

GAO

United States General Accounting Office

Report to the Chairman, Subcommittee
on Federal Services, Post Office, and
Civil Service, Committee on
Governmental Affairs, U.S. Senate

December 1989

AUTOMATED SYSTEMS

Treasury's Efforts to Improve Its Payroll and Personnel Systems



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**Information Management and
Technology Division**

B-233732

December 15, 1989

The Honorable David H. Pryor
Chairman, Subcommittee on Federal Services,
Post Office, and Civil Service
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This report responds to your December 15, 1988, letter requesting that we review the Department of the Treasury's efforts to develop payroll and personnel systems. As agreed with your office, this report provides information on (1) Treasury's past efforts to improve these systems, (2) characteristics of its existing systems, (3) its current effort to improve payroll and personnel processing, and (4) our observations on factors important to the success of this current effort.

Since 1961 Treasury has undertaken several efforts to upgrade and update its payroll and personnel systems. While Treasury has moved from manual to automated systems, its current payroll and personnel systems are labor intensive, require substantial manual operations, and are inadequate to meet agency needs. Treasury uses a single personnel system and two payroll systems—one for the Internal Revenue Service (IRS), the single largest component of Treasury, and one for its other bureaus and services.

Treasury is currently working with the Department of Agriculture's National Finance Center (NFC) to convert its payroll and personnel processing systems into a single, integrated system. Once fully converted, Treasury estimates savings of between \$21 million and \$52 million over a 10-year period (in 1988 dollars).

Results in Brief

Treasury is currently on schedule with a conversion plan approved in February 1989. However, during our review, Treasury and IRS experienced problems in three areas that threatened the successful completion of the 3-year conversion effort:

- Treasury and IRS faced potential funding shortfalls in fiscal year 1990.
- IRS' portion of the conversion effort was understaffed.
- IRS had not selected a system for transmitting time and attendance data to NFC.

After reviewing a draft of this report, Treasury and IRS officials told us that actions had been taken or will be taken to address these problems. They said these actions include reprogramming funds and making staff available to support the conversion. The officials also stated that the successful completion of the conversion is not in jeopardy. However, we believe it is too early to determine the impact of these corrective actions on the conversion effort.

Treasury's Past Efforts to Improve Payroll and Personnel Systems

Since the 1960s, Treasury has undertaken several efforts to improve its payroll and personnel processing systems. Between 1961 and 1974, Treasury converted its manual payroll systems to several automated computer systems, which serviced all of its organizational units. In 1974, in an attempt to centralize payroll and personnel processing, Treasury (except for IRS) adopted the Department of the Interior's integrated payroll and personnel system. IRS remained on its own existing system because its hardware was not compatible with the Interior system, and conversion would have required a major effort including a significant investment in new hardware.

In 1984, in another attempt to improve and consolidate the Treasury and IRS payroll and personnel systems, Treasury (including IRS) implemented a modified version of an Air Force personnel system. Furthermore, although Treasury continued to use the payroll portion of the Interior system, it awarded a contract to develop a new payroll system that would interface with this personnel system. In December 1987, after over 3 years of work and expenditures of over \$5.8 million, Treasury terminated the project because it was not satisfied with the contractor's work. (See appendix II for additional discussion of Treasury's past payroll and personnel system improvement efforts.)

Treasury's Existing Payroll and Personnel Systems

Treasury currently operates two payroll systems and one personnel system. The Treasury payroll system maintains about 42,000 records for all the units except IRS, and cost \$4.6 million to operate and maintain in fiscal year 1988. The IRS payroll system maintains about 138,000 records and is estimated to cost about \$20 million annually to operate and maintain. In contrast, Treasury and IRS maintain personnel records on a single system that is interfaced with both payroll systems. The personnel system cost \$6.9 million to operate and maintain in fiscal year 1988.

According to an April 1988 Treasury study, both payroll systems had reached a critical stage in their system lives.¹ The study stated that the Treasury payroll system lacked needed operating functions and used both obsolete hardware and early-generation programming designs and language that were difficult to maintain. The study also stated that the IRS payroll system is labor intensive, with approximately 500 staff members dedicated to its operation. Furthermore, the system is error prone and requires about 150 of the 500 staff members to manually process pay adjustments.

A September 1987 Treasury analysis of the personnel system stated that it is not user friendly. For example, because the system lacks formatted screens and on-screen menus, users must rely heavily on operation manuals.

Treasury's Current Effort to Improve Payroll and Personnel Processing

In January 1988, Treasury established a task force to review alternatives for replacing the existing payroll and personnel systems. The resulting April 1988 study recommended that Treasury convert its payroll and personnel processing to NFC. It concluded that the NFC system (1) met a majority of Treasury's payroll and personnel requirements, (2) was operational and therefore did not pose a serious risk of failure, and (3) could provide between \$21 million and \$52 million in cost savings over a 10-year period.

Currently, two efforts are under way to convert Treasury's 180,000 payroll and personnel records to NFC. One is the Treasury Integrated Management Information System (TIMIS) office effort, which will coordinate the conversions of all bureaus and services. The other is the individual effort conducted by the IRS conversion team. This team was established to supplement the TIMIS effort by coordinating the conversion of eight IRS units (seven regional offices and the National Office) and converting its large volume of payroll and personnel records, which constitute over 75 percent of Treasury's total records.

The Treasury-Wide Conversion Effort

In July 1988, after forwarding a letter of intent to NFC for payroll and personnel services, the Acting Assistant Secretary of the Treasury (Management) established the TIMIS office to oversee and manage the Treasury-wide conversion effort. In August 1988, TIMIS and NFC officials

¹After its payroll system development effort was terminated, Treasury conducted the study to evaluate alternatives for processing payroll and personnel actions.

developed (1) an implementation plan for a pilot conversion in the Savings Bond Division, and (2) a preliminary, Treasury-wide conversion schedule. In November 1988, the Savings Bond Division's 265 payroll and personnel records were successfully converted to the NFC system. Following this pilot conversion, the Treasury-wide conversion schedule was revised, and in February 1989 was approved by the Acting Assistant Secretary of the Treasury (Management). (See appendix III for the approved schedule.)

Treasury is currently scheduled to complete the conversion of its 180,000 payroll and personnel records by June 1992. While a small number, 3 percent, of records were scheduled to be converted by the end of calendar year 1989, nearly all of the records, 97 percent, are scheduled for conversion in calendar years 1990, 1991, and 1992. Four units are scheduled to convert 24,000 records in calendar year 1990, including the first IRS region. Six units are scheduled to convert 82,000 records in calendar year 1991. The last six units are scheduled to convert 68,000 records in 1992.

Treasury has remained on schedule with the conversion plan approved in February 1989 and has successfully converted the first 3 of 19 units (about 3 percent of the total records to be converted). In addition to the Savings Bond Division's pilot conversion, the Bureau of Alcohol, Tobacco and Firearms and the Departmental Offices converted their payroll and personnel records in June 1989 and October 1989, respectively. The 4 units scheduled for calendar year 1990 conversion have established detailed conversion plans with NFC and have begun preliminary conversion activities, such as comparing data required in the NFC system with data in the Treasury systems to identify discrepancies. The 6 units scheduled for calendar year 1991 conversions are expected to establish detailed conversion plans with NFC in the spring of 1990. Furthermore, 2 of the last 6 units, scheduled for calendar year 1992 conversions, are identifying staff to work on the conversion and participating in TIMIS/NFC users' group meetings.

The IRS Conversion Effort

IRS began organizing its conversion team in the fall of 1988 under the direction of its Human Resources Division. However, after concluding that the scope and complexity of the conversion project required more resources than the division could provide, the Deputy Commissioner (Planning and Resources) transferred overall project responsibility to the Information Systems Policy Board in July 1989. The previous conversion manager stated that this board, which is chaired by the deputy

commissioner and comprised of the assistant commissioners and several regional commissioners, would elevate the level of executive involvement in the conversion. Furthermore, both Treasury and IRS officials stated that the transfer would result in a greater commitment from top-level IRS management, and the project would receive a higher priority for available resources.

In addition to transferring this responsibility, the Deputy Commissioner appointed a new conversion project manager in September 1989. Unlike the previous project manager, who was assigned many other responsibilities in addition to managing the conversion, this manager is dedicated full-time to the project. The project manager is responsible for coordinating the conversion team and regional conversion activities as well as several IRS-wide conversion projects that must be completed prior to the first region's conversion scheduled for October 1990. These projects include (1) implementing a system for entering time and attendance data, (2) developing an interface for accounting and financial data, and (3) developing programs to convert IRS payroll data to the NFC system. IRS has organized subgroups to work on these projects.

A time and attendance subgroup, established under the initial project management, evaluated several approaches for implementing a time and attendance system and issued a study in June 1989. The study concluded that IRS' existing systems were unacceptable because they were too slow and cumbersome to meet IRS' current needs and would require additional equipment to interface with NFC. It also concluded that NFC's existing time and attendance system (which several other Treasury units plan to implement) was not acceptable because of its prohibitive disk storage requirements and its limited on-line editing and validation capabilities. After considering the alternatives, the subgroup recommended developing a new time and attendance system specifically for IRS. It presented its recommendation to the Assistant Commissioner for Human Resources Management and Support on July 10, 1989.

However, the Assistant Commissioner, who also serves on the Policy Board, delayed approving the project because (1) conversion project management was being changed, and (2) the Department of Agriculture began developing a new time and attendance system in June 1989.

A second subgroup has begun performing preliminary tasks for developing the financial and accounting interface between the integrated NFC

payroll and personnel system and the IRS financial and accounting system. According to the previous project manager, developing the interface will be more complicated for IRS than the other Treasury units because it maintains two accounting systems, which do not operate independently. The other Treasury units each maintain a single accounting system. As of October 1989, the subgroup began identifying the tasks required to develop a financial and accounting interface and obtaining the resources needed to perform these tasks. The subgroup was also (1) reviewing general ledger and accounting procedures, (2) identifying the discrepancies between the two agencies' accounting data and structures, and (3) determining what reports will be required from the payroll and personnel system to feed the service's accounting systems. After reviewing a draft of this report, the current project manager stated that the Finance and Accounting Division is evaluating alternative accounting systems and is considering converting its accounting systems to NFC's accounting system.

A third subgroup will develop programs to convert the service's payroll data to the NFC system. A separate branch has been created at the Detroit Computing Center to work on this project. In commenting on a draft of this report, the current project manager stated that IRS is reassigning up to 19 staff members to this branch, which began working on the conversion programs in September 1989. The conversion programs are scheduled to be completed by February 1990.

Problem Areas Identified Early in the Conversion

Although the first 7 months of Treasury's conversion of its payroll and personnel processing to NFC is on schedule, most of the work lies ahead. During our review of the conversion effort, Treasury and IRS experienced problems in three areas that threatened timely completion of the project: (1) potential shortfalls in fiscal year 1990 funds threatened both TIMIS and IRS, (2) IRS' portion of the conversion was understaffed, and (3) a system for transmitting IRS time and attendance data to NFC had not been selected. The Department of Agriculture also expressed concern about IRS' ability to complete its part of the conversion on schedule.

TIMIS and IRS Faced Potential Funding Shortfalls

At the time of our review, both TIMIS and the IRS conversion team faced potential funding shortfalls during fiscal year 1990. According to the director, TIMIS underestimated its fiscal year 1990 conversion funding needs but will offset the deficit by reprogramming funds. IRS, on the other hand, has experienced a funding deficit for its agencywide operations throughout fiscal year 1989 and expects the deficit to continue

into fiscal year 1990. However, because the conversion project was elevated to top-level management and assigned a higher priority for limited resources, the current project manager said he is confident that the deficit will not affect the conversion effort.

According to the director, conversion funding was underestimated because TIMIS underestimated the amount of equipment required to support the conversion process. In August 1989, the director believed the project would require \$1.7 million more than the \$9.5 million budgeted for fiscal year 1990.

The director told us that this funding shortfall could have required TIMIS to postpone several units' conversions and modify the conversion schedule. As a result, Treasury would have delayed receiving the benefits of the new system and incurred costs to operate and maintain its current payroll and personnel systems beyond their June 1993 scheduled shut-down date. In addition to slowing the conversion, the director stated that the shortfall could have limited the amount of equipment allocated to each of the operating units. Insufficient equipment could make payroll and personnel data entry and transmission to NFC difficult.

According to the director, in order to compensate for the funding shortfall, TIMIS considered delaying hiring and not fully staffing its conversion operations. It also considered reducing the number of staff members attending training, and reducing training-related travel.

However, after reviewing a draft of this report in October 1989, Treasury officials informed us that TIMIS no longer faced a funding deficit for fiscal year 1990. According to the Director, Management Programs Directorate, Treasury will be able to reprogram funds from the existing payroll and personnel systems budgets to accommodate conversion needs. Furthermore, the director stated that TIMIS overestimated NFC charges for fiscal year 1990 by about \$2 million. He explained that the original estimates were developed shortly after the conversion was approved in July 1988, and neither TIMIS nor NFC had sufficient knowledge of each Treasury units' needs to develop an accurate estimate. The director said the current estimate is more accurate because it is based on experience gained from the first three conversions, and each of the fiscal year 1990 conversion units' specific requirements.

Unlike TIMIS' projected shortfall, IRS had a funding deficit for its overall operations throughout fiscal year 1989. The previous IRS project manager told us it was likely that the deficit would continue into fiscal year

1990 and affect the conversion. This manager noted that without adequate funding, IRS regions scheduled to convert in fiscal year 1991 could not make required preparations for the move, such as training payroll and personnel staff on the NFC system. Furthermore, current IRS-wide conversion projects, such as developing an accounting and financial interface, would not be completed. According to the previous manager, IRS cannot convert any region prior to meeting these requirements.

However, the current project manager said he is confident that adequate conversion funding will be available in fiscal year 1990. The new manager stated that, because of the transfer of project management responsibility to the Information Systems Policy Board and a greater commitment from top-level IRS management, the project will receive adequate funding and a high priority for limited resources if the funding deficit requires reductions or reprogramming of funds.

Limited Staff Available to Support IRS' Conversion

Another factor affecting the conversion effort was the IRS hiring freeze established in October 1988 to combat the overall funding deficit. Consequently, there was a shortage of staff available to support the conversion project.

As a result of limited staff, IRS' financial and accounting interface subgroup, which was scheduled to begin developing the interface in June 1989, did not begin preliminary tasks until October 1989. Furthermore, the conversion programming subgroup was scheduled to begin developing the conversion programs in June 1989 and complete them in February 1990. However, the subgroup did not start working on the programs until September 1989, which could delay project completion and consequently, the first regional conversion scheduled for October 1990.

At the end of October 1989, the current project manager told us that the staffing shortage would be overcome by December 1989 because the Deputy Commissioner (Planning and Resources) and the Deputy Commissioner (Operations) exempted the conversion project team from the hiring freeze on September 27, 1989. He also told us that none of the conversion tasks were behind schedule and the first IRS region will be converted as scheduled, in October 1990.

IRS Had Not Selected a Time and Attendance Data Entry System

As of September 1989, about 3 months after a time and attendance subgroup recommended developing a new system, IRS had not selected a system for entering time and attendance data into the NFC system. An NFC official stated that IRS must have a time and attendance system in place by February 1990 in order to fully test it prior to converting the first region in October 1990. The previous conversion team leader stated that selecting and implementing a time and attendance system is a critical project to complete since NFC cannot process IRS's payroll and personnel actions without a means of receiving time and attendance data.

In commenting on a draft of this report, the current project manager stated that, in October 1989, the new project team reevaluated NFC's existing time and attendance system (which was initially determined to be inadequate for IRS) and determined that it could meet IRS' needs. The project manager expects that the Assistant Commissioner will approve adopting NFC's existing system in November 1989. However, the project manager plans to evaluate the new Agriculture system, which is expected to be completed sometime around August 1991, and if it meets IRS' requirements, the project manager expects to adopt the new Agriculture system. A member of the IRS conversion team is working with Agriculture to identify IRS-specific requirements for the new system.

Agriculture Is Concerned About IRS' Ability to Meet the Current Conversion Schedule

In a September 13, 1989, letter to the Assistant Secretary of the Treasury (Management), the Department of Agriculture's Assistant Secretary for Administration expressed concern about IRS' ability to meet the established conversion schedule. Agriculture's Assistant Secretary for Administration stated that (1) it was his understanding that IRS had at least informally expressed concern about its ability to meet the schedule, (2) the first region's implementation plan took longer than expected to finalize, and (3) IRS' size made timely implementation within each region crucial. Furthermore, the Associate Director of the Information Center at NFC stated that timely implementation of the IRS regions becomes increasingly critical because NFC is scheduling other federal agencies (in addition to Treasury) for conversion, which restricts its ability to accommodate any schedule slippage. The Assistant Secretary further stated that slippage in the established conversion schedule could greatly increase costs, and these increases could be avoided with proper advance planning.

In an October 5, 1989, letter to the Department of Agriculture's Assistant Secretary for Administration, the Assistant Secretary of the Treasury (Management) expressed confidence that all Treasury conversions,

including those involving IRS, will be completed in accordance with the approved schedule.

Conclusions

Treasury has remained on schedule with the conversion plan it established in February 1989 despite problems experienced in the areas of funding, staffing, and time and attendance data input. Treasury is committed to this effort and has made progress in a short period of time in establishing an agencywide conversion plan and meeting initial milestone dates. IRS, after a slow start, has recently elevated its portion of the conversion to a higher level of management, and established the conversion as a high-priority project.

However, Treasury and IRS must ensure that, through their planned, corrective actions, the problems identified in this report are solved. Furthermore, Treasury and IRS must monitor the areas where these problems occurred to prevent their recurrence and to keep the remainder of the conversion on schedule. IRS must also continue to provide top-level management support and adequate resources if it is to remain on schedule and successfully convert its first region in October 1990. Although Treasury and IRS officials told us that the actions they are taking will ensure adequate funding and staffing for the conversion and that IRS will have a time and attendance system implemented prior to the first regional conversion, it is too early to determine if these actions will correct the problems.

Our review was conducted from February through September 1989. Our work was performed in accordance with generally accepted government auditing standards. (See appendix I for our objectives, scope, and methodology.)

As arranged with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days after its issue date. At that time, we will send copies to the Departments of the Treasury and Agriculture, and will also make copies available to other interested parties upon request.

This report was prepared under the direction of Jack L. Brock, Jr., Director, Government Information and Financial Management, who can

be contacted at (202) 275-3195, should you require additional information. Other major contributors to this report are listed in appendix IV.

Sincerely yours,

for *Daniel C. White*
Ralph V. Carlone
Assistant Comptroller General

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Information Management and Technology Division,
Washington, D.C. 19

Abbreviations

GAO	General Accounting Office
IMTEC	Information Management and Technology Division
IRS	Internal Revenue Service
NFC	National Finance Center
TIMIS	Treasury Integrated Management Information System

Objectives, Scope, and Methodology

In a December 15, 1988, letter, the Chairman, Senate Subcommittee on Federal Services, Post Office, and Civil Service, Committee on Governmental Affairs, asked us to review the development of the payroll and personnel systems at the Department of the Treasury. In subsequent discussions with the Chairman's office, we agreed to review Treasury's past attempts at developing payroll and personnel systems, determine the current status of Treasury's effort to convert its payroll and personnel processing to the Department of Agriculture's National Finance Center (NFC) facility, and provide our observations regarding key factors important to the success of the conversion effort.

The specific objectives of this assignment were to (1) document Treasury's earlier attempts to improve its payroll and personnel systems, (2) determine the extent to which Treasury has converted to Agriculture's integrated payroll and personnel system, and (3) identify any problems encountered during the early stages of the conversion that could adversely affect full conversion.

To achieve our objectives we interviewed Treasury and Internal Revenue Service (IRS) officials responsible for overseeing and managing the conversion effort including the Director, Human Resources Directorate (Treasury), Director, Human Resources Division (IRS), Treasury Integrated Management Information System (TIMIS) Director and staff, the IRS conversion team leader, organizational unit representatives responsible for conversion activities, and Treasury employees involved in previous payroll and personnel development efforts. We also interviewed Department of Agriculture officials at NFC who are working with Treasury on the conversion.

We reviewed the April 1988 task force report recommending conversion to NFC, the overall Treasury Conversion Management Plan, and implementation plans for the Savings Bond Division; the Bureau of Alcohol, Tobacco, and Firearms; and the Departmental Offices. We also reviewed a Treasury Inspector General Report on the pilot conversion conducted at the Savings Bond Division, correspondence between Treasury management and unit heads and Treasury management and NFC, and documentation on past payroll and personnel system development efforts. We did not verify Treasury's estimated 10-year conversion savings of between \$21 million and \$52 million, nor did we assess the corrective actions Treasury and IRS officials told us they were taking or planned to take to address the problem areas identified in this report.

Appendix I
Objectives, Scope, and Methodology

We conducted our work between February and September 1989 at Treasury headquarters and bureau offices in Washington, D.C. The principal Treasury offices included TIMIS; the Departmental Offices; Savings Bond Division; Bureau of Alcohol, Tobacco, and Firearms; and IRS. We also visited the Information Center at the Department of Agriculture's NFC facility in New Orleans, Louisiana.

Our work was performed in accordance with generally accepted government auditing standards. As agreed, we did not obtain official agency comments; however, we did discuss the contents of this report with Treasury and IRS officials, and their comments have been incorporated.

History of Payroll and Personnel System Improvement at the Department of the Treasury

Date	Event
1961	Treasury established a task force to examine its manual payroll processing systems. The task force recommended that Treasury automate payroll processing.
1964 thru 1974	IRS and the Bureaus of Engraving and Printing, Government Financial Operations (now Financial Management Services), and the Mint implemented automated payroll processing systems. Both IRS and the Bureau of Government Financial Operations also provided service to other Treasury units.
January 1968	A Treasury task force recommended a centralized, Treasury-wide payroll processing system. No action was taken on this recommendation until 1974.
1968 thru 1972	IRS, on its own initiative, partially designed and developed a consolidated computer system for processing payroll and personnel documents for all of Treasury. According to a Treasury official and Department documents the project was never completed because of constantly changing system requirements, a lack of personnel and payroll expertise, and IRS' attempts to satisfy a magnitude of users' needs.
1974	Treasury formed another task force to determine Department requirements for a centralized Treasury-wide payroll and personnel information system.
March 1975	The task force recommended that Treasury adopt Interior's integrated payroll and personnel system.
1977	The system, called the Treasury Payroll/Personnel Information System, was adopted by all the Treasury bureaus except IRS. IRS remained on its own system because it felt the new system would not satisfy all of its payroll and personnel processing requirements, and since the new system was not compatible with IRS' existing system, would require a significant investment in new hardware.
June 1982	Treasury determined that the payroll and personnel system did not meet all of its information requirements, such as automated adjustments.
May 1983	Treasury formed another task force to evaluate alternatives for a Treasury-wide payroll and personnel system.
June 1983	The task force recommended adopting the Air Force Personnel Data System—Civilian, and developing a separate payroll system that would interface with the personnel system.
January 1984	Treasury began implementing the modified version of the Air Force system called the Personnel Management Information Telecommunications System.
September 1984	Treasury began developing a payroll system to interface with its personnel system. To meet its payroll system requirements Treasury awarded a \$1.2 million contract to Price Waterhouse to modify the logical design of a payroll system Price Waterhouse had recently completed for the Department of the Army. The modified Army system was called the Federal Standard Civilian Payroll System.
September 1985	Treasury awarded a follow-on, \$3.4 million, fixed-price, incentive-fee contract to Arthur Young and Company to develop and implement the modified Army system based on the Price Waterhouse design. The contract encountered numerous problems from its inception.
October 1985	Treasury determined that the Price Waterhouse design was incomplete and inconsistent with Treasury's requirements.
October 1985 thru December 1985	Treasury worked on completing the Price Waterhouse design and delivered its product to Arthur Young and Company in December 1985.
January 1986	Arthur Young and Company notified Treasury that the conceptual design was still deficient and proceeded to analyze the extent of the deficiencies.
April 1986	Arthur Young and Company requested an additional \$247,000 to correct the design.
August 1986	Treasury agreed to modify the contract and increased the contract price to \$3.7 million.
September 1986	The modified Air Force personnel system was adopted by each Treasury unit including IRS.

(continued)

**Appendix II
History of Payroll and Personnel System
Improvement at the Department of
the Treasury**

Date	Event
September 1986	Arthur Young and Company delivered the physical design as its first product. Treasury requested that Arthur Young and Company incorporate eight additional requirements such as automatic generation of time and attendance forms and nonresident tax codes.
November 1986	Treasury notified Arthur Young and Company that the physical design was not acceptable because it did not provide for complete and accurate payroll processing. Treasury also informed Arthur Young and Company that several other contract tasks were behind schedule, such as training, testing, and data conversion.
December 1986	Arthur Young and Company replied that schedule slippage was the result of additional work required to correct the deficient logical design provided at the beginning of the contract. It also requested an additional \$1.5 million for work performed and work to be performed beyond the scope of the original contract.
January 1987	Treasury rejected the request.
January 1987 thru December 1987	Treasury and Arthur Young and Company continued to propose changes to the scope and price of the contract.
August 1987	Arthur Young and Company made a final proposal to complete the project for \$14 million.
October 1987	Treasury rejected the proposal because of its high price and Arthur Young and Company's alleged failure to make timely and cost-effective progress on the existing contract. Treasury deleted a significant portion of the original requirements, including the implementation, training, and software development phases. Treasury requested Arthur Young and Company to submit a proposal to complete the only remaining contract requirement—the physical design. Arthur Young and Company responded by threatening to cease performance under the contract if Treasury did not commit to an increase in the contract price.
December 1987	Treasury terminated the contract with Arthur Young and Company for default based on Arthur Young's alleged failure to perform under the terms of the contract, and unacceptable deliverables.
April 1988	A Treasury task force recommended that Treasury convert its payroll and personnel processing to the Department of Agriculture's National Finance Center (NFC).
July 1988	Treasury changed the contract termination from default to convenience of the government. Treasury documentation indicated that the change was made because (1) courts are reluctant to support termination for default, (2) Arthur Young and Company's threat to cease performance was not clear, and (3) success of litigation on default grounds was unlikely because of the confusion surrounding the earlier stages of the contract. The final negotiated contract price was \$4.6 million.
July 1988	The Deputy Secretary of the Treasury authorized Treasury to convert its payroll and personnel processing to NFC.

Department of the Treasury

Conversion Schedule

Unit	No. of Records ^a	Planned Conversion Date
U.S. Savings Bond Division	265	November 1988
Bureau of Alcohol, Tobacco and Firearms	3,880	June 1989
Departmental Offices	1,528	October 1989
Bureau of the Public Debt	2,066	April 1990
Secret Service	4,473	June 1990
U.S. Mint	2,226	October 1990
IRS Mid-Atlantic Region	15,374	October 1990
Financial Management Service	2,495	April 1991
IRS North Atlantic Region	19,807	April 1991
IRS Central Region	13,518	June 1991
IRS Midwest Region	14,114	June 1991
IRS National Office	11,494	October 1991
IRS Southeast Region	20,413	October 1991
U.S. Customs Service	19,117	April 1992
Federal Law Enforcement Training Center	423	April 1992
IRS Western Region	20,191	April 1992
Bureau of Engraving and Printing	2,296	June 1992
Comptroller of the Currency	3,332	June 1992
IRS Southwest Region	22,650	June 1992
Total	179,662	

^aNumber of records as of July 1989.

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