



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Operating efficiently and effectively

EPA May Have Overpaid for Its \$13 Million Time and Attendance System by Not Following Information Technology Investment Requirements

Report No. 20-P-0134

April 13, 2020



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Abbreviations

CIO	Chief Information Officer
EA	Enterprise Architecture
EPA	U.S. Environmental Protection Agency
IBC	U.S. Department of Interior's Interior Business Center
IT	Information Technology
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
SLCM	System Life Cycle Management

Cover Image: The EPA missed the opportunity to save up to \$8 million in taxpayer funds by not performing cost and alternatives analyses. (EPA OIG image)

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At a Glance

Why We Did This Project

We conducted this audit to determine whether the U.S. Environmental Protection Agency's PeoplePlus—its time and attendance reporting system—is efficient and effective for use in time and attendance and cost allocation processes and whether the system has effective practices, programs, and policies.

The EPA upgraded its PeoplePlus time and attendance system in October 2017. The Office of Management and Budget requires agencies to consider existing shared service centers and conduct an alternatives analysis before making decisions to improve, enhance, or modernize existing information technology investments. The OMB also requires agencies to conduct definitive technical, cost, and risk analyses of alternative design implementations over the full life cycle costs of IT products and services.

The Office of the Chief Financial Officer manages PeoplePlus.

This report addresses the following:

- *Operating efficiently and effectively.*

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EPA May Have Overpaid for Its \$13 Million Time and Attendance System by Not Following Information Technology Investment Requirements

What We Found

The EPA's OCFO did not perform a required cost analysis or consider alternative options before awarding contracts worth more than \$13 million to upgrade PeoplePlus to the 9.2 version. Additionally, the OCFO did not conduct four of the five reviews required by the EPA's Chief Information Officer Classification No. 2121-P-03.0, *System Life Cycle Management Procedure*, which provides management control and direction over decision-making.

By not performing cost and alternative analyses, the EPA missed the opportunity to save taxpayer funds.

Because the EPA did not perform the cost and alternative time and attendance systems analyses, it cannot confirm that the PeoplePlus upgrade was the best use of taxpayer funds. Also, the EPA may have missed the opportunity to reduce costs through its shared service provider, the U.S. Department of Interior's Interior Business Center. If the EPA had selected to use the IBC's system rather than PeoplePlus, the Agency could have saved approximately \$7.7 million to \$8.1 million, based on IBC estimates.

When internal control reviews are not performed, it puts the Agency at risk for making investment choices that waste taxpayer funds. The lack of reviews resulted in a missed opportunity for the Agency to be able to identify the most cost-effective system with the potential to realize the most operational efficiencies.

Recommendations and Planned Agency Corrective Actions

We recommend that the chief financial officer 1) perform the required cost analysis over the full life cycle of PeoplePlus and 2) analyze alternatives to the system. Also, for Recommendations 1 and 2, we recommend that the Agency determine whether to exercise remaining extension options in the PeoplePlus contract, which would cost \$3.1 million through February 2023. In addition, we recommend that the chief financial officer design and implement internal controls to 3) verify that staff complete the necessary reviews to obtain the necessary approvals and maintain the required documentation, and 4) verify that staff are following the system life cycle policy and procedure.

The EPA agreed with our recommendations. Recommendations 1 and 2 are resolved with corrective action pending, and Recommendations 3 and 4 are complete.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

April 13, 2020

MEMORANDUM

SUBJECT: EPA May Have Overpaid for Its \$13 Million Time and Attendance System by Not Following Information Technology Investment Requirements Report No. 20-P-0134

FROM: Sean W. O'Donnell *Sean W O'Donnell*

TO: David Bloom, Deputy Chief Financial Officer

This is our report on the subject audit conducted by the Office of Inspector General of the U.S. Environmental Protection Agency. The project number for this audit was OA&E-FY18-0283. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The EPA's Office of the Chief Financial Officer is responsible for implementing the recommendations in this report.

In accordance with EPA Manual 2750, your office provided or completed acceptable corrective actions in response to the OIG recommendations. Corrective actions are pending for Recommendations 1 and 2. Recommendations 3 and 4 are complete. No final response to this report is required. However, if you submit a response, it will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

The Office of Inspector General of the U.S. Environmental Protection Agency conducted an audit to determine whether EPA's time and attendance system, PeoplePlus, is efficient and effective for use in the time and attendance and cost allocation processes and whether the system has effective practices, programs, and policies.

Background

The EPA uses PeoplePlus as its official time and attendance reporting system. PeoplePlus supports the Office of Chief Financial Officer's payroll processing requirements and the Office of Mission Support's human capital management responsibilities.

In October 2004, the EPA deployed PeoplePlus, a highly customized, complex application that provided an agencywide integrated system based on the federal PeopleSoft version 8.3 commercial off-the-shelf application.

In 2013, the EPA selected the U.S. Department of Interior's Interior Business Center to provide human resources and payroll services in response to the Office of Management and Budget Human Resources Line of Business program. The Office of Management and Budget program sought to improve customer service, achieve cost savings, and increase operational efficiencies by implementing governmentwide interoperable human resources and addressing duplicative human resource systems across the federal government. The IBC is a federal shared services provider offering acquisition, financial management, and human resources systems and services for the Department of the Interior and other federal agencies.

The interagency agreement between the EPA and the IBC to migrate services to the federal shared services provider included human resources, payroll, and a time and attendance system called webTA. The EPA performed an alternative analysis of webTA and PeoplePlus in 2013, which showed that retaining the existing PeoplePlus time and attendance system was a less costly option than moving to webTA due to technical and time constraints. In 2014, the Agency decided to retain the PeoplePlus time and attendance system, upgrade it from the 8.3 to the 8.9 version, and remove the IBC's webTA system. However, the EPA identified webTA as a viable choice for future implementation. The EPA also retained the IBC for human resources and payroll services.

The EPA upgraded the PeoplePlus system from version 8.9 to 9.2 in October 2017. The OCFO stated that this system upgrade:

- Removed most of the customizations from the PeoplePlus time and attendance system.
- Moved the support of the EPA's cost recovery requirements to a delivered (commercial off-the-shelf) payroll cost accounting component of Compass, which is the Agency's financial management system.
- Removed highly customized features to position the Agency and the PeoplePlus time and attendance system for an easier and less costly transition to a future shared service provider.

In conjunction with the upgrade to PeoplePlus 9.2, the EPA implemented a new payroll cost allocation system. EPA employees use the PeoplePlus system to record labor and leave hours; that data is then passed to the IBC for payroll processing. The IBC's payroll data is imported into the EPA's financial system for the allocation of labor costs.

Responsible Office

The OCFO provides financial services for the EPA and is responsible for formulating and providing policies, reports, and oversight essential for the financial operations of the EPA. The Office of Technology Solutions within the OCFO is responsible for information technology planning, as well as the development and deployment of financial and resource management systems for the EPA. The OCFO manages the PeoplePlus system.

Scope and Methodology

We conducted this performance audit from October 2018 to December 2019, in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To answer our objectives, we reviewed the following laws, federal regulations, and Agency policies and procedures related to PeoplePlus:

- Clinger-Cohen Act of 1996 (Public Law 104-106).
- OMB Circular A-130, *Managing Information as a Strategic Resource*, July 28, 2016.

- OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016.
- OMB Memorandum, M-13-23, *Appendix D to Circular No. A-123, Compliance with the Federal Financial Management Improvement Act of 1996*, September 20, 2013.
- OMB Memorandum, M-17-26, *Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda*, June 15, 2017.
- OMB Memorandum, M-11-31, *Delivering an Efficient, Effective, and Accountable Government*, August 17, 2011.
- EPA Classification No. CIO-2121-P-03.0, *System Life Cycle Management (SLCM) Procedure*, September 21, 2012 (updated December 21, 2017).
- EPA Directive No. CIO-2121.1, *System Life Cycle Management (SLCM) Policy*, December 21, 2017.
- EPA Directive No. CIO-2120.1, *Capital Planning and Investment Control Program Policy for the Management of Information Technology Investments*, December 21, 2017.
- EPA Directive No. CIO-2122-P-01.1, *Enterprise Architecture Governance Procedures*, December 21, 2017.
- EPA Resource Management Directive System Number 2540-08-P1, *Payroll Time and Attendance Reporting*, September 12, 2018, version 2 (updated June 27, 2019).

To determine whether the PeoplePlus system is efficient and effective, we:

- Reviewed the EPA contracts related to the upgrade to PeoplePlus 9.2 and the labor cost allocation system to determine the cost of the systems and contractual and operational requirements.
- Obtained a list of 15,846 PeoplePlus help desk tickets for fiscal year 2017, fiscal year 2018, and through the second quarter of fiscal year 2019.
- Surveyed 22 PeoplePlus coordinators, one from each EPA office and region, and asked a standard set of questions related to the PeoplePlus system and its ability to support their time and attendance needs.

- Interviewed the Office of Mission Support and OCFO staff members to learn their duties and processes related to processing employee time and attendance and using the PeoplePlus system.
- Compared data obtained from the help desk tickets, interviews, and surveys to identify patterns and the Agency's actions to resolve recurring issues.
- Obtained cost estimates from the IBC for its time and attendance systems (webTA and Quicktime) and compared the cost of the two systems to PeoplePlus 9.2 for fiscal years 2017 through 2022. The system cost estimates include help desk services, which are provided as part of its operations and maintenance cost. However, the cost estimates do not include customization costs.
- Held interviews and reviewed contract data for the cost allocation process. We identified that EPA employees use PeoplePlus to record labor and leave hours, which is then passed to the IBC for payroll processing. Therefore, we concluded that PeoplePlus has limited involvement in the cost allocation process.

Prior Reports

The EPA OIG issued several prior reports that relate to this audit:

- Report No. [09-P-0206](#), *EPA's Human Resources Management System Did Not Deliver Anticipated Efficiencies to the Shared Service Centers*, issued August 11, 2009. The EPA's Office of Administration and Resources Management lacked necessary cost analysis and OMB approval to upgrade PeoplePlus with an automated workflow feature in support of the EPA shared service centers. The Agency indicated that all corrective actions were completed subsequent to the issuance of the report.
- Report No. [2005-P-00019](#), *PeoplePlus Security Controls Need Improvement*, issued July 28, 2005. The OIG found that, among other things, PeoplePlus was implemented without adequate security controls for user identifications and separation of security administrator duties. The Agency indicated that all corrective actions were completed subsequent to the issuance of the report.
- Report No. [2005-P-00023](#), *EPA Needs to Improve Oversight of Its Information Technology Projects*, issued September 14, 2005. The report identified that the increased cost to deploy PeoplePlus could have been averted or lessened if there was adequate oversight. The Agency indicated that all corrective actions have since been completed subsequent to the issuance of the report.

Chapter 2

EPA Did Not Follow IT Investment Requirements with Its PeoplePlus Upgrade

The EPA did not follow IT investment requirements, including conducting a cost analysis before awarding contracts worth more than \$13 million, when upgrading PeoplePlus to the 9.2 system version. It also did not consider using a shared service center or another alternative for its time and attendance system. The EPA did not comply with the OMB Circular A-130, which requires agencies to make decisions to improve, enhance, or modernize existing IT investments or to develop new IT investments only after conducting an alternatives analysis to determine the best value to the agency. The EPA also did not conduct a cost analysis and consider existing federal shared services.

EPA management said that the chief information officer authorized the OCFO to not perform a cost-benefit analysis for the PeoplePlus 9.2 upgrade. The OCFO said that an alternatives analysis of a shared service center was not performed because a review would have only returned the same decision as in 2013, which was to not use the services. Based on federal shared center estimates, the EPA missed saving up to \$8 million and continues to miss the opportunity to put \$1.2 million of the \$8 million to better use within the Agency. Also, the EPA missed the opportunity to obtain help desk efficiencies by not using a federal agency shared service center.

Federal Law and Policy Require Cost and Alternatives Analyses

Per 40 U.S.C., *Subtitle III—Information Technology Management*, 11315, the duties of the CIO include monitoring the performance of the Agency's IT programs based on the applicable performance measurements and advising the head of the Agency regarding whether to continue, modify, or terminate a program or project.

OMB Circular A-130, Section 5.d.3.f, requires agencies to make:

Decisions to improve, enhance, or modernize existing IT investments or to develop new IT investments are made only after conducting an alternatives analysis that includes both government-provided (internal, interagency, and intra-agency where applicable) and commercially available options, and the option representing the best value to the Government has been selected.

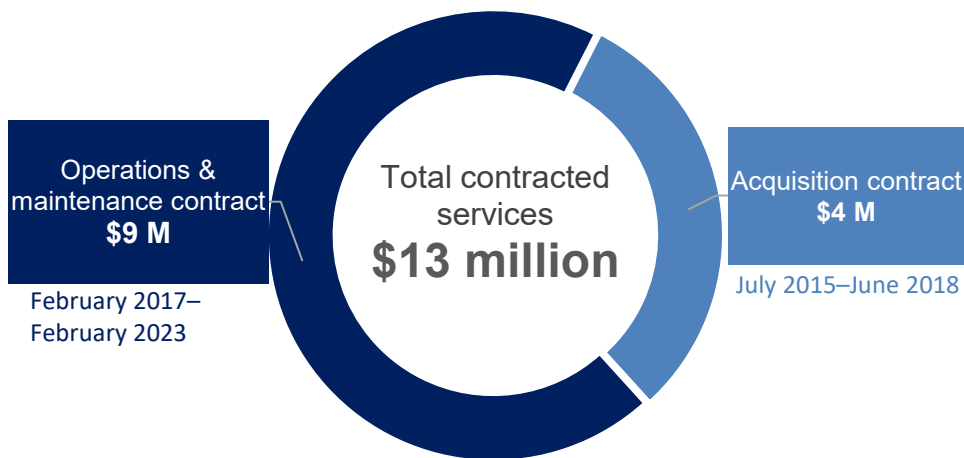
The OMB Circular A-130 sections also identify the following requirements:

- **Section 5.d.1.b**—“Conduct definitive technical, cost, and risk analyses of alternative design implementations, including consideration of the full life cycle costs of IT products and services, including but not limited to, planning, analysis, design, implementation, sustainment, maintenance, re-competition, and retraining costs, scaled to the size and complexity of individual requirements.”
- **Section 5.d.1.c**—“Consider existing Federal contract solutions or shared services when developing planned information systems, available within the same agency, from other agencies, or from the private sector to meet agency needs to avoid duplicative IT investments.”
- **Section 5.d.1.e**—“Ensure that decisions to improve existing information systems with custom-developed solutions or develop new information systems are initiated only when no existing alternative private sector or governmental source can efficiently meet the need, taking into account long-term sustainment and maintenance.”

EPA Awarded Contracts Totaling Over \$13 Million Without Cost or Alternatives Analyses

The EPA did not perform a cost analysis and did not consider other alternatives for its time and attendance services before contracting over \$13 million to improve and upgrade PeoplePlus from version 8.9 to version 9.2. We concluded that PeoplePlus is effective for use in the time and attendance process but may not be the most efficient use of Agency resources. The EPA contracted services for the acquisition, operation, and maintenance of its PeoplePlus 9.2 system. Figure 1 summarizes the contracted cost for the system.

Figure 1: EPA contract services for PeoplePlus 9.2 with periods of performance



Source: EPA OIG image.

The acquisition contract is for approximately \$4 million with a period of performance from July 1, 2015, through June 30, 2018. The operations and maintenance contract for EPA’s PeoplePlus system is ongoing. Table 1 outlines the period of performance and award amounts for the PeoplePlus 9.2 operations and maintenance contract. The contract has a base period and five option periods, which total more than \$9 million.

Table 1: PeoplePlus ongoing operations and maintenance contract details

PeoplePlus 9.2 operations and maintenance contract	Period of performance	Award amount
Base Period	2/23/2017–2/22/2018	\$1,412,671
Option Period 1	2/23/2018–2/22/2019	1,480,966
Option Period 2	2/23/2019–2/22/2020	1,492,231
Option Period 3	2/23/2020–2/22/2021	1,522,020
Option Period 4*	2/23/2021–2/22/2022	1,552,334
Option Period 5*	2/23/2022–2/22/2023	1,565,314
Total awarded		\$9,025,536

Source: EPA OIG analysis.

*Option Periods 4 and 5, which total \$3,117,648, have not been obligated.

As of April 2020, Contract Option Periods 4 and 5, which have a total award amount of \$3,117,648, had not begun and funds had not been obligated. The contract allows the government to not elect Option Periods 4 and 5 for the government’s convenience if necessary. The contract also states that if the government terminates the contract pursuant to the convenience termination provision, it will not be obligated, under any circumstances, to reimburse the contractor more than the amount payable by the government.

The OCFO’s PeoplePlus 9.2 project manager referred the audit team to the EPA’s PeoplePlus Project Management SharePoint site for all the documents associated with the PeoplePlus 9.2 upgrade. The audit team’s review of the project site revealed that the site did not have documentation showing that the EPA considered the cost of PeoplePlus over the life of the system or alternative systems. When the audit team requested data to support a cost analysis for PeoplePlus, EPA management stated that it did not perform a cost analysis for the time and attendance system.

The EPA did not consider other alternatives for its time and attendance services while performing the PeoplePlus 9.2 upgrade, even though the Agency’s shared service provider, IBC, had a time and attendance system that the OCFO considered a viable option for future use during the 2013 upgrade of the PeoplePlus system from version 8.3 to 8.9. The audit team found that the project site included documentation that noted the required project tasks, start and end dates, and the completion percentage for each task. Two required tasks were to review time and attendance system capability at other federal agencies and in the

private sector. On the project site, the two tasks were identified as 100 percent complete in September 2015. There was no documentation on the project site to support the completion of the two tasks. We concluded that this was due to poor management oversight since the EPA stated that an alternatives analysis was not performed.

EPA Did Not Have Authorization to Not Perform Required Analyses and Relied on Outdated Estimates

OCFO management and staff stated that the CIO authorized them to not perform a cost analysis for the upgrade to PeoplePlus 9.2 because a cost analysis was performed in 2013 during the system's upgrade from 8.3 to 8.9. Our review of documentation provided by the OCFO did not support the statement, and we concluded that the CIO did not authorize the OCFO to proceed with the upgrade without a cost analysis. The 2013 cost analysis should not have been relied upon because it was at least three years old and was for PeoplePlus 8.9, which included customization costs that are no longer in the PeoplePlus 9.2 version. Additionally, the CIO does not have the authority to waive OMB Circular A-130 requirements, as a waiver may only be granted by the OMB director upon written request by the Agency.

OCFO management and staff stated that they did not consider the use of a shared service center because this option was considered in 2013 when the Agency transitioned to the IBC. They believed another review would have returned the same decision to not use the IBC's webTA timekeeping system. Additionally, the OCFO stated that the costs for migration and customization for the IBC's webTA system would not have changed from its 2013 estimates, so it would have been wasteful to perform another analysis. The EPA could not reach these conclusions without performing a current analysis and should not have relied on information that was at least three years old. Alternative options, including the use of a shared service provider for time and attendance, should have been considered because it is required by OMB Circular A-130. The EPA's project documentation listed the review of time and attendance systems at other agencies and in the private sector in its plans during the PeoplePlus 9.2 upgrade. Therefore, it is the OIG's opinion that the EPA knew that an alternatives analysis should have been performed.

EPA Missed Opportunities to Save Taxpayer Dollars

Without current cost and alternatives analyses, the EPA cannot be sure its timekeeping system is the most economical and efficient use of taxpayer funds. The OIG obtained cost estimates from the IBC for its two time and attendance systems: webTA and QuickTime. Based on the IBC's cost estimates, the EPA could have saved up to \$8 million in taxpayer funds. Additionally, approximately \$1.2 million of the \$8 million could be put to better use if the remaining options years for the operations and maintenance contract are not elected and one of the payroll solutions available from the IBC is used.

The cost estimates for the IBC systems that the EPA could have considered instead of PeoplePlus are shown in Tables 2 and 3.

Table 2: IBC cost estimate for webTA services

webTA cost type	Amount estimated
Implementation cost	\$716,560
Operations and maintenance costs by year	
FY 2017	571,060
FY 2018	587,376
FY 2019	692,614
FY 2020	901,459
FY 2021*	936,538
FY 2022*	967,086
Total estimated cost	\$5,372,693

Source: EPA OIG analysis.

*The total cost for 2021 and 2022 is \$1,903,624.

Table 3: IBC cost estimate for QuickTime services

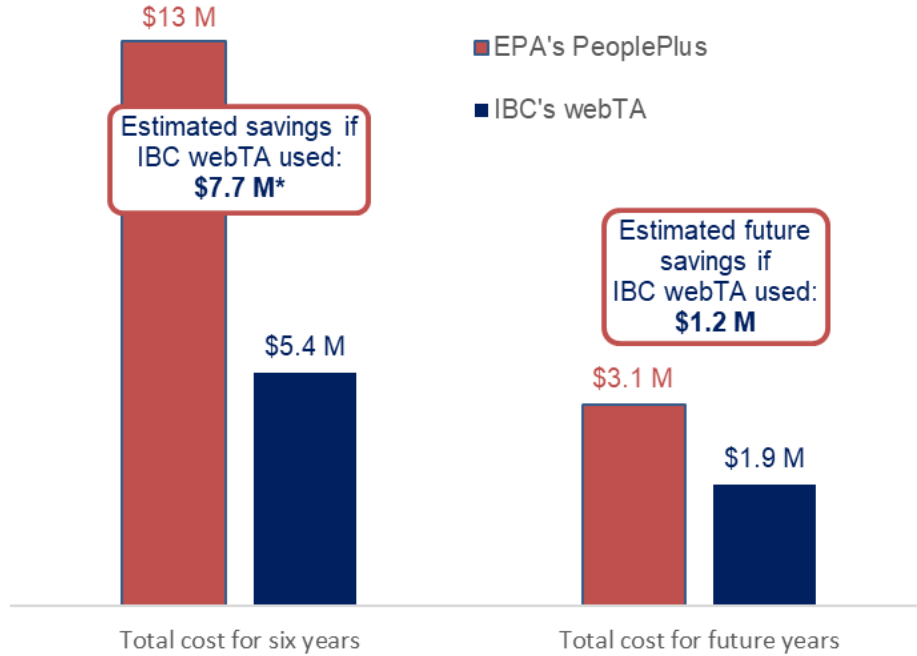
QuickTime cost type	Amount estimated
Implementation cost	\$266,950
Operations and maintenance costs by year	
FY 2017	620,008
FY 2018	636,324
FY 2019	743,520
FY 2020	870,132
FY 2021*	885,959
FY 2022*	905,231
Total estimated cost	\$4,928,124

Source: EPA OIG analysis.

*The total cost for 2021 and 2022 is \$1,791,190.

Figures 2 and 3 show estimated cost comparisons of the IBC's webTA and QuickTime systems to the EPA's PeoplePlus 9.2 contracted cost. Also, the tables show our estimated savings if the IBC systems were selected as an alternative system and the amounts still available were put to better use.

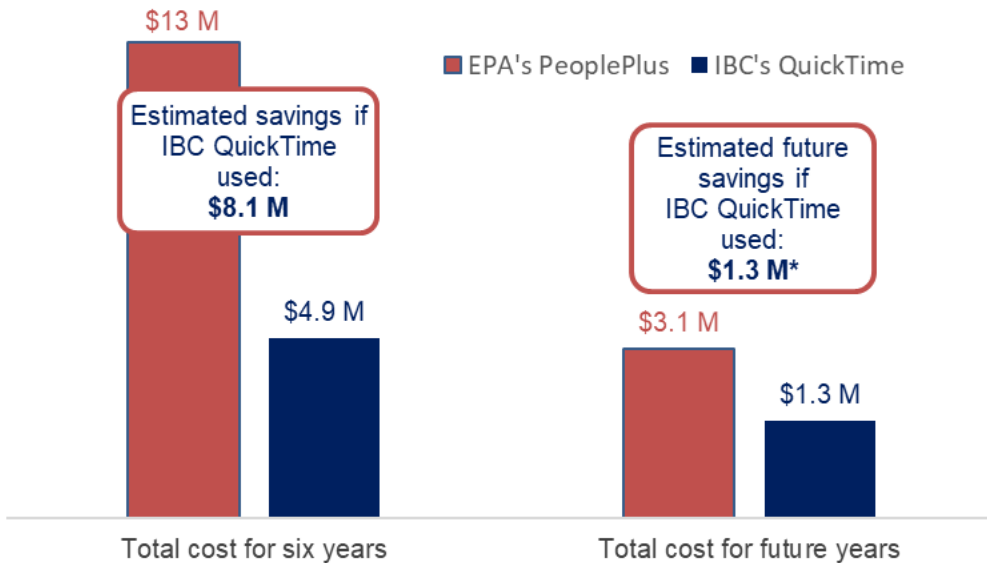
Figure 2: PeoplePlus 9.2 contracted cost and IBC's webTA estimated cost comparison



Source: EPA OIG image.

*Costs that could be avoided. Actual difference between \$13,025,000 and \$5,372,693 is \$7,652,307. Therefore, it is rounded to \$7.7 million.

Figure 3: PeoplePlus 9.2 contracted cost and IBC's QuickTime estimated cost comparison



Source: EPA OIG image.

*Costs that could be avoided.

Additionally, the EPA missed the opportunity to reduce some of the help desk support contract costs since the IBC includes help desk services with its time and attendance systems.

Recommendations

We recommend that the chief financial officer:

1. Perform the required cost analysis over the full life cycle of PeoplePlus. Also, determine whether the PeoplePlus operations and maintenance contract should not be extended for any remaining option years.
2. Perform an alternatives analysis to determine whether solutions from the Department of Interior's Interior Business Center and other federal shared service centers would be the best value option to meet the time and attendance needs of the Agency, and decide whether the PeoplePlus operations and maintenance contract should not be extended for any remaining option years.

Agency Response and OIG Assessment

The EPA agreed with Recommendations 1 and 2.

For Recommendation 1, the OCFO will perform a full cost-benefit analysis as part of the Agency's decision to move to another time and attendance provider no later than June 2021 or within 60 days after selecting one of the systems offered through the IBC. The Agency will make option year decisions as a part of the full cost-benefit analysis. The proposed corrective action and planned completion date for Recommendation 1 satisfy the recommendation, and we consider the recommendation resolved with corrective action pending.

For Recommendation 2, the OCFO will perform an analysis of alternatives as part of the Agency's decision to move to another time and attendance provider no later than June 2021 or within 60 days after selecting one of the systems offered through the IBC. The Agency will make option year decisions as a part of the alternative analysis. The proposed corrective action and planned completion date for Recommendation 2 satisfy the recommendation, and we consider the recommendation resolved with corrective action pending.

The complete Agency response to the draft report is in Appendix A. The OIG's assessment of the Agency's overall position is in Appendix B.

Chapter 3

EPA Did Not Perform Oversight Reviews and Maintain Required Documentation

The EPA did not perform necessary oversight duties as required in its system life cycle management, or SLCM, procedures. The procedures require the EPA to complete five reviews that provide management control and direction over software selection decisions. The EPA did not perform four of the reviews and did not have supporting documentation as required by its system life management procedures. One of the four reviews that was not performed required certification that the PeoplePlus system aligned with the Agency's Enterprise Architecture.¹ OMB Circular A-130 requires agencies to develop an EA that aligns with the Agency's Information Resources Management strategic plan, which must demonstrate how the technology and information resources goals align with the Agency's mission and organizational priorities. OCFO management stated that it did not perform the reviews because it was focused on the Agency's financial system upgrade, not PeoplePlus. Not performing oversight duties caused the Agency to be noncompliant with OMB Circulars No A-123 and A-130, as well as with the EPA's CIO-2121-P-03.0, which puts the Agency at risk for making poor investment choices that potentially waste taxpayer funds.

Federal Regulations and EPA Policy Require Multiple Reviews and Maintenance of Documentation When Making IT Investments

OMB Circular A-123 states that managers are responsible for ensuring compliance with relevant laws and regulations. Per the Circular, "Management is also responsible for establishing and maintaining internal controls to achieve specific objectives related to operations, reporting and compliance. Management must consistently apply these internal control standards to meet the internal control principles."

OMB Circular A-130 requires agencies to develop an EA that describes the baseline architecture, the target architecture, and a transition plan to get to the target architecture. The Agency's EA must also align business and technology resources to achieve strategic outcomes. The EA should include Agency plans for significant upgrades, replacements, and disposition of information systems when the systems can no longer effectively support missions or business functions. The process of describing the current and future state of the Agency and laying out a plan for transitioning from the current state to the desired future state helps

¹ The EA is a strategic information asset base that describes the Agency's business, the information necessary to operate the business, the technologies necessary to support the business operations, and the transitional processes necessary to implement new technologies in response to changing business needs.

agencies to eliminate waste and duplication, increase shared services, and close performance gaps.

OMB Circular A-130, Section 5.d.3.b, also states that an agency’s business cases need to contain appropriate evidence to support the agency’s decisions related to major IT investments.

The EPA’s CIO 2121-P-03.0 provides for the integration of SLCM with IT investment management practices, EA, quality, and information security requirements. A system life cycle at the EPA consists of six phases: pre-definition, definition, acquisition and development, implementation, operations and maintenance, and termination. The SLCM states that during each phase, documentation is created, updated, or modified. The procedure notes that although there could be variances, each SLCM phase must be completed for all EPA systems. The six phases of the system life cycle require the Agency to:

- Document business needs.
- Justify the system.
- Certify compliance with the Agency’s EA.
- Authorize system operation.
- Determine whether to continue or terminate the investment and, if appropriate, retire the system.

There are five control gate reviews that are completed during the SLCM procedure. Control gates are phase driven decision points where SLCM activities are reviewed to confirm that appropriate OMB and EPA requirements are observed. Table 4 summarizes the required phases and associated reviews (control gates) for a system migration or upgrade.

Table 4: SLCM procedure outlining six phases and related reviews

Phase	Summary of phase	Required gate review
Pre-definition	Determines if an IT system is needed to fulfill an Agency need or performance gap in any functional areas, including administrative, financial, or technological functions.	Gate 1: Requires a decision memorandum that approves the system to progress to the next phase or halts system development until requirements are met. The memorandum must document the business or mission needed for system migration or upgrade.
Definition	Establishes the business justification for the system and a concrete plan for implementation or acquisition.	Gate 2: Requires (for major investments) an IT Investment Business Case to be added to the Agency’s IT Investment Portfolio. The Quality and Information Council makes a final decision on approving the business case. The business case develops and evaluates alternatives for improving the business based on readily available information.

Phase	Summary of phase	Required gate review
Acquisition and development	Uses information gathered in the definition phase to design, develop, and acquire the information system that meets the EPA's business needs.	Gate 3: Requires the Agency's Chief Architect to conduct the EA Compliance Certification Review, which ensures that the system's design conforms to the planned solution and continues to address business needs while aligning with the Agency EA. Gate 4: Requires the senior information officer to conduct the Authorization to Operate Review to determine if it is appropriate to allow the system to move into the operational state.
Implementation	Establishes the system in a production environment.	No related gate reviews.
Operation and maintenance	Includes activities for the system's ongoing functions and maintenance.	Gate 5: Determine if the IT investment should continue to be modified or be terminated. The review will coincide with the annual IT investment review.
Termination	Ends the operation of the system in a planned, secure, and orderly manner, which includes archiving system components and data, or incorporating them into other systems as required, and securely disposing of hardware and software as appropriate.	No related gate reviews.

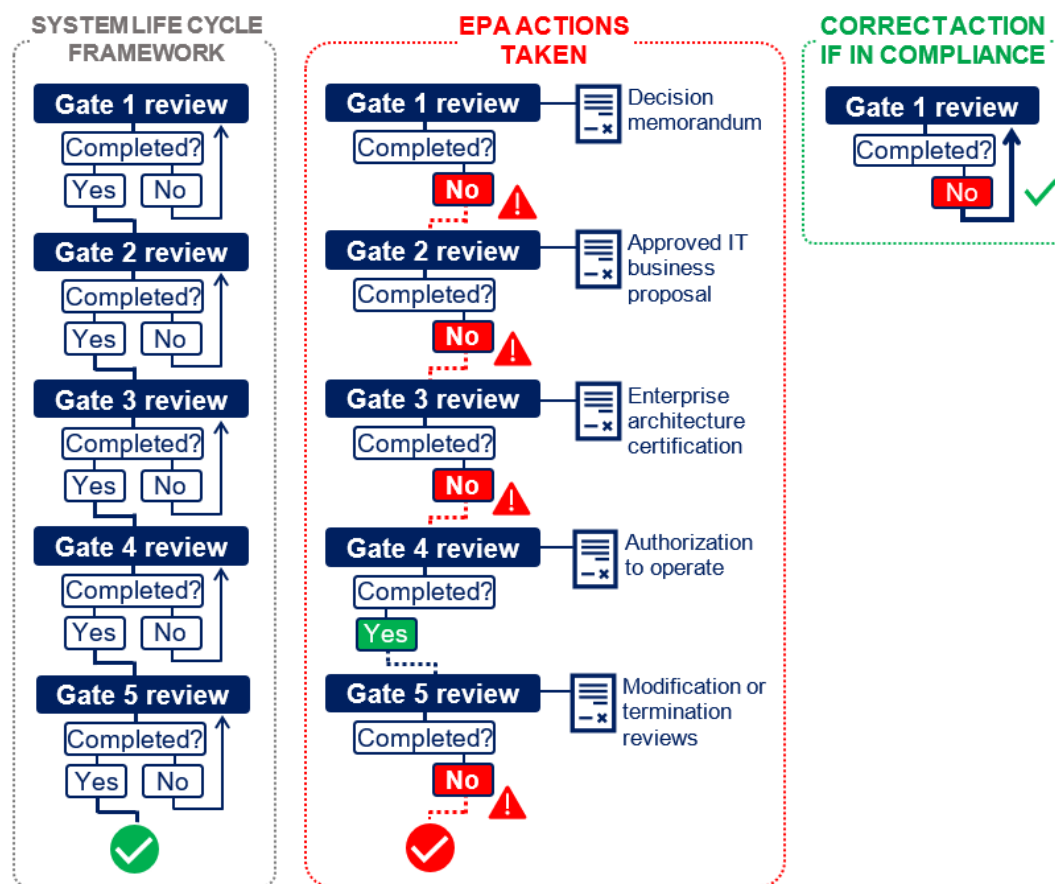
Source: Internal OIG document.

EPA Did Not Perform SLCM Reviews or Maintain Related Documentation

The EPA did not perform necessary oversight duties as required in the SLCM procedure. The Agency also did not perform four of the five required gate reviews and did not maintain the required documentation to support its system upgrade to PeoplePlus 9.2 as required in its SLCM procedure. Not performing oversight duties is not effective and has caused the Agency to be noncompliant with OMB and EPA requirements.

Our review of the EPA's SharePoint PeoplePlus Upgrade Project site, which is used to store all project-related and system life cycle documents, revealed that several critical documents to support the required reviews were missing and all the SLCM folders on the site were empty. The OIG requested documents to support the five required reviews and found that many of the documents provided by the OCFO were related to the 2013 PeoplePlus upgrade rather than the 2017 upgrade. Figure 4 includes a description of the five gate reviews, the required documentation, and the OIG's determination of whether the review was completed.

Figure 4: System life cycle compliance versus EPA actions taken



Source: EPA OIG image.

The first four reviews listed in Figure 4 require documentation to proceed to the next phase of the project. The EPA proceeded to the next phase of the PeoplePlus project without the required documentation. In our opinion, the upgrade to PeoplePlus 9.2 should not have occurred until proper approval was obtained.

EPA Was Not Focused on PeoplePlus 9.2 Upgrade

OCFO management did not apply the EPA’s internal controls, which is why many of the required steps for IT investment approval were not performed. OCFO management and staff stated that it did not comply with SLCM requirements because they were focused on implementing the Agency’s financial system upgrade, not the PeoplePlus upgrade.

EPA Missed Opportunities to Potentially Save Taxpayer Funds and Is Noncompliant with Federal Instructions

The EPA did not comply with its own SLCM procedure and weakened the Agency’s internal controls with respect to the PeoplePlus system by not performing the required reviews. Since a decision memorandum, business

proposal, compliance certification, and a modify or terminate review were not developed or performed for the PeoplePlus 9.2 upgrade, the EPA cannot demonstrate that the PeoplePlus system is the best investment for the Agency and potentially missed the opportunity to save taxpayer money.

Furthermore, the PeoplePlus system may not align with the EPA's EA and strategic plan because the OCFO did not perform an EA certification review for the PeoplePlus system. As a result, the Agency is at risk of not complying with OMB Circular A-130.

Recommendations

We recommend that the chief financial officer:

3. Design and implement internal controls to verify that staff complete the necessary reviews to obtain the necessary approvals before proceeding to the next phase of the system life cycle and maintain the required documentation.
4. Design and implement internal controls that verify that staff members are following the EPA's System Life Cycle Management Procedure (Chief Information Officer Classification No. 2121-P-03.0) when performing information technology systems application projects, including PeoplePlus.

Agency Response and OIG Assessment

The EPA agreed with Recommendations 3 and 4.

For Recommendation 3, the OCFO completed its review of all active financial systems projects using a new process called Project Health Checks on March 31, 2020. The OCFO provided support for the completion of the corrective action on April 6, 2020. The Agency's Project Health Checks verify that the necessary approvals have been obtained, and supporting documentation is on file for the life cycle phases. We concur that the corrective action for Recommendation 3 is complete.

For Recommendation 4, the OCFO provided support for the completion of the corrective action on February 7, 2020. The Agency implemented its Project Health Checks process in September 2019 to review the compliance of its projects with system development and maintenance procedures. We concur that the corrective action for Recommendation 4 is complete.

The complete Agency response to the draft report is in Appendix A. The OIG's assessment of the Agency's overall position is in Appendix B.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	11	Perform the required cost analysis over the full life cycle of PeoplePlus. Also, determine whether the PeoplePlus operations and maintenance contract should not be extended for any remaining option years.	R	Chief Financial Officer	6/30/21	\$1,200
2	11	Perform an alternatives analysis to determine whether solutions from the Department of Interior's Interior Business Center and other federal shared service centers would be the best value option to meet the time and attendance needs of the Agency and decide whether the PeoplePlus operations and maintenance contract should not be extended for any remaining option years.	R	Chief Financial Officer	6/30/21	
3	16	Design and implement internal controls to verify that staff complete the necessary reviews to obtain the necessary approvals before proceeding to the next phase of the system life cycle and maintain the required documentation.	C	Chief Financial Officer	3/31/20	
4	16	Design and implement internal controls that verify that staff members are following the EPA's System Life Cycle Management Procedure (Chief Information Officer Classification 2121-P-03.0) when performing information technology systems application projects, including PeoplePlus.	C	Chief Financial Officer	9/20/19	

¹ C = Corrective action completed.
R = Recommendation resolved with corrective action pending.
U = Recommendation unresolved with resolution efforts in progress.

Agency Response to Draft Report



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

January 22, 2020

OFFICE OF THE
CHIEF FINANCIAL OFFICER

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft Audit Report, Project No. OA&E-FY18-0283, *"EPA May Have Overpaid for Its \$13 Million Time and Attendance System by Not Following IT Investment Requirements,"* dated December 18, 2019

FROM: David A. Bloom, Acting Chief Financial Officer /s/
Office of the Chief Financial Officer

TO: Michael Davis, Director
Efficiency Audits
Office of Audit and Evaluation

Thank you for the opportunity to respond to the issues and recommendations in the subject draft audit report. The following is a summary of the U.S. Environmental Protection Agency's overall position, along with responses for each of the report recommendations. We have provided high-level intended corrective actions and estimated completion dates to the extent we can.

AGENCY'S OVERALL POSITION

While the EPA agrees with your four recommendations, there are many statements in the draft which leave an incorrect impression. The report states that the agency did not follow proper procedures and did not maximize value to the agency. That is not accurate, and our analysis showed that we saved between \$3 and \$4 million in system costs, when migration costs are included, as they should be as part of the total cost of ownership.

Many factors were considered during the migration to the Department of Interior's Interior Business Center. In 2013, the agency entered into an agreement with the IBC for human resource systems services in response to the Office of Management and Budget's Human Resources Line

of Business initiative. The primary benefit of this agreement was to retire the human resources portion of the agency PeoplePlus system and reduce system cost to the Office of Mission Support (formerly the Office of Administration and Resources Management). The IBC's solution would not have decoupled the human resources and payroll systems services, so the decision to move to the IBC meant the agency would also have to migrate from its existing payroll system provider, the Defense Finance and Accounting Service, to the IBC payroll system as well. The initial interagency agreement with the IBC was written to include human resources, payroll, and time and attendance system services.

The IBC stated that the available window to migrate to their systems was March 2014. If the EPA could not meet that date, the next available window would be two years later. The problem this timeline presented to the agency was that the EPA time and attendance and payroll cost accounting systems were highly customized to support the EPA's existing collective bargaining agreements and statutory cost recovery requirements. The IBC's time and attendance offerings, WebTA and Quick Time, did not support these requirements. Therefore, the agency was faced with two choices; either request changes to the IBC time and attendance systems driving up the cost and risk of the IBC migration, or develop interfaces between the IBC's human resources and payroll systems to the EPA's existing PeoplePlus time and attendance system. An alternative analysis was performed which showed that retaining the existing PeoplePlus time and attendance system was less costly and presented less risk to the overall IBC migration. The agency made the decision to retain the PeoplePlus time and attendance system. However, the long-term strategy was to remove the customizations from PeoplePlus to allow more flexibility in the future.

In October 2017, the OCFO moved forward with the long-term approach, the system was upgraded a second time from version 8.9 to version 9.2. This system upgrade provided the following:

- Removed highly customized features to position the EPA and the PeoplePlus time and attendance system for an easier and less costly transition to a future shared service provider; and
- Moved the support of the EPA cost recovery requirements to a delivered commercial off the shelf Payroll Cost Accounting component of the Compass financial system.

The OCFO has provided a detailed financial breakdown of the costs to migrate to the IBC systems which were part of the presentation to the Chief Information Officer and Chief Financial Officer for determining our path forward. Tables 1 and 2 provide a better representation of the actual costs associated with moving to either of these platforms. Decisions on whether to migrate from PeoplePlus, which would be supported by a full alternatives' analysis, are now on hold, pending the implementation of the OMB's guidance which will further consolidate federal payroll services.

Table 1: PeoplePlus 9.2 and IBC's WebTA Cost Comparison with Details

IBC's WebTA		PeoplePlus 9.2	
IBC Annual Costs for 6 Years	\$5,372,693	PeoplePlus 9.2. Annual O&M Costs for 6 Years	\$9,026,000
PeoplePlus 8.3 O&M Costs	\$1,831,000	PeoplePlus 8.3 O&M Costs	\$1,831,000
Migration Cost Breakdown to Customize WebTA		No additional Costs	
Requirements/Impact Analysis	\$ 175,000		
NBC(IBC) Migration Fees	\$2,500,000		
Interface	\$1,200,000		
Adaptive Maintenance	\$1,330,000		
Adaptive Maintenance for Downstream Systems for Org Code and WebTA	\$210,000		
Training for Employees	\$ 750,000		
IBC Change Requests for WebTA	\$2,000,000		
Total Migration Costs	\$8,165,000		
Total Costs to Agency	\$15,368,693		
Additional Cost to Agency	\$4,511,693	Cost Saving for the Agency	\$ 4,511,693

Table 2: PeoplePlus 9.2 and IBC's QuickTime Cost Comparison with Details

IBC's QuickTime		PeoplePlus 9.2	
IBC Annual Costs for 6 Years	\$ 4,928,142	PeoplePlus 9.2. Annual O&M Costs for 6 Years	\$9,026,000
PeoplePlus 8.3 O&M Costs	\$1,831,000	PeoplePlus 8.3 O&M Costs	\$1,831,000
Migration Cost Breakdown to Customize WebTA		No additional Costs	
Requirements/Impact Analysis	\$ 175,000		
NBC(IBC) Migration Fees	\$2,500,000		
Interface	\$1,200,000		
Adaptive Maintenance	\$1,330,000		
Adaptive Maintenance for Downstream Systems for Org Code and WebTA	\$210,000		
Training for Employees	\$ 750,000		
IBC Change Requests for WebTA	\$2,000,000		
Total Migration Costs	\$8,165,000		
Total Costs to Agency	\$14,924,142		
Additional Cost to Agency	\$ 4,067,142	Cost Saving for the Agency	\$ 4,067,142

AGENCY’S RESPONSE TO DRAFT AUDIT RECOMMENDATIONS

Agreements

No.	Recommendation	High-Level Intended Corrective Action(s)	Estimated Completion Date
1	Perform the required cost analysis over the full life cycle of PeoplePlus. Also, determine whether the PeoplePlus operations and maintenance contract should not be extended for any remaining option years.	The EPA concurs with performing a full cost benefit analysis as part of the agency’s decision to move to a NewPay initiative provider. Option year decisions will be determined as part of the above analysis. As referenced in Tables 1 and 2, the OCFO did conduct detailed analysis on both the IBC solutions, QuickTime and WebTA.	No later than June 2021 or within 60 days of the IBC identification of system selection.
2	Perform an alternatives analysis to determine if solutions from Department of Interior, Interior Business Center and other federal shared service centers would be the best value option to meet the time and attendance needs of the agency and decide if the PeoplePlus operations and maintenance contract should not be extended for any remaining option years.	The EPA concurs with performing an alternatives analysis as part of the agency’s decision to move to a NewPay initiative provider. Option year decisions will be determined as part of the above analysis. As referenced in Tables 1 and 2, the OCFO did conduct detailed analysis on both the IBC solutions, QuickTime and WebTA.	No later than June 2021 or within 60 days of the IBC identification of system selection.
3	Design and implement internal controls to verify that staff complete the necessary reviews to obtain the necessary approvals before proceeding to the next phase of the system life cycle and maintain the required documentation.	Starting in the third quarter of FY 2019, the EPA conducted a review of all active financial systems projects (Project Health Checks) and by September 2019 identified gaps against the agency’s System Life Cycle Management procedure. Project Managers are currently resolving applicable gaps. The progress of this effort is currently being monitored and	March 31, 2020

		an estimated completion for this effort is March 31, 2020.	
No.	Recommendation	High-Level Intended Corrective Action(s)	Estimated Completion Date
4	Design and implement internal controls that verify that staff members are following the EPA's System Life Cycle Management procedure (CIO 2121-P-03.0) when performing Information Technology systems and applications projects, including PeoplePlus.	The EPA confirms that processes and procedures are already in place. As described above, the OCFO instituted Project Health Checks for each of our projects in May 2019. The results of the Project Health Check were discussed with every staff member involved and they have been provided specific feedback on each of their respective efforts. Bi-weekly project updates are presented to executive management and follow ups are being addressed.	Completed September 20, 2019

CONTACT INFORMATION

If you have any questions regarding this response, please contact the OCFO's Audit Follow-up Coordinator, Andrew LeBlanc, at (202) 564-1761 or leblanc.andrew@epa.gov.

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- Eva Ripollone
- David DeVere
- Michael L. Roberts
- Andrew Leblanc
- Alana Maye

OIG's Assessment of the Agency's Response to the Draft Report

The EPA's response to our draft report asserted that there were many statements that left incorrect impressions and were not accurate. Although the Agency explained the factors it considered in the decision to migrate to PeoplePlus 9.2, the EPA's primary argument that it saved between \$3 million and \$4 million in systems costs is unsubstantiated. Our evaluation of the Agency's response determined that the OCFO's analysis (see Tables 1 and 2 in Appendix A) did not include the \$4 million in acquisition contract cost for the upgrade, as shown in Figure 1 of our report.

The OIG conducted an exit conference with the OCFO on February 12, 2020, to discuss our assessment of its response to the draft report. When we presented the omission of the contract cost for the PeoplePlus 9.2 system upgrade during the exit conference, OCFO officials did not refute our analysis or provide additional information after the meeting to support the EPA's position that the PeoplePlus 9.2 upgrade saved the Agency between \$3 million and \$4 million.

The Agency did not perform a cost analysis or alternatives analysis prior to upgrading to PeoplePlus 9.2 in 2017, yet the Agency provided a cost analysis that identified cost savings in response to our audit report, which is concerning. The only analysis that the EPA provided to support its upgrade decision was shared during the course of the audit and appeared to be from an analysis for its 2013 upgrade from PeoplePlus 8.3 to PeoplePlus 8.9, which does not appear to be relevant to the PeoplePlus 9.2 upgrade.

We maintain our position that the EPA did not comply with OMB Circular A-130. The Circular requires agencies to make decisions to 1) improve, enhance, or modernize existing IT investments; 2) develop new IT investments only after conducting an alternatives analysis; and 3) determine the best value to the agency. The Agency did not perform an alternative analysis or cost analysis for the October 2017 PeoplePlus update to the 9.2 version. In addition, the EPA did not comply with CIO 2121-P-03.0 by not performing four reviews or maintaining the required supporting documentation.

The EPA needs to follow procedures, comply with the OMB Circular A-130, and perform a cost and alternative analyses to determine the best value option to meet its time and attendance needs.

The complete Agency response to the draft report is in Appendix A.

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