



Office of the
Washington
State Auditor
Pat McCarthy

PERFORMANCE AUDIT

Report Highlights

One Washington:

Opportunities to strengthen plans for producing reliable financial statements

The state's One Washington program aims to modernize core administrative services currently running on decades-old computer systems. One of these systems, the Agency Financial Reporting System (AFRS), is the central hub for accounting information in state government. Each month, the state processes about \$4.3 billion in payments through AFRS and about 2.9 million payment transactions annually. The state plans to transition to Workday, a cloud-based enterprise resource planning (ERP) system; launch was originally planned for June 30, 2022, but it has been delayed to July 2025. The planned cost to modernize and implement the state's administrative systems, including the core financials implementation that this audit looked at, is about \$465 million.

Putting a new ERP system in place is complex and carries known risks that can have significant consequences. Inadequate skills in managing information technology (IT) projects and poor planning can lead to delays and increased costs. Conducting an IT project of this magnitude requires that managers balance the need for adequate training with ensuring system functionality. Poor data quality can lead to incorrect decision-making, operational inefficiencies and financial losses. This audit examines risks related to the accuracy and reliability of financial statements, which are fundamental to maintaining transparency, accountability and fiscal stability in Washington.

One Washington is addressing major risks related to generating accurate and reliable financial statements in the new system

One Washington has followed, or plans to follow, four leading practices to successfully transfer data to Workday. Steps it and the state's Office of Financial Management (OFM) have taken or plan to take, to ensure the data in the new system will be complete, accurate and usable, include: 1. Identify data to be moved, to maintain data integrity and reduce unnecessary work; 2. Analyze that data and map it to the new system; 3. Plan to isolate affected systems and backed up data before the transfer; 4. Test data before and after the transfer.

One Washington and OFM have also taken steps to address three primary risks related to classifying new data correctly in Workday after it launches: staff unfamiliar with the new system will make errors; the new system will lack automation to apply codes or identify errors; and the new system might not effectively communicate with legacy systems at state agencies. To address these risks, One Washington is automating processes, implementing rules for transaction codes, and creating a map to translate data from older systems to the new Workday system, while OFM is providing training for users.

Risks related to communication, turnover of staff and training could affect agency readiness, despite One Washington's plans

One Washington has taken several steps to help prepare agencies for the transition to Workday, but significant risks remain. Successful implementation of Workday relies on One Washington's ability to adequately train end-users and communicate information about the new system, and on the ability of One Washington as well as participating agencies to address turnover and position vacancies among staff. One Washington has begun to prepare agencies for the transition to Workday, including training users on the new system and encouraging agency staff to take training in accounting fundamentals, and it has developed plans to continue to support agencies after Workday's implementation. Despite these steps, risks to the proposed training schedule include that the time provided for training might be insufficient. Additionally, training is scheduled at a time when staff who need it are busy with year-end activities such as reconciling accounts, making it possible that fiscal staff might not have sufficient capacity to be trained on the new system.

Threats to the project schedule and unfinished contingency plans could affect the overall success of the new financial reporting system

Multiple delays in the system implementation project pose significant risks to its schedule, particularly affecting data migration from AFRS to Workday and potentially jeopardizing the planned launch on July 1, 2025. Delays in the system design put critical testing and end-user training at risk. Further delays to project tasks could require One Washington to reduce or cut essential activities, raising the risk of inadequate system understanding and errors.

Additionally, One Washington and OFM have not yet finalized contingency plans for project failure or severe complications affecting financial statement accuracy. One Washington is working on a deployment plan with contingency strategies, considering options like continuing with AFRS or launching Workday despite issues and resolving them post-launch. As of July 11, 2024, the deployment plan awaited final approval. Until One Washington finalizes its contingency plans and its criteria for making a go/no-go decision, this area remains a project risk that could affect the state's financial reporting accuracy.

State Auditor's Conclusions

Success of the new system is important for the continued smooth operation of state services and to maintain government transparency by producing accurate financial statements. These statements are audited by the Office of the Washington State Auditor and serve as key indicators of the state's creditworthiness. This performance audit is an example of our Office leaning into a challenge. We chose to analyze the work in progress, allowing us to offer legislators and other leaders an outside review of One Washington's efforts to identify and address risks before implementation.

Among those risks: the compressed time window for training agency staff to use the new system. And because we have been sharing our findings with One Washington as we work, the program will be able to act on our observations even before this report is published. In that way, we hope this performance audit will help Washington succeed in adopting the new system, so its agencies can continue to deliver important services efficiently and with the same level of transparency the public enjoys today.

Recommendations

We provided recommendations to One Washington and OFM to address risks affecting the state's ability to produce accurate and reliable financial statements.