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MEMORANDUM

DATE: September 13, 2013

TO: Government Accountability & Oversight Committee

FROM: Kymber Waltmunson, King County Auditor

SUBJECT: Oversight of Capital Project Data Reliability in New County Information Systems

EXECUTIVE SUMMARY

This is an update on the county's progress addressing the major issues raised in our January 23, 2013 memorandum on the reliability of capital project data in the new Oracle finance system (EBS). Until these issues are addressed, EBS will not fully meet agency needs. The data may also be unreliable, increasing the risk that capital project decisions will be based on flawed information. These issues included:

1. Inaccurate and incomplete capital project budget and expenditure data in EBS from legacy ARMS and IBIS finance systems;
2. Concerns about the availability and reliability of reports for capital project management and monitoring; and
3. Inconsistent project numbering practices.

When we began oversight on data reliability, limited resources and higher priority work, such as year-end financial reports, reduced the county's capacity to resolve these issues. Since then, the executive branch has been able to dedicate more resources to capital project needs and progress is being made.

The Auditor's Office continues to convene a subject matter expert group to discuss capital project data reliability and reporting challenges. We are also conducting interviews with representatives from the county's major capital programs to learn more about the internal processes they use to ensure reliable data and the challenges they face, particularly with system reporting.

The executive branch reports it has updated legacy system data in EBS on nearly all of the capital projects to correct inaccurate and incomplete information. We will independently assess the reliability of the legacy project data after a planned certification process in October 2013.

The executive branch agreed with our assessment that the legacy budget and expenditure data contained in EBS for capital projects started before January 1, 2012 was unreliable. This was caused by errors transferring data from the county's ARMS and IBIS finance systems. The Office of Performance, Strategy and Budget (PSB) is coordinating the effort to correct the data. They recently reported that the legacy budget and expenditure data for over 99 percent of the county's capital projects has been updated in EBS. PSB is conducting a certification process to assure the accuracy of the updated data, which should be completed in October. The Auditor's Office will independently assess the reliability of the updated legacy project data once PSB completes their effort.

The executive branch is developing standard capital reports to meet agency needs and resolve the reliability issues identified by the Auditor's Office.

Until these new reports are available, agencies will continue to use existing reports, which in some cases are poorly designed and pull from inappropriate data fields. Agencies also have the option of creating their own reports using available reporting tools. Agencies' staff have received limited training on the reporting tools and have limited documentation of EBS data field definitions. Where there are known flaws or limitations in existing reports, there are inadequate warnings to users. This increases the risk that inaccurate expenditure and appropriation information is provided to project stakeholders, policy staff, and decision-makers.

The County Executive agrees with our assessment that improvements to capital project reporting are needed.¹ PSB is coordinating an effort to develop standard, certified reports providing comprehensive and accurate data specifically designed to meet agencies' business needs for capital projects. They have established a cross-agency group to reach consensus on the content and format of the reports. The Finance and Business Operations Division (FBOD) is providing guidance on incorporating standard accounting practices. Representatives from council policy staff and the Auditor's Office also provide feedback. BRC has dedicated resources to implement the capital reports by the fourth quarter of 2013. Each report developed will be certified for accuracy by FBOD and PSB before being released for agency use. Documentation defining the data fields and use of each report will be provided, as recommended by our office.

The County's ability to use finance system data to monitor and report on capital project performance is hampered by inconsistent numbering practices in EBS.

As reported in our January memorandum, agencies continue to use inconsistent capital project numbering practices. This issue also existed in the legacy ARMS and IBIS finance systems. Agencies can create capital project numbers to meet their needs with little, if any, central control. Where one

¹*Accountable Business Transformation 2013 Budget Proviso Report: EBS and Hyperion Stabilization, year End Lessons Learned and Benefit Realization.* June 28, 2013 (pg. 38)

agency might use multiple numbers for a single project, another agency might lump multiple projects into one number. This makes it difficult to pull project status and performance data from the EBS system without knowledge of individual agency practices.

The “class code” data field was designated in EBS as the way to enable agencies to link together related projects for reporting purposes. Unfortunately, this approach fell short because agencies were not told in an effective manner how to structure their “class code” linkages. This resulted in inconsistent class code practices among agencies, which have not been documented for countywide reference. Additionally, we found calculation discrepancies in reports using the class code field and the BRC identifies the design of the EBS system as a barrier to resolving this reporting issue.

The executive branch agrees that consistent project numbering and class code practices are needed. PSB plans to evaluate class code usage once they complete the legacy data certification process and report development work. The Auditor’s Office has been learning more about agency project numbering and class code practices during our agency interviews. We are sharing this information with PSB and the subject matter expert group assembled for our oversight effort to continue discussion of the impacts of inconsistent numbering practices and encourage development of a consistent countywide approach.

The executive branch is working on other initiatives to improve the county’s new information systems and refine business processes. FBOD, BRC and PSB are using a coordinated approach and have clarified leadership roles for these efforts.

FBOD and BRC recently conducted outreach sessions with agency finance managers to learn more about the challenges they face using the EBS system. PSB is working closely with agency representatives to standardize and refine the business processes used to develop and monitor project budgets.

PSB is also working on an initiative to increase access to the county’s Project Information Center (PIC) system. PIC provides capital project information not found in EBS, including project scope, schedule, and budget performance measures and narrative reporting on project milestones and risks. It is used to generate quarterly performance reports for capital projects over \$1 million published on PSB’s website. PIC is currently unavailable to legislative branch users, because it includes information on project alternatives still under consideration. PSB intends to provide access to the legislative branch for reports showing approved alternatives if technical challenges on report filtering can be resolved.

FUTURE TOPICS AND REPORTING

To help facilitate capital project data reliability, the Auditor’s Office will continue to monitor and assess the efforts to improve the county’s information systems. We will also continue outreach with individual agencies to identify the information challenges they face and evaluate the data input and quality control processes they use to assure reliable data. We will issue periodic memorandums on the executive branch’s progress resolving key issues. We will also publish a final report summarizing our findings at the conclusion of our effort.

ACKNOWLEDGEMENTS AND CONTACTS

We thank the participants in the subject matter expert group for their contributions and interest in ongoing efforts to improve capital project data reliability. This group includes members from FBOD, PSB, BRC, Facilities Management, Transit, Wastewater Treatment, and council analytical staff.

Tom Wood prepared this update. Please contact Tom at (206) 477-1039 or Tina Rogers at (206) 477-1036 if you have questions.

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