and Finance to lead a major financial system change in the County, having a Financial manager lead implementation made sense. Also, a cross-departmental structure is a good way to help foster change and make implementation successful. In the future however, paying a professional DIS manager to guide County implementations of computer-based systems may be worth the expense. For example, in the SFG implementation it was known the Sybase RDBMS didn't work successfully in June 1996. Despite considerable efforts by DIS personnel and others, a needed RDBMS is still not installed. Further, monies were paid for Sybase, for additional software to try and improve its performance, and for manpower to manipulate that software. Those funds, which total more than the \$150,000 DIS manager cost, have yet to be recovered. Better implementation management and monetary recovery might have occurred if a trained, professional DIS manager had headed the SFG implementation effort.



FACTUAL CORRECTIONS

Auditee Comments:

“Page iv. Sybase was, in fact, implemented. Response did not meet our specifications.”

Auditor Response:

We agree Sybase response did not meet County specifications, but disagree that Sybase was implemented. We feel that for a system/software/process to be implemented it must be installed, tested, meet contract requirements and be approved. (The Washington State Auditors agree with our definition.) Sybase was installed and tested, but never met specifications and was never approved.

Auditee Comments:

“Page iv. As of the last audit, there are no internal control audit findings associated with SFG, and five suggestions that appear in the Management Letter. Most of the suggestions in the Management Letter deal with County business practices, not how the system processes information.”

Auditor Response:

We disagree with this comment. Our draft stated, ““Also, there were a number of [SFG] System-related issues regarding System access and the associated internal control risks and some are still a concern.” The WA State Auditors noted that since they provided suggestions regarding improvement of SFG browser access controls in their September 2, 1999, Management Letter to the County, they feel SFG access is a “concern.” These concerns involve how information is processed using the SFG System and don’t primarily refer to County business practice.

Auditee Comments:

“Page iv. In 1997 SFG offered to install Oracle instead of Sybase as the underlying data base. At that time the County declined to pursue this matter.”

Auditor Response:

We are not sure on page iv. which paragraph the above statement refers to. However, our answer to this comment is “Why not pursue the replacement of Sybase with Oracle? The RDBMS replacement problem should have been resolved by now.” As noted earlier, Sybase has not successfully performed to specification since 1996 and a new RDBMS is required.



Auditee Comments:

“Page iv. As note above, there were no SFG related findings in the most recent audit.”

Auditor Response:

We agree, there were no findings in the most recent audit. Our draft stated, “Continue to address the internal control issues identified by the State Auditor in management letters and findings reports.” In past State audits there were SFG findings and in the September 2, 1999, Management Letter to the County, they recommended SFG browser access control improvements. Hence, not only should these most recent recommendations be considered, but past findings should continue to be addressed to insure there are no repeat problems.

Auditee Comments:

“Page vii. Typo, LetteR to Letter.”

Auditor Response:

Agreed; fixed.

Auditee Comments:

”Page 2. ‘System implementation ... is still not complete.’ I would suggest clarifying this statement to note that all major systems have been installed, implemented, and audited by the State Examiner.”

Auditor Response:

We disagree with this comment. Based on our definition of implementation noted earlier above, the system is not complete. Much of the SFG System has been installed, tested, meets specifications, and is being used. However, the system has not been approved and the WA State Auditors stated they have NOT audited the SFG system, but only insured some of the modules operated well enough that fiscal operations could be verified as being acceptable. They emphasized they didn’t and will not make any comments regarding how well the SFG system works.

Auditee Comments:

“Page 7. ‘[failed Sybase software]’ Decision was made by the County not to pursue Sybase.”



Auditor Response:

We disagree with this comment. The Sybase software failed to meet contract specifications. (A common reference for software failure is to refer to it as “failed.” However, in the next iteration of the report we will rewrite this and say “the Sybase software that failed to meet contract specifications.”) Further, the decision by the County not to pursue Sybase was only after repeated efforts to install it, additional software was purchased to try and get it to meet specifications, and numerous DIS manhours were expended to try and get it to operate successfully.

Auditee Comments:

“Page 10. ‘...System does not have the ability to generate all needed custom reports and components]’ As noted previously, I do not believe this is accurate. What specific reports cannot be generated, and what systems cannot be interfaced? Major issue is in job costing doing project queries efficiently.”

Auditor Response:

We disagree with the comment. As noted earlier, we found through survey and interview data that “shadow systems” for custom report production largely exist because there is no usable RDBMS. (In the June 9, 1997 SFG Financial System Survey reports garnered a 2.67 rating on a 1-5 scale with 5 being excellent. Also, in the SFG Financial System Survey comments, Page 3, April 1999, the response to a System user’s comment of “we need to be able to access data input” was by Budget and Finance, “if this comment speaks to an improved reporting database, then a move to Oracle software may resolve this need.”)

Auditee Comments:

“Page 20. Information about monthly budget report is incorrect. Format and material were developed in concert with Council, is audited by State Examiners, and is a standard used with all SFG customers: it is an elementary budget versus actual presentation that is used by numerous internal users, as well as external users who track data from our web postings.

The only accuracy issue involves a County business practice: comparison of multi-year appropriations for selected funds with the more traditional single year appropriation common to most funds.”

Auditor Response:

We disagree with the comment. The monthly budget report is confusing as it uses nomenclature such as 1999 Original Budget, total revenues or expenditures. The first column is labeled 1999 Original Budget, yet the totals do not add up the adopted budget numbers. The



same is true for the total revenues and expenditures. Total revenues and total expenditures do not tie out to the adopted (original) budget.

For example, the column titled 1999 Original Budget says revenues (May 1999) for the year will total \$541,547,64, yet the original adopted budget for 1999 revenues totals \$494,033,333. The same is true of expenditures. The report shows total expenditures of \$600,854,178 versus the adopted budget of \$494,033,333.

While there is no clear, easy method to reconcile the monthly report to a known or given approved budget expenditure or revenue, the existing monthly budget report is confusing.

Auditee Comments:

“Page 21 (D). This is incorrect. The major challenge in the payroll area is not moving to a relational data base. It is changing the County+s business practices to eliminate estimated payroll calculations by moving to a pay lag. Addition of a data base will add little value to our payroll system. As noted earlier, it has potential value in securing additional views of project job costing information.”

Auditor Response:

We disagree with the comments. As noted earlier, moving to a lag pay system would reduce County costs for inputting redundant transactions, but that does not excuse the SFG system from not operating properly when those extra transactions are input. Also, some aspects of the SFG software system, particularly the RDBMS, did not meet contract performance requirements and made additional SFG software modules unusable and unavailable.

CLARIFYING CONDITIONS

Auditee Comments:

“The Executive Summary provides no information about the status of the interface with the Assessor/Treasurer systems. Since this was the original charge of the audit, should it not be addressed, and especially in light of the fact that the vendor for these systems defaulted after dollars were expended for interfacing these systems?”

Auditor Response:

We agree with the comment overall. After initial findings that the new interface with the Assessor/Treasurer was being tested, we were asked to review it after testing was completed and it was implemented. For that reason it was removed from the original review scope for later review and addressing.



Auditee Comments:

“Confidential Survey. There would appear to be two issues with the confidential survey. First, it seems a bit of a reach to draw major conclusions from a survey where 30 staff responses were received out of a total of 525 end users. Second, questions refer to specific activities, so it is difficult to differentiate between what impediments center around system complications, and which center around County business practices.”

Auditor Response:

We disagree with the above comments. A random sample size of 30 responses provides a 95 percent statistical confidence factor. Further, survey questions asked for clarification of contract deliverables. Thus, responses highlighted both system complications and County business practice problems.

Budget & Finance

Budget and Finance comments via email, April 14, 2000, 8:24AM, (Attachment G) are noted below.

“The concerns I have were sent to you in earlier letters. Several corrections and suggestions were dropped. I basically figured you had written the document, and decided not to incorporate ideas that were different from those presented. It seemed like a waste of energy to keep sending the same information, so I have not sent anything further. My earlier comments still stand.

Also, I thought the article about King County’s new financial system might be of interest to you.”

Auditor Comments: Concerns addressed in earlier requested comment letters were evaluated and incorporated in the report where appropriate; we stand by our final report findings and recommendations. We have no response regarding the article about King County’s new financial system since it is not relevant to this report.



Attachment A

**Snohomish County
Costs As Identified within Contract**

	<u>License Fee</u>	<u>Maintenance Fee</u>	<u>Total</u>
Computer Software Products			
SFG Software Products			
System Security	\$ 41,000	\$ 9,500	\$ 50,500
Payroll	42,500	9,500	52,000
Human Resources	42,500	9,500	52,000
Cost Accounting	72,250	16,150	88,400
General Ledger	63,750	14,250	78,000
Accounts Payable	38,250	8,550	46,800
Purchasing	38,250	8,550	46,800
Bid Management	14,875	3,325	18,200
Accounts Receivable	29,750	6,650	36,400
Fixed Assets	21,250	4,750	26,000
Client View	67,150	15,010	82,160
Subtotal - SFG Software Products	\$ 471,525	\$ 105,735	\$ 577,260
SFG Inc. Provided			
IO for Windows	\$ 31,875	\$ 7,125	\$ 39,000
AcuCobol & Acu4GL Runtime (K420, K200)	17,500	3,325	20,825
Sybase Runtime RDBMS & Open Client (K420, K200)	97,650	16,694	114,344
UniQue and UniBatch	10,000	1,900	11,900
IQ Smart Server	15,000	2,850	17,850
Subtotal - SFG Provided	\$ 172,025	\$ 31,894	\$ 203,919
Third Party Products - Budget Preparation (Budget Technologies)	\$ 51,000	\$ 12,000	\$ 63,000
Subtotal Computer Software Products	\$ 694,550	\$ 149,629	\$ 844,179
Sales Tax @ 7.9%			\$ 66,690
Project Phase Fees (Consulting)			
	<u>Mgmt Fees</u>	<u>Travel</u>	<u>Total</u>
Scope	\$ 1,600	\$ 1,350	\$ 2,950
Fit Analysis	96,800	23,950	120,750
Implementation	119,400	28,300	147,700
Acceptance	45,200	10,350	55,550
Follow-up	25,600	9,400	35,000
Project Management	80,800	22,400	103,200
Subtotal Project Phase Fees	\$ 369,400	\$ 95,750	\$ 465,150
Software Modifications	\$ 47,050	-	\$ 47,050
Total Costs Per Contract	\$ 1,111,000	\$ 245,379	\$ 1,423,069
Amount of Contract per SFG page 3, Section 2.14.5			
Compensation and CONTRACTOR'S Services			\$ 1,423,069

SYBASE CHRONOLOGY

Oct 6, 95 Best and Final Offer for RFP-1-95; SFG Letter from Daryl Kirkland - "SFG realizes that the investment that the County has made in Sybase is significant...and it is our recommendation that the County implement over the Sybase environment."

Mar 28, 96 Delivery of SFG Core Financial Software; DIS Letter from Dave Hopkins - "You should note, however, that other provisions of Contract Section 2.14.36 have not been satisfied, including: ...Third party software has not been delivered for any server. ...Sybase RDBMS version 10.02 and Sybase Open Client – HP 9000 K420, and Sybase RDBMS version 10.02 and Sybase Open Client – HP 9000 K200."

Apr 22, 96 Fit Facility Room Notes; e-mail from Dave Hopkins, DIS – "(d) The [SFG] instructor knew something about Sybase and our installation of this database. What we learned was not the care and feeding of the relational database environment but instead the older WANG-based Vision indexed file administration."

May 13, 96 CONFIDENTIAL – SFG Project (Sybase); e-mail from Dave Hopkins, DIS – "Last Friday, we Were prepared to have a meeting with the SFG Sybase person Kim Transthum. Kim bailed out (literally). Nancy informed me at lunch (much to her dismay) that Kim left the company that Friday ...Kim will not be coming in June to install Sybase. Further, Nancy indicated we will not be able to install Sybase according to the schedule (Kim's departure has an effect on their development effort)."

May 14, 96 Fit Facility Room Notes; DIS information – "As the contract was being signed between the County and SFG, SFG decided a version of their software needed to be present at the County to conduct analysis (fit) sessions. The version of the software loaded did not include the SYBASE relational database. Instead, it ran on a UNIX-based flat indexed file system called VISION. VISION had never been mentioned in the SFG Request for Proposal responses. While SFG has assured DIS that the software load on the production server (computer) scheduled for next month will include SYBASE. Again, a lack of information from SFG concerning their planned use of SYBASE in the Snohomish County installation leaves DIS unable to review this issue further at this time."

May 23, 96 Sybase decision; David Hopkins, DIS e-mail – "Nancy Todd indicated yesterday if we decided we did not want our own people doing the SFG Sybase install that SFG could contract someone to do it."

Jun 4, 96 *Whats Happening* (DIS newsletter) – "Meeting with SFG on Friday, May 31st ... Some major discussion items: Sybase database – SFG is moving toward incorporating SYBASE as the data source for their application and will complete internal certification at the end of June – early July. ... We are SFG's only SYBASE customer and they do not currently have any potential SYBASE customers for the near future. Should problems develop with any aspect of SYBASE usage, SFG recommend temporarily moving the data to VISION and modifying the application data pointers from SYBASE to VISION. This will affect strategies for interfaces (i.e. require all interfaces to utilize standard SFG interface files)."

SYBASE CHRONOLOGY

Jul 23, 96 FINANCIAL SYSTEM PROJECT, PROJECT TEAM MINUTES; "SYBASE A recent meeting was held with SFG on their progress with the Sybase relational database. We agreed to continue with a Sybase install, with the assurance that SFG can support a Sybase site. The alternative is SFG's Vision flat file, which operates as another layer of software."

Aug 1, 96 Handwritten memo; "Pete [Kushmeider] reported that reinstall of Sybase will be scheduled in Aug. ... Acceptance testing – performance on Sybase slower. Development on SFG's computer – response time is 5 sec. RFP requires 2 sec. SFG brought in Sybase consultant to assist."

Aug 27, 96 FINANCIAL SYSTEM PROJECT, PROJECT TEAM MINUTES; "This week SFG is upgrading us to Sybase 11, and by September 9 all applications will be running on Sybase only."

Sep 3, 96 Financial Project – Technical Update; David Hopkins, DIS e-mail, "1. Sybase implementation : SFG did not convert or carry over the security or menu files into the new Sybase environment. As such none of the work we've done for user ids, group ids, customized menus, dept security are reflected in the Sybase version."

Sep 5, 96 Copy of Email to Nancy [Todd]; David Hopkins, DIS – "I am reporting any difficulties with the new Sybase version of the SFG software to Nancy Todd for resolution. I have heard some complaints about response times ..."

Sep, 96 FINANCIAL SYSTEM PROJECT, PROJECT TEAM MINUTES; "Sybase response times seem to approximate 5 seconds."

Sep 17, 96 *What's Happening*; DIS newsletter – "Sybase Turnover: "Given acceptance for SFG Sybase version, ...Conversion will commence on the weekend of Sept. 21-22."

Sep 24, 96 *What's Happening*; DIS newsletter – "Sybase Turnover: "The Vision option has been removed from the initial SFG menu."

Sep 25, 96 SFG DURING 2:00PM TIME; e-mail from Jennifer Russell, Com-Dev – ""Terri and I just completed our use of SFG during the 2:00 – 2:30 trial period. We were entering Purchase Requisition and Invoices from the A/P [Accounts Payable] module. To add an invoice was an average of 8 to 10 seconds. Ending a batch took up to 30 seconds. You could not utilize any of the GL [General Ledger] acct look-up screens. The purchase requisition was just as slow."

Sep 27, 96 SYBASE DELAYS; Mike Jackets, Airport – "Today is the first time that I have been to access the job cost data. It takes 12 seconds for a record to arrive so I can modify it. I don't know how much of that time is the phone system and how much is Sybase."

Oct 1, 96 FINANCIAL SYSTEM PROJECT, PROJECT TEAM MINUTES; "DECISION REQUESTS FOR THE SPONSORS ... The third asked for approval of Sybase as the relational database. The results of our bench testing were discussed. Some felt the response times were not acceptable. Others felt that the response times were barely adequate. All agreed that if

SYBASE CHRONOLOGY

Sybase is accepted at this point for use as the relational database, then SFG must tune it to fulfill the RFP response time requirements.”

Oct 2, 96 Sponsor’s Meeting minutes, page 3; “DECISION REQUEST # 16 On September 26th SFG installed Sybase release 11. DIS has since switched off the use of the Vision database. The project team has been benchtesting Sybase response times and agreed that the County should remain using Sybase.”

Oct 17, 96 Financial System – Sybase locking problem; David Hopkins, DIS e-mail, “I am sending you the attached document which outlines a serious prevalent problem with Sybase sessions locking each other up throughout the system that has been occurring recently.... We have also noticed recently that every SFG session uses 6 Sybase licenses. Until SFG resolves this, we are going [to] very quickly exceed our number of Sybase licenses.”

Oct 17, 96 Financial System – Sybase locking problem; David Hopkins, DIS e-mail, “Since SFG loaded their version of the application software that works with the database (Sybase), several people have reported being either thrown out of the financial system, having their session lock up and process far beyond what would be expected as normal (20, 30, 40 minutes), or not being able to have multiple people use the same screens simultaneously.”

Nov 1, 96 Financial Project – Request Leader Meeting; David Hopkins, DIS e-mail, “I spoke with Robin [Trenbeath] late yesterday and confirmed that he had spoken to everyone he wished and it was OK with the move from Sybase to Vision.”

Nov 5, 96 *What’s Happening*; DIS newsletter – “Vision – Sybase: On 10/31/96 a decision was made to return to the Vision version of SFG Financials.”

Nov 6, 96 Financial Project – Results of Migration to VISION; David Hopkins, DIS e-mail, “As you know, we have been converting all the SFG financial systems programs, copybooks, forms, data definitions, and actual data files from the SYBASE database environment back to the VISION indexed file environment. ... some critical files (general ledger and purchase order) would not convert using the vendor supplied conversion utility. Note that all other requested files for conversion ... have been converted successfully.”

Nov 12, 96 *What’s Happening*; DIS newsletter – “Vision – Sybase: ... still waiting for SFG to fix its Sybase to Vision conversion utility. ...-- SFG is still working on the problem.”

Nov 6, 96 Financial Project – Vision Migration; David Hopkins, DIS e-mail, “SFG has provided the solution to the conversion utility problem for GL and PO files to convert from Sybase to Vision. The solution however requires we modify our Sybase tables to include additional fields not currently present. These modifications will render the Sybase tables useless with the financial application.”

Feb 13, 97 SFG Support; Dan Clements, Director Budget and Finance, e-mail, “Project Team Perception At this point the basic feeling of the project team is that the support we need is not available. We will shortly be on our fourth project manager ...”

SYBASE CHRONOLOGY

Mar 7, 97 Update on SFG/Financial System; R. C. "Swede" Johnson, Chair, Operations Committee Memorandum – "Sybase:

When will the system be operational? Has there been any compensation to the county for the failure of SFG to meet the RFP and contract requirements?

The county purchased an expanded Sybase license in March of 1996. Yearly maintenance costs were expected to be \$50,000. Given the failure of the financial system to run on Sybase, has the county experienced unnecessary maintenance agreement costs? If yes, how much?

Have there been additional training costs ...due to the failure to run on Sybase?...

Have there been other additional costs because we must work with Vision at this time instead of Sybase? If so, what are they?

Has this delay impacted our ability to have county systems 'talk' to each other? If so, how? ..."

Mar 25, 97 Financial System Update: David Gossett, Legislative Analyst, Memorandum— Revised – "2) The impact of the failure of SFG to meet the RFP commitment to run the system on Sybase. ...There appear to have been additional costs to the county, both direct and indirect. ..."

Apr, 97 Acceptance Certification; Sue While, Focus Group Leader – "Sybase. Lack of Sybase causes problems with expected functionality. Vision is not a substitute."

Jul 29, 97 DIS Status; Ken Johnson, SFG Project Manger e-mail – "1) SFG has formally asked us if we are agreeable to abandoning Sybase and moving to Oracle. ...Evidently, they have fine-tuned [Sybase] as much as they can, and it still does not perform."

Sep, 97 FINANCIAL SYSTEM NEWS: Financial System Project Team newsletter – "Acceptance Issues We're working on identifying and resolving issues related to acceptance of the SFG system. Some of the issues include: using of Sybase relational database..."

Sep 1, 97 Monthly Project Update, Raymond Wiens, SFG Technologies Inc. – "Snohomish is using a script to convert Vision files to Sybase data base. The intent is to run this every night so that IQ Objects can be used on the data base. At 12 hours, this takes too long."

Sep 23, 97 FINANCIAL SYSTEM PROJECT, PROJECT TEAM MEETING NOTES; "DISCUSSION Sybase. Ron [Knight] reported that he contacted our Sybase representative and will try to get Sybase and Accucobol to talk. We may be able to get them to solve the fine tuning problems SFG is having. Dave [Hopkins] reported that he received the file listing from Ray Weins on which files should be copied to Sybase."

Oct 7, 97 FINANCIAL SYSTEM PROJECT, PROJECT TEAM MINUTES; "SYBASE COPYING Dave [Hopkins] reported that the convert program is working, but takes a long time to run. Recent, 6 AP [accounts payable] files required 5 hours of running time. ... SYBASE ACCUCOBOL Dave reported that a consultant who previously worked for Sybase examined the Sybase interface of Accucobol and reported that a problem is the way SFG indexes their files. We are exploring the solution ..."

SYBASE CHRONOLOGY

Oct 21, 97 *What's Happening in the Financial System Project*; newsletter – “Sybase Ron [Knight] reports that he has contacted Sybase on Accucobol in an attempt to get them together and work out the problems in the Accu4GL interface from Vision to Sybase.

Nov 14, 97 fwd: SFG; Ron Knight, DIS e-mail – “Question 1: During last spring's discussion it was noted that we had purchased 200 Sybase licenses for the financial system. At that time we were using 10. How many are we using for the financial system now? Answer: Since SFG has still not provided a production Sybase solution, we are still using between 10 and 15 licenses – depending on the number of people that are working with a ‘test’ version of the SFG system that uses Sybase.”

Dec 9, 97 re: Finsys Mission Statement; David Hopkins, DIS e-mail – “ I would like to see a short term goal of establishing a Sybase version of the software or in its absence final resolution (for example: Lawsuit, acceptance of VISION and abandonment of Sybase, or acceptance of Oracle database and related costs). At this point, we are dead in the water with this issue. ... attempts ... to improve performance have failed. ...here at Snohomish County, currently everything related to this issue (lack of Sybase) seems to be oriented towards a workaround... This has meant a lot of work and time to produce workarounds we should never had to deal with. ... Reporting, data input, and flexibility have all been severely compromised by the lack of a relational database. We need resolution on this.”

Dec 12, 97 Sybase; Ron Knight, DIS e-mail – “In the SFG response to the County RFP, SFG stated: SFG's solution conforms with all of the significant standards that the County wishes to adopt: HP/900; Unix; TCP/IP; Sybase RDBMS.

The County acquired the SFG financial package based on this and other factors. During September and October, 1996, the County tested Sybase RDBMS and found that it did not meet the mandatory requirements identified in the RFP Questions 84-86 on response times. The Vision solution was never a part of the expectations of Snohomish County. Having Vision has caused many problems in computer operations and with end users. The County remains committed to the use of Sybase.

Request Provide a Sybase RDBMS that complies with the response time requirements.

Input and flexibility have all been severely compromised by the lack of a relational database. We need resolution on this.”

Feb 4, 98 SFG BUDGET NOTE REPORT SCHEDULED FOR 2/9/98: David Gossett, Legislative Analyst, Memorandum – “This failure on the part of SFG to live up to their contract has had significant impacts on the county. Direct financial impacts include:

- Snohomish County has had 190-195 unusable Sybase licenses for nearly two years. The capital cost for these licenses will total nearly \$65,000 by the end of 1998.
- Maintenance fees paid for these licenses will total nearly \$65,000 by the end of 1998
- Roughly \$22,000 of additional training and consultant fees have been required

SYBASE CHRONOLOGY

Indirect financial and operational impacts may be even more significant. These impacts include:

- Inability to quickly create new applications and reports which impacts both DIS staff and end users
- Delays in other application projects (Prosecutor case management and PDS permit tracking for example) because DIS staff must devise “work-arounds” for SFG
- DIS training time (40-50 hours each for 8 staff members)
- The IQ-Character system have been forces to use is significantly less flexible than the IQ-Object system we contracted for. This impacts both present and future productivity. A specific example is the Treasurer must continue to produce reports to the school districts regarding cash manually—Sybase would allow this to be automated.
- Additional staff time has been required within a variety of departments to make the system work

In sum, the failure to provide the Sybase-based product the county contracted for has had direct costs of nearly \$200,000, delayed other projects, and negatively impacted the productivity gains we hoped to achieve by the purchasing the product.”

Apr 28, 98 Sponsors’ Meeting Agenda, Tuesday, April 28th, 10:30 AM, Issues 2.a) Sno-103, Sybase (Dave Hopkins) “The VP of Development, Simon Drake, announced that SFG has no intentions to pursue use of several relational database products : Sybase, Microsoft’s SQL Server, or Informix relational databases with their software. Their only supported relational database would be Oracle (this has been confirmed in follow-up communications).”

Apr 28, 98 Sponsor Meeting Notes; Ken Johnson, e-mail “Financial System Project, Sponsors’ Meeting Notes, April 28, 1998;

Sno-103, Sybase

Action Requested: The Sponsors approve the project team recommendation to begin negotiations with SFG to acquire Oracle relational software.

Decision: The Sponsors asked that a team meet with Carol Weibel before approaching SFG. The team will include Ken Johnson and Ron Knight. The team will report back to the sponsors on any recommendations she may make. Also, the costs and benefits should be expanded. Once a negotiating team is formed, SFG will be contacted. The negotiating team will keep the Sponsors and Project team informed of progress.”

Sep 4, 98 Contract between Snohomish County & SFG Technologies (U.S.) Inc.; Integrated Financial Management System, dated February 1996. Notice of failure to perform and demand for cure; Dan Clements, Finance Director and Colin Bottem, Information Services Director, memorandum – “The purpose of this letter is to remind SFG that its failure to perform specific obligations on the above referenced contract constitutes ground for Snohomish County to terminate the agreement for default. ... The above referenced Contract was awarded to SFG based upon SFG’s response to Snohomish County Request for Proposal (RFP)-1-95. In that response, and in the resulting Contract, SFG promised to provide the County with a financial system using Sybase a relational database, as the file system. In fact. SFG installed its

SYBASE CHRONOLOGY

financial system at Snohomish County using another file system, called VISION, which is not a relational database, claiming the Sybase version of its software would follow shortly. ...

SFG's failure to provide a satisfactorily performing financial system using Sybase, or an equivalent relational database has already caused Snohomish County to incur significant expense and costs which would have been unnecessary had SFG met its commitments.

We now need to resolve all outstanding issues ...

Our County Executive has grown very impatient over these issues, and has given an order to resolve them within the existing budget, and in a swift and satisfactory manner, or to proceed with issuing the 30 day notice of default. ...the County does demand that SFG perform in substantial compliance with its contractual commitments."

Apr 6, 99 Letter from Michael Gardner, VP Corporate Development, SFG Technologies Inc.; dated April 6 1999. " I am confident that this proposal will satisfy the requirements of Snohomish County. ...In addition we offered a credit of \$97,650 against the purchase of Oracle from SFG., This credit was offered in recognition of the 200 seat Sybase investment Snohomish County had made to meet the operational requirements of the SFG systems. ... I look forward to discussing this with you, and reaching a positive resolution."

Dec 15, 99 **Based on information provided, the situation is still unresolved.**

COPY



Snohomish County

Information Services

September 4, 1998

Ray Wiens, Project Manager
SFG Technologies, Inc.

Robert J. Drewel
County Executive

203A-8525 Baxter Place

Bumaby B.C. Canada V5A 4V7

Re: Contract between Snohomish County & SFG Technologies (U.S.) Inc.; Integrated Financial Management System, dated February 1996.

Notice of failure to perform and demand for cure.

Dear Mr. Wiens

The purpose of this letter is to remind SFG that its failure to perform specific obligations on the above referenced contract constitutes grounds for Snohomish County to terminate the agreement for default. Per Contract Section 2.14.21, SFG's failure to meet its written commitments render SFG liable for damages to the County for up to two times the total value of the contract.

The above referenced Contract was awarded to SFG based upon SFG's response to Snohomish County Request for Proposal (RFP)-1-95. In that response, and in the resulting Contract, SFG promised to provide the County with a financial system using Sybase, a relational database, as the file system. In fact, SFG installed its financial system at Snohomish County using another file system, called VISION, which is not a relational database, claiming that the Sybase version of its software would follow shortly. Now, more than 15 months later, in spite of repeated promises and attempts to cooperatively solve system inadequacies, no progress has been made in resolving this issue. In March of 1998, at the annual users' conference, your Vice President of Development announced that SFG does not intend to pursue the use of Sybase, or any other database besides Oracle. This has been confirmed in follow-up communications.

SFG's failure to provide a satisfactorily performing financial system using Sybase, or an equivalent relational database has already caused Snohomish County to incur significant expenses and costs which would have been unnecessary had SFG met its commitments. A list of some, but certainly not all, of these expenses is enclosed and marked Attachment I. As you know, one of our major goals was to have our data in an open relational database environment, allowing for easy access, reporting and troubleshooting. We believe we have



cooperated beyond normal expectations to work with SFG in solving this matter - even to the point of trying to use special ODBC drivers as a work around. Even this effort has been compromised, however, by SFG recently stating that they will not support the ODBC drivers. This presently leaves us with an unsupported ad hoc reporting tool.

Besides the Sybase issue, SFG has failed to perform numerous other contractual commitments. These include the unresolved software action notices (SAN) regarding organizational security that the County considers first priority and listed in a letter to you dated June 19, 1998. A copy of that letter is enclosed and marked Attachment 2. In addition, the County has identified and communicated to SFG by software action notices, at least 57 other issues that remain unresolved. A list of these outstanding SAN issues, which represent areas in which SFG has failed to provide adequate performance is enclosed and marked Attachment 3. We have attempted to work with SFG because of the importance of completing Year 2000 compliance changes. We now need to resolve all outstanding issues.

Our County Executive has grown very impatient over these issues, and has given an order to resolve them within the existing budget, and in a swift and satisfactory manner, or to proceed with issuing the 30 day notice of default. You have approached us informally in the past, and now is the time to formalize this effort to achieve satisfactory resolution to all of the issues. The time has come when a definite action plan and schedule must be drawn up and implemented. We are willing to meet with you and work together to draw up such an action plan, but time is of the essence. While some modification of specific contract requirements may be acceptable, we expect SFG to take the initiative to propose such alternatives, bearing in mind that the County does demand that SFG perform in substantial compliance with its contractual commitments.

Sincerely,


Dan Clements, Finance Director
Colin Bottem, Information Services Director

cc: Mike Gardner, SFG VP Corporate Development
Bruce Elliott, SFG CEO
Joni Earl, Snohomish County Deputy Executive
Carol Weibel, Deputy Prosecuting Attorney

Attachments 1 -3

Snohomish County
SFG Integrated Financial Management System
Confidential Survey Results

The SFG Integrated Financial Management System is a replacement information system “required to provide assistance to and reduce work loads for operational and administrative arenas within Snohomish County...” The SFG contract notes in 2.1 Project Objective

Please rate each of the 34 questions/benefits as they impact you using the following ratings:

1 Poor	4 Better Than Satisfactory
2 Less Than Satisfactory	5 Excellent
3 Satisfactory	N/A Not applicable/Not observed

	<i>Poor</i>	<i>Less Than</i>	<i>Satisfactory</i>	<i>Better Than</i>	<i>Excellent</i>	<i>N/A</i>	<i>Total</i>
1. Reduction of Resource Costs							
1 Eliminate the need for resources to maintain multiple PC “cost systems”	3	6	2	2	-	17	30
2 Reduce labor costs associated with information preparation and handling	5	7	7	2	-	9	30
3 Decentralize data entry	3	3	13	4	1	6	30
4 Eliminate or at least minimize ‘shadow systems’	6	13	7	-	-	4	30
Total	17	29	29	8	1	36	120
Percentage	14.17%	24.17%	24.17%	6.67%	0.83%	30.00%	100.00%
Percentage Without N/A	20.24%	34.52%	34.52%	9.52%	1.19%	84	

2. Reduce Effort/Errors							
5 Eliminate redundant transaction entry and reduce duplication of effort	3	8	9	7	-	3	30
6 Reduce error rates by keeping entry close to the originator	2	4	12	8	2	2	30
7 Minimize re-keying of data to create information by end users of data	3	6	12	5	-	4	30
8 Reduce the effort and improve the timelines of month end closing and reportin	4	5	12	1	1	7	30
9 Reduce paper flows and duplication of efforts throughout the operation with a single database	7	7	10	2	-	4	30
10 Reduce forms handling	4	8	10	4	-	4	30
Total	23	38	65	27	3	24	180
Percentage	12.78%	21.11%	36.11%	15.00%	1.67%	13.33%	100.00%
Percentage Without N/A	14.74%	24.36%	41.67%	17.31%	1.92%	156	

Snohomish County
SFG Integrated Financial Management System
Confidential Survey Results

The SFG Integrated Financial Management System is a replacement information system “required to provide assistance to and reduce work loads for operational and administrative arenas within Snohomish County...” The SFG contract notes in 2.1 Project Objective

Please rate each of the 34 questions/benefits as they impact you using the following ratings:

1	Poor	4	Better Than Satisfactory
2	Less Than Satisfactory	5	Excellent
3	Satisfactory	N/A	Not applicable/Not observed

<i>Poor</i>	<i>Less Than</i>	<i>Satisfactory</i>	<i>Better Than</i>	<i>Excellent</i>	<i>N/A</i>	<i>Total</i>
-------------	------------------	---------------------	--------------------	------------------	------------	--------------

3. Improve Financial Processes

11 Provide improved control over the payment of county employee leave time	1	5	6	3	1	14	30
12 Provide additional options for employee deductions	1	2	6	5	1	15	30
13 Implement payroll systems backup	-	1	8	-	1	19	29
14 Maintain access to historical data to minimize the need to create archived reports for 'just in case' reporting	1	8	5	6	1	9	30
15 Provide ability to more easily track grant revenues and expenditures	1	7	4	-	-	18	30
16 Provide clear and current status on cost accounting and work order projects	2	3	2	-	-	23	30
17 Automate the cash collections processes	1	3	4	1	1	20	30
18 Automate the personnel tracking processes	1	3	7	-	-	19	30
Total	8	32	42	15	5	137	239
Percentage	3.35%	13.39%	17.57%	6.28%	2.09%	57.32%	100.00%
Percentage Without N/A	7.84%	31.37%	41.18%	14.71%	4.90%	102	

4. Improve Reporting/Financial Data Flow

19 Provide maximum flexibility in data retrieval to meet changing reporting requirements	6	8	6	1	1	8	30
20 Provide timely and reliable job costing	-	4	6	1	-	19	30
21 Facilitate easier preparation of CAFR financial reports	-	1	-	2	-	27	30
22 Achieve ease of data portability into desktop tools (PC export) for non-financial end users	1	7	2	2	-	18	30
23 Provide increased access to historical information and exception reporting	-	6	9	4	-	11	30
Total	7	26	23	10	1	83	150
Percentage	4.67%	17.33%	15.33%	6.67%	0.67%	55.33%	100.00%
Percentage Without N/A	10.45%	38.81%	34.33%	14.93%	1.49%	67	

Snohomish County
SFG Integrated Financial Management System
Confidential Survey Results

The SFG Integrated Financial Management System is a replacement information system “required to provide assistance to and reduce work loads for operational and administrative arenas within Snohomish County...” The SFG contract notes in 2.1 Project Objective

Please rate each of the 34 questions/benefits as they impact you using the following ratings:

1 Poor	4 Better Than Satisfactory
2 Less Than Satisfactory	5 Excellent
3 Satisfactory	N/A Not applicable/Not observed

<i>Poor</i>	<i>Less Than</i>	<i>Satisfactory</i>	<i>Better Than</i>	<i>Excellent</i>	<i>N/A</i>	<i>Total</i>
-------------	------------------	---------------------	--------------------	------------------	------------	--------------

5 Meet Federal and State Financial Reporting/Audit Requirements

24 Enable conformance to Washington State BARS requirements	1	-	5	-	1	23	30
25 Meet multiple audit requirements	1	3	3	-	1	22	30
Total	2	3	8	-	2	45	60
Percentage	3.33%	5.00%	13.33%	0.00%	3.33%	75.00%	100.00%
Percentage Without N/A	13.33%	20.00%	53.33%	0.00%	13.33%	15	

6. Foster Future Financial “Improvements”

26 Provide continued payroll services beyond December 31, 1999	-	-	5	1	1	23	30
27 Provide an infrastructure that enables and facilitates changes in how Snohomish County chooses to do business in the future	3	2	3	1	-	21	30
28 Achieve as much of a “paperless environment” as possible	5	13	6	-	-	6	30
29 Reduce hard copy/paper report preparation	5	14	3	-	-	8	30
30 Achieve a higher level of integration of financial systems	2	4	11	5	-	8	30
31 Promote end user self-reliance to supplant reliance on others to supply inform	3	5	14	2	-	6	30
32 Increase access to, ownership in, and use of central systems	1	4	14	-	-	11	30
33 Enable easy end user access to the central systems for information retrieval	3	5	13	4	-	5	30
Total	22	47	69	13	1	88	240
Percentage	9.17%	19.58%	28.75%	5.42%	0.42%	36.67%	100.00%
Percentage Without N/A	14.47%	30.92%	45.39%	8.55%	0.66%	152	

Snohomish County
SFG Integrated Financial Management System
Confidential Survey Results

The SFG Integrated Financial Management System is a replacement information system "required to provide assistance to and reduce work loads for operational and administrative arenas within Snohomish County..." The SFG contract notes in 2.1 Project Objective

Please rate each of the 34 questions/benefits as they impact you using the following ratings:

1 Poor	4 Better Than Satisfactory
2 Less Than Satisfactory	5 Excellent
3 Satisfactory	N/A Not applicable/Not observed

7. SFG System Support

34 Maintain acceptable system response times

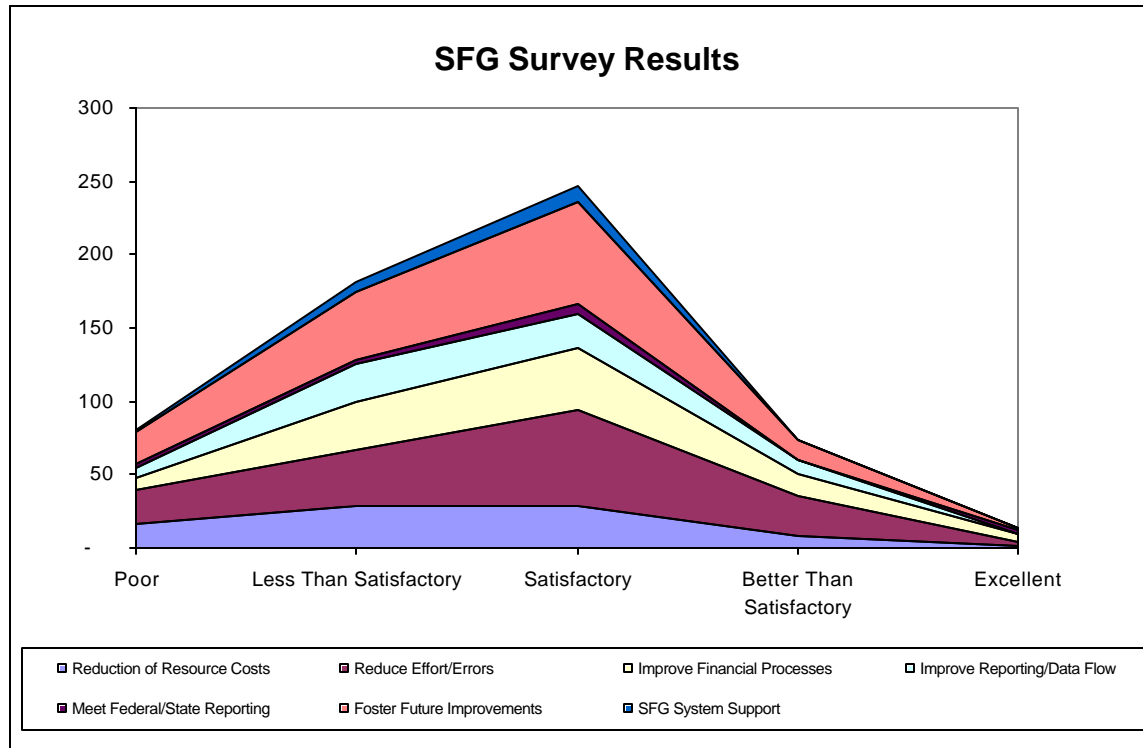
	Poor	Less Than	Satisfactory	Better Than	Excellent	N/A	Total
	2	7	11	-	-	10	30
Total	2	7	11	-	-	10	30
Percentage	6.67%	23.33%	36.67%	0.00%	0.00%	33.33%	100.00%
Percentage Without N/A	10.00%	35.00%	55.00%	0.00%	0.00%	20	
Grand Total	81	182	247	73	13	423	1,019
Percentages Total Responses	7.95%	17.86%	24.24%	7.16%	1.28%	41.51%	100.00%
Percentages Without N/A Included	13.59%	30.54%	41.44%	12.25%	2.18%	596	

Based on the above, please answer the following five questions.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Totals
1 Overall, are you satisfied with the SFG system?	-	8	10	11	1	30
2 Do you feel you received adequate system training?	-	10	6	11	3	30
3 Does the system provide the critical information you need?	-	13	8	9	-	30
4 Have you had to develop specialized report writers outside	8	13	7	2	-	30
5 Any current, ongoing system problems need correcting?	11	10	8	1	-	30
Totals	19	54	39	34	4	150
Percentage	12.67%	36.00%	26.00%	22.67%	2.67%	100.00%

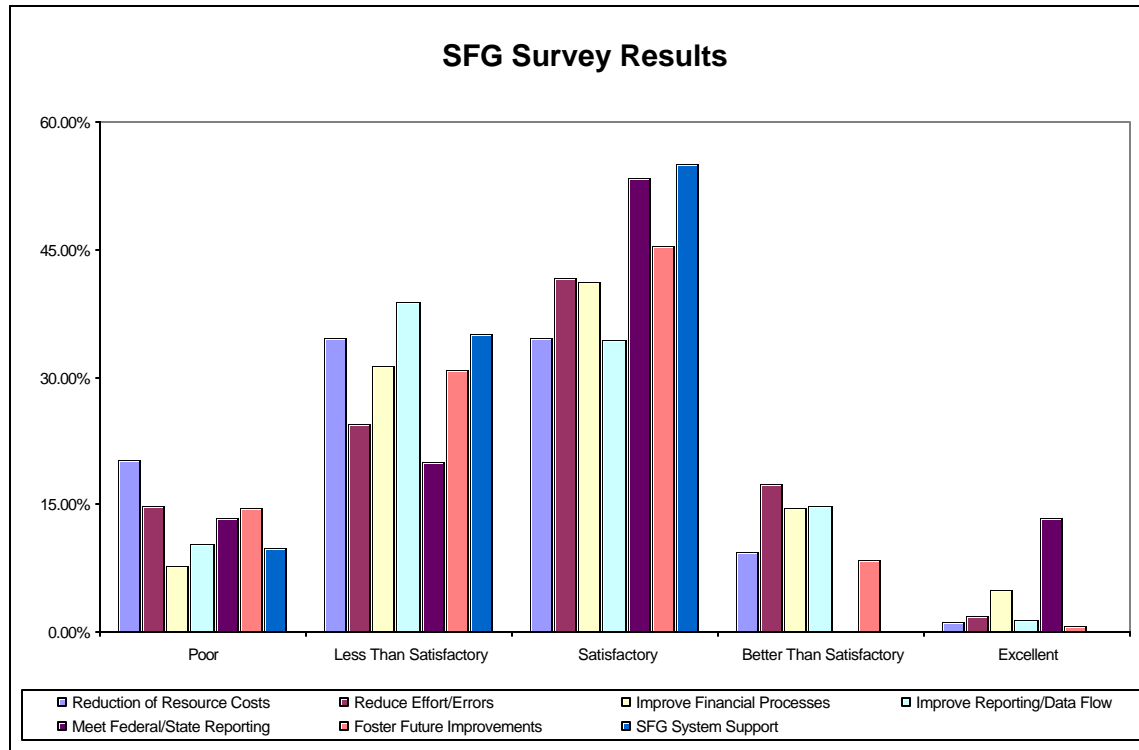
Snohomish County
SFG Integrated Financial Management System
Confidential Survey Results

	Poor	Less Than Satisfactory	Satisfactory	Better Than Satisfactory	Excellent	N/A
Reduction of Resource Costs	17	29	29	8	1	36
Reduce Effort/Errors	23	38	65	27	3	24
Improve Financial Processes	8	32	42	15	5	137
Improve Reporting/Data Flow	7	26	23	10	1	83
Meet Federal/State Reporting	2	3	8	-	2	45
Foster Future Improvements	22	47	69	13	1	88
SFG System Support	2	7	11	-	-	10



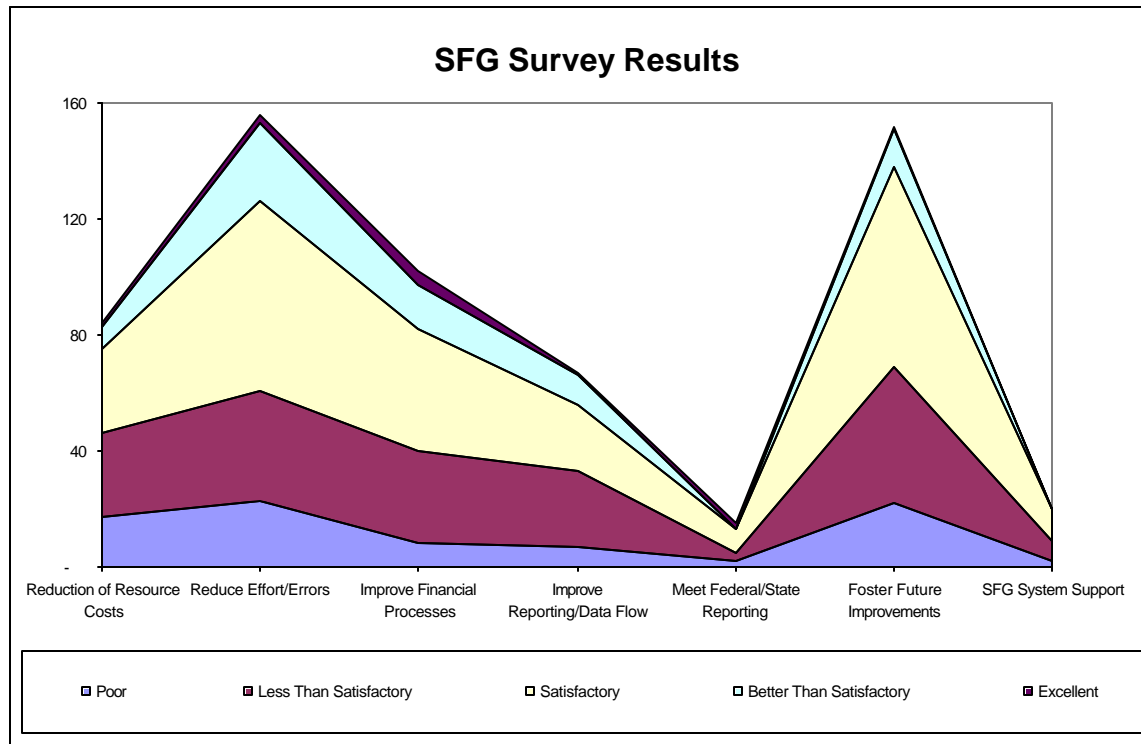
Snohomish County
SFG Integrated Financial Management System
Confidential Survey Results

	Poor	Less Than Satisfactory	Satisfactory	Better Than Satisfactory	Excellent
Reduction of Resource Costs	20.24%	34.52%	34.52%	9.52%	1.19%
Reduce Effort/Errors	14.74%	24.36%	41.67%	17.31%	1.92%
Improve Financial Processes	7.84%	31.37%	41.18%	14.71%	4.90%
Improve Reporting/Data Flow	10.45%	38.81%	34.33%	14.93%	1.49%
Meet Federal/State Reporting	13.33%	20.00%	53.33%	0.00%	13.33%
Foster Future Improvements	14.47%	30.92%	45.39%	8.55%	0.66%
SFG System Support	10.00%	35.00%	55.00%	0.00%	0.00%



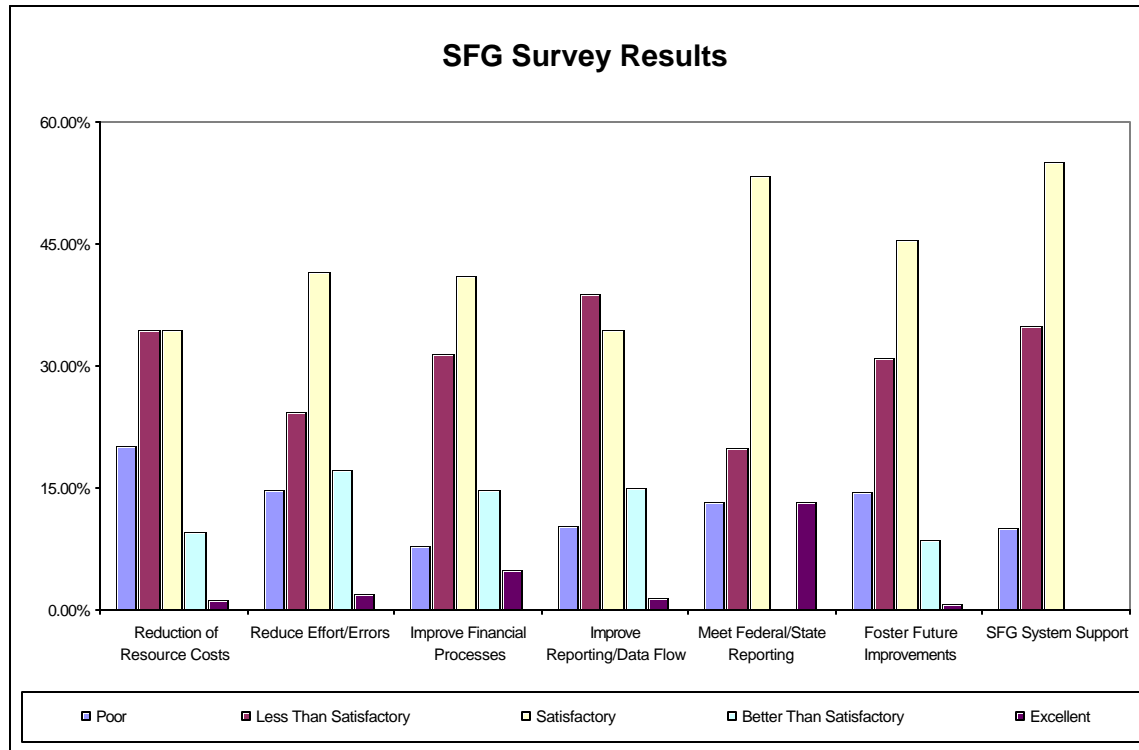
Snohomish County
SFG Integrated Financial Management System
Confidential Survey Results

	Poor	Less Than Satisfactory	Satisfactory	Better Than Satisfactory	Excellent	N/A
Reduction of Resource Costs	17	29	29	8	1	36
Reduce Effort/Errors	23	38	65	27	3	24
Improve Financial Processes	8	32	42	15	5	137
Improve Reporting/Data Flow	7	26	23	10	1	83
Meet Federal/State Reporting	2	3	8	-	2	45
Foster Future Improvements	22	47	69	13	1	88
SFG System Support	2	7	11	-	-	10



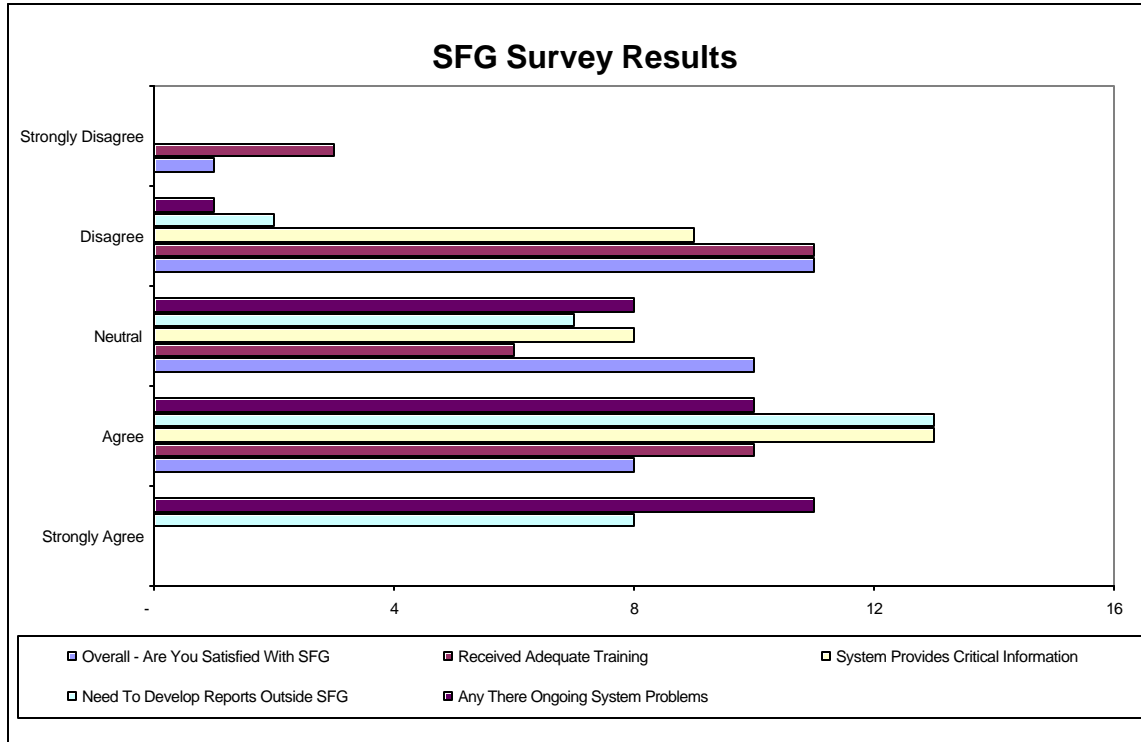
Snohomish County
SFG Integrated Financial Management System
Confidential Survey Results

	Poor	Less Than Satisfactory	Satisfactory	Better Than Satisfactory	Excellent
Reduction of Resource Costs	20.24%	34.52%	34.52%	9.52%	1.19%
Reduce Effort/Errors	14.74%	24.36%	41.67%	17.31%	1.92%
Improve Financial Processes	7.84%	31.37%	41.18%	14.71%	4.90%
Improve Reporting/Data Flow	10.45%	38.81%	34.33%	14.93%	1.49%
Meet Federal/State Reporting	13.33%	20.00%	53.33%	0.00%	13.33%
Foster Future Improvements	14.47%	30.92%	45.39%	8.55%	0.66%
SFG System Support	10.00%	35.00%	55.00%	0.00%	0.00%



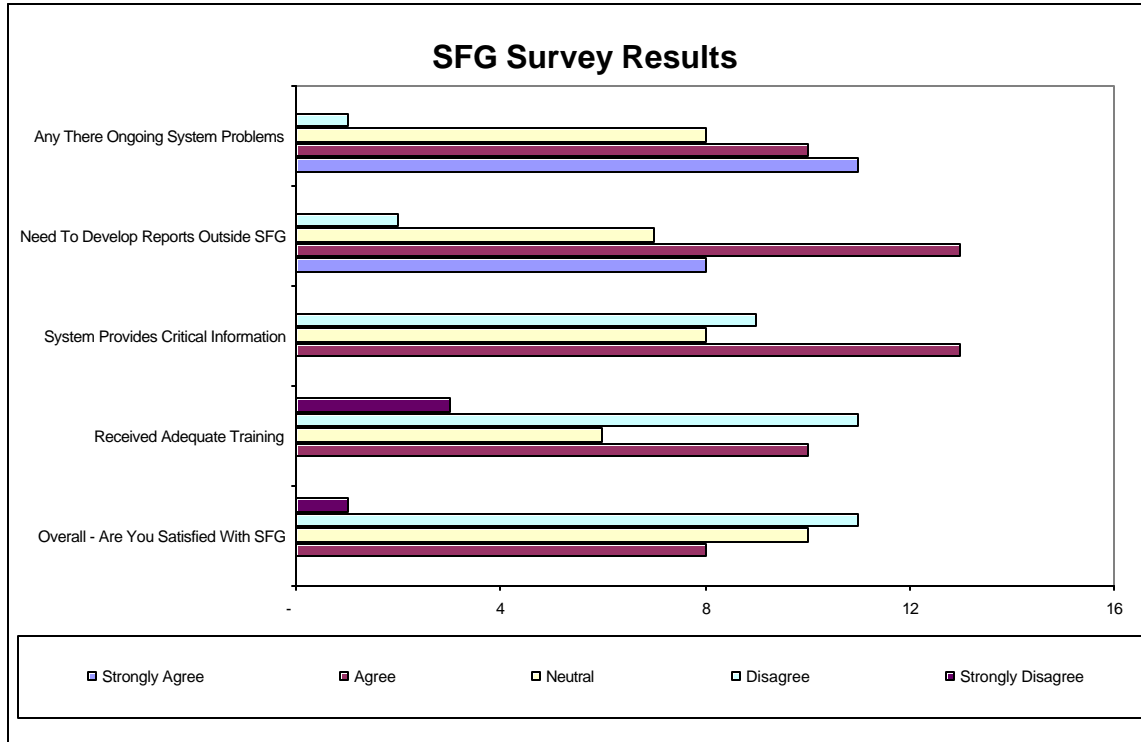
Snohomish County
SFG Integrated Financial Management System
Confidential Survey Results

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Overall - Are You Satisfied With SFG	-	8	10	11	1
Received Adequate Training	-	10	6	11	3
System Provides Critical Information	-	13	8	9	-
Need To Develop Reports Outside SFG	8	13	7	2	-
Any There Ongoing System Problems	11	10	8	1	-



Snohomish County
SFG Integrated Financial Management System
Confidential Survey Results

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Overall - Are You Satisfied With SFG	-	8	10	11	1
Received Adequate Training	-	10	6	11	3
System Provides Critical Information	-	13	8	9	-
Need To Develop Reports Outside SFG	8	13	7	2	-
Any There Ongoing System Problems	11	10	8	1	-





Snohomish County

MEMORANDUM

Information Services

Robert J. Drewel
County Executive

To: Martin T. Standel

Cc: Colin Bottem, Joni Earl, Dan Clements, Dean Ritchhart

FROM: Ronald C. Knight

DATE: April 12, 2000

SUBJECT: Review of Final Draft Report of SFG Status Review

Thank you for the opportunity to review your final draft of your SFG System Review Findings Report dated March 2, 2000.

It appears that you have incorporated the suggested changes DIS submitted in our December 14, 1999 response. We have no further substantive changes to submit.

We did not receive any additional suggested changes from Budget and Finance since what was submitted with our December 14, 1999 response. While some of the suggested changes were incorporated, it appears that others were not. We therefore respectfully refer you to that document, and encourage you to discuss any items that may still be of concern with the Director of Budget and Finance.

Please feel free to contact me at x3668 if I can be of further help.

Snohomish County Memorandum

BUDGET & FINANCE DEPARTMENT

To: Dean Ritchhart
From: Dan Clements
Date: December 9, 1999
Subject: SFG Discussion Draft

This correspondence will respond to your November 18 request for a review of the Final Discussion Draft Report relating to the SFG Integrated Financial Management System Review. Per your request, comments will be sorted into factual corrections and conditions which you may choose to re-word. Additionally, an observation section has been added, since there appear to be several misconceptions that run through the audit.

Observations

After reviewing the audit, there are several general observations that might have a bearing on your report.

First, all issues with SFG seem to be directed to software performance. While there are a number of software issues, we have found the root cause of many performance issues to center around current County business practices.

This is especially true in payroll, where no pay lag exists. Estimating hours, and then reprocessing them with actuals generates thousands of redundant transactions, causes much additional work, and creates a host of other storage and processing problems. I would urge you to carry out a closer examination of what issues SFG owns, and what issues Snohomish County owns.

Another business practice that caused many problems and costs were the way in which high tec contracts were (and still are) approved. The legal and contract review that took place created a situation where the County was not able to cut over on January 1, as originally envisioned. Instead, cut over took place at the end of the first quarter, 1997. This resulted in developing

conversions from one set of systems to another, balancing two systems during 1997, and a great deal of angst on everyone's part.

Second, I believe the audit is in error when it indicates that custom reporting and interfacing with other systems is dependent upon installation of a relational data base. Access to a tool like Oracle will provide the County with an additional, high powered tool. In the mean time, however, staff have used SFG general ledger report writers, Crystal Reports, and Clientview 2 to generate many custom reports, interfaces, and inquiries. Many of these will still be used once Oracle is installed.

Third, the model that was used to bring up SFG was a cross departmental structure based on private industry .It was similar to process used by companies like Boeing. While the procedure recommended in the audit appears quite sound, it is difficult seeing how adding an additional \$150,000 or so per year in overhead costs could have been justified at a time when major lay-offs were taking place.

Factual Corrections

After reviewing the document, I would submit the following nine factual corrections to the discussion draft.

- 1.) Page iv. Sybase was, in fact, installed. Response in the areas of processing speeds and screen refreshing did not meet our specifications.
 - 2.) Page iv. As of the last audit, there are no internal control audit findings associated with SFG, and five suggestions that appear in the Management Letter. Most of the suggestions in the Management Letter deal with County business practices, not how the system processes information.
 - 3.) Page iv. In 1997 SFG offered to install Oracle instead of Sybase as the underlying data base. At that time the County declined to pursue this offer, and no firm terms and conditions were made with SFG .
 - 4.) Page v, #4. As noted above, there were no SFG related findings in the most recent audit.
 - 5.) Page vii. Typo, LetteR to Letter
 - 6.) Page 2. "System implementation. ..is still not complete." I would suggest clarifying this statement to note that all major systems have been installed, implemented, and audited by the State Examiner. Fixed Assets is the most
-

- significant of the minor systems that was not delivered, and is dependent upon installation of a relational data base.
- 7.) Page 7. " ...failed Sybase software. ..." Decision was made by the County not to pursue Sybase.
 - 8.) Page 10. " ...System does not have the ability to generate all needed custom reports and components. ..." As noted previously, I do not believe this is accurate. What specific reports cannot be generated, and what systems cannot be interfaced? Major issue is in job costing doing project queries efficiently.
 - 9.) Page 20. Information about monthly budget report is incorrect. Format and material were developed in concert with Council, is audited by State Examiners, and is a standard used with all SFG customers: it is an elementary budget versus actual presentation that is used by numerous internal users, as well as external users who track data from our web postings.

The only accuracy issue involves a County business practice: comparison of multi-year appropriations for selected funds with the more traditional single year appropriation common to most funds.

- 10.) Page 21 (D). This is incorrect. The major challenge in the payroll area is not moving to a relational data base. It is changing the County's business practices to eliminate estimated payroll calculations by moving to a pay lag. Addition of a data base will add little value to our payroll system. As noted earlier, it has potential value in securing additional views of project job costing information.

Clarifying Conditions

We submit the following two items as clarifying conditions for the SFG discussion draft.

- 1.) Page iii. The Executive Summary provides no information about the status of the interface with the Assessor/Treasurer systems. Since this was the original charge of the audit, should it not be addressed, and especially in light of the fact that the vendor for these systems defaulted after dollars were expended for interfacing these systems?
- 2.) Confidential Survey. There would appear to be two issues with the confidential survey. First, it seems a bit of a reach to draw major conclusions from a survey where 30 staff responses were received out of a total of 525 end users. Second, questions refer to specific activities, so it is difficult to

differentiate between what impediments center around system complications, and which center around County business practices.

Closing Comments

If you have any additional questions or comments, we will be happy to respond to them.

Standard Mail
From: Clements, Dan

Sent: Friday, April 14, 2000 8:24 AM
To: Standel, Martin
Cc: Bottem, Colin; Earl, Joni; Ritchhart, Dean; Knight, Ron
RE: Review of Final Draft Report of SFG Status Review

Marty :

The concerns I have were sent to you in earlier letters. Several corrections and suggestions were dropped. I basically figured you had written the document, and decided not to incorporate ideas that were different from those presented. It seemed like a waste of energy to keep sending the same information, so I have not sent anything further. My earlier comments still stand.

Also, I thought the article about King County's new financial system might be of interest to you.

<http://www.postintelligencer.com/local/over14.shtml>

Thanks,

Dan Clements
Snohomish County Finance
425-388-3621

-----Original Message-----

From: Standel, Martin
Sent: Thursday, April 13, 2000 8:30 AM
To: Clements, Dan
Cc: Bottem, Colin; Earl, Joni; Ritchhart, Dean; Knight, Ron
Subject: Review of Final Draft Report of SFG Status Review

Dan

Yesterday, I received a letter from Ron Knight (you received a copy). Ron indicated that there may be outstanding concerns pertaining to Budget and Finance.

If Budget and Finance has any outstanding concerns, please send a letter outlining them no later than April 17, 2000 so that they may be included in the report.

Marty



Snohomish County

County Executive's Office

MEMORANDUM

Robert J. Drewel
County Executive

To: Dean Ritchhart, Performance Audit Manager

From: Robert J. Drewel, County Executive
Margery Hite, Executive Director

Date: June 23, 2000

Re: SFG Audit – Revised Executive’s response

EXECUTIVE RESPONSE

The Snohomish County Executive would like to take this opportunity to acknowledge the good work of the Performance Audit Staff in their review of Snohomish County's financial system. We generally agree with the findings and recommendations presented on pages iv and v of the report.

Of the eleven recommendations presented, the two most significant were carried out prior to the completion of the report. In April, 2000, a proposal to acquire Oracle as a replacement data base for Sybase was presented to the County Council and approved by them. At the same time, after lengthy negotiations with SFG, many issues have been resolved. Once all negotiated deliverables have been received, tested and approved, formal acceptance can take place.

The remaining nine recommendations dealt with specific contract compliance and project management issues associated with the acquisition and implementation of the County's financial management system. While the Executive concurs in the recommendations presented, it is important to see the SFG implementation in context of budget realities during 1996 and 1997.

First, the system was purchased and implemented at a time when the County experienced budget constraints that prompted personnel lay-offs throughout the County. It was not a time when extra staff could be hired to conduct project management. In fact, if a similar situation existed today, we would most probably take steps to retain services offered to our customers, at the expense of overhead operations.

In order to meet these budget challenges, the Assistant Finance Director acted as project manager for the system, while retaining regular job duties. If funding had permitted, a more ideal situation would have been to fund a special project manager, such as the Performance Auditor recommends.

Second, we also would note that the key project objectives were met. These include

1. The project was brought in below the \$1.86 million appropriation.
2. The project cut-over target date took place at the beginning of the second quarter, 1997.
3. The County was able to move all financial applications off of non-year 2000 compliant mainframe systems by December of 1998.
4. No additional staff or outside consulting firms were hired to bring up the new system. This is even more remarkable given the fact that several key departments were actually going through staff reductions during this period.
5. The County was able to pay vendors and staff throughout project conversion.
6. Numerous redundant and off-line systems were replaced.
7. During the 1998 audit the State Auditor found no system related findings.

Third, the subject of project management has already been addressed by the Department of Information Services, by initiating an office of project management. These are in line with the suggestions proposed by the Performance Auditor for managing future large scale projects. Especially important are the proposals for increasing emphasis on staff training and project management. The newly developed office of project management can be expected to address many of the same concerns raised in this audit.

Fourth, in retrospect, one of the major down sides of this project was the number of intense hours several hundred staff spent bringing up SFG, while continuing to perform their regular duties. We owe participants a debt of gratitude for their hard work and success in completing this project.

Finally, as noted earlier, through a process of negotiation and compromise, the County has been able to resolve the contract compliance issues it had with the vendor. The choice to work with the vendor rather than to litigate all issues meant that the relationship between the County and the software company remained strong and flexible. With that relationship, concrete progress was possible on making the system work for the County. While it might have been possible to force some points, the Executive feels that the greater goal was achieving a workable financial management system for the County. The experience of King County (see attached article) shows just how difficult and expensive that goal can be to reach.

attachment: 5/26/00 Seattle Times article