

PERFORMANCE AUDIT



Office of the
Washington
State Auditor
Pat McCarthy

One Washington: Opportunities to strengthen plans for producing reliable financial statements

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Executive Summary

State Auditor's Conclusions (page 31)

The One Washington program will replace the state's aging financial computer system with a modern system, integrated with other core administrative services. The project is extremely complex, involving the transfer of billions of dollars in budget data for more than 100 state agencies. When the transition to the new system is complete, these agencies will need to adopt new processes for managing the state's finances.

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.

Projects as large and complex as One Washington's require years of planning and implementation. We will remain alert to other opportunities to provide insights through our audit work that will help it and other major public technology projects succeed.

Background (page 8)

The state's One Washington program, established by the Legislature, aims to modernize core administrative services such as finance, procurement, budget, human resources and payroll, which run on decades-old computer systems. One of these systems, the Agency Financial Reporting System (AFRS), is the central

central hub for accounting information in state government. The state processes about \$4.3 billion in payments through AFRS each month, and about 2.9 million payment transactions annually.

One Washington chose Workday, a cloud-based enterprise resource planning (ERP) system used by more than 200 U.S. public sector organizations, to modernize the state's administrative systems. The new core financial system was originally planned to launch by June 30, 2022. Due to delays related to the scoping and complexity of remediating some state agencies' existing systems to communicate with Workday, the state now aims to transition its core financial administrative services to the new cloud-based system by 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, according to the state's information technology project dashboard.

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 managers to allocate project resources to mitigate risks effectively: They must 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 (page 13)

One Washington has followed, or plans to follow, four leading practices for successfully transferring data as it prepares to move financial information to a new financial management system, Workday. Steps that One Washington has taken or plans to take include:

1. One Washington identified the data that needs to be moved, helping to maintain data integrity and reduce unnecessary work.
2. The Office of Financial Management (OFM) has analyzed that data and mapped it to the new system, helping to ensure the data in the new system will be complete, accurate and usable.
3. One Washington has not yet isolated affected systems and backed up data but plans to do so before the transfer, which would help protect other systems and the data.

4. One Washington plans to test the data before and after the transfer, which should help the state find and fix errors.

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. OFM's plans for generating financial statements from the state's data will help reduce risks associated with transitioning to a new system. Those include keeping most of its existing process for generating the financial statements and waiting one year after launching Workday before using it as part of that process.

Risks related to the communication of the project, turnover of program staff and training for the new system could affect agency readiness, despite One Washington's plans (page 22)

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 as well as unfinished contingency plans could affect the overall success of the new financial reporting system (page 27)

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.

Recommendations (page 32)

We provided recommendations to One Washington and OFM to address risks affecting the state's ability to produce accurate and reliable financial statements. Our recommendations include finalizing contingency plans, ensuring project resources are up-to-date and accessible to state agency users, and establishing clear go/no-go decision points in the project schedule to mitigate risks associated with prematurely launching the state's new financial management system.

Next steps

Our performance audits of state programs and services are reviewed by the Joint Legislative Audit and Review Committee (JLARC) and/or by other legislative committees whose members wish to consider findings and recommendations on specific topics. Representatives of the Office of the State Auditor will review this audit with JLARC's Initiative 900 Subcommittee in Olympia. The public will have the opportunity to comment at this hearing. Please check the JLARC website for the exact date, time, and location (www.leg.wa.gov/JLARC). The Office conducts periodic follow-up evaluations to assess the status of recommendations and may conduct follow-up audits at its discretion. See **Appendix A**, which addresses the I-900 areas covered in the audit. **Appendix B** contains information about our methodology.

Background

The state's One Washington program aims to modernize core administrative services

Washington state government relies on complex computer systems to carry out important administrative functions such as finance, procurement, budget, human resources and payroll. One of these systems, the Agency Financial Reporting System (AFRS), is the central hub for accounting information in state government. The state processes about \$4.3 billion in payments through AFRS each month and about 2.9 million payment transactions annually.

AFRS enables users to pay agency bills, receive payments, reimburse travel and carry out other business financial processes. It interfaces with various budget and accounting systems and is widely used by state agencies and higher education institutions. Most system users update their accounting information daily. The system is also used to create the state's financial statements. Ensuring accurate and reliable financial statements is crucial for maintaining transparency, accountability and fiscal stability in Washington.

AFRS is a legacy system and, as such, has several limitations and risks. Legacy systems such as AFRS may be more vulnerable to cyberattacks because they often lack modern security features. Compared to modern systems, they are slower, less efficient and more likely to fail, making them less reliable. AFRS uses an outdated computer programming language, which is expensive to maintain and cannot be quickly updated. Many employees who know how to use the coding language are approaching retirement, making it more challenging to maintain AFRS in the future.

Established by the Legislature, One Washington chose Workday to modernize the state's enterprise resource planning system

In 2013, Gov. Jay Inslee requested funding to replace the state's old financial reporting system. Since then, the Legislature has established and invested in the One Washington program by providing funding for research, planning and implementation. According to the Washington State Information Technology Project Dashboard, the planned cost to modernize and implement finance, procurement, budget, human resources, payroll and business intelligence business processes is about \$465 million. One Washington is a program of the Office of Financial Management (OFM).

One Washington chose Workday to replace the state's aging administrative systems, including AFRS. Workday is a cloud-based enterprise resource planning (ERP) system used by more than 200 U.S. public sector organizations. It helps organizations combine their finance, human resources, planning, professional services automation, project management and analytics into a single system, streamlining processes and data.

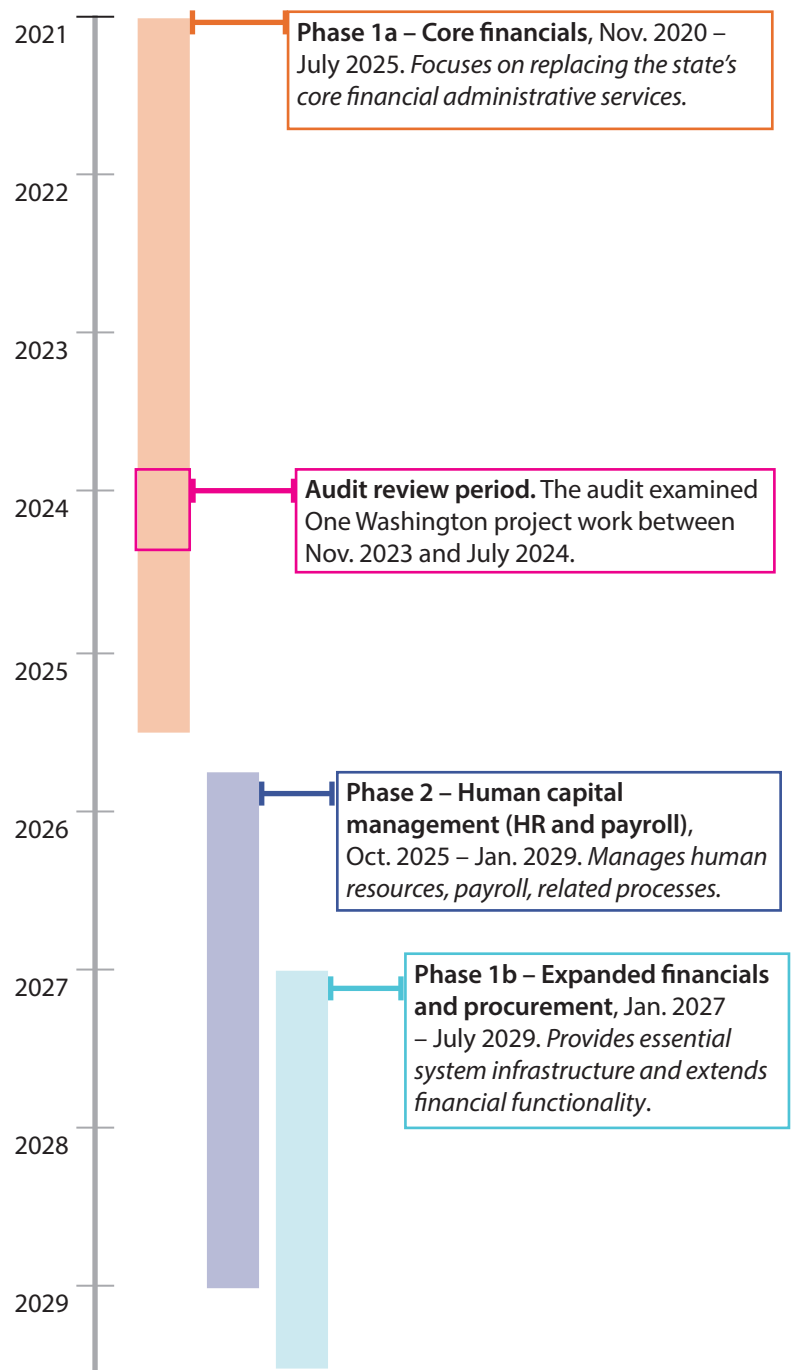
Anticipated benefits of the new system include improved security and cost tracking, real-time data access, improved system support and more efficient business processes.

The transition to the Workday financial system is a complex, multiphase project that will affect more than 100 state agencies. With such a large volume of information and end-users, it is essential to project success that One Washington communicates information as efficiently and effectively as possible.

Exhibit 1 illustrates the current timeline One Washington has set for the full implementation of the new system. The project is currently in Phase 1a, replacing core financial systems in Workday. Subsequent Workday systems will address human resources and payroll as well as expanded financial functionality and procurement capability. One Washington has yet to determine timings for the phase related to budget preparation, which aims to streamline budgeting processes and improve overall efficiency, and so it is not shown in Exhibit 1.

The new core financial system was originally planned to launch by June 30, 2022. Due to delays related to the scoping and complexity of remediating state agencies' legacy systems to communicate with Workday, the state now aims to transition its core financial administrative services to the new cloud-based system by July 2025.

Exhibit 1 – Key One Washington project phases
2021-2029 and beyond



Source: Auditor prepared based on updated project phase timeframe approved by the One Washington Executive Steering Committee on June 12, 2024.

Implementing an ERP system is complex and carries known risks that can have significant consequences

Modernizing the state's core administrative services with a new ERP system is essential for future functionality. However, large-scale IT projects like this are very complex and carry significant risks. They encounter challenges and delays, contributing to increased project costs. The following are some common areas of risk when implementing a new enterprise resource planning system.

Lack of skills and poor planning can lead to delays and increased costs. Without a robust plan, unexpected setbacks like supply chain disruptions can delay the project, requiring additional resources to address the issues.

At the University of Washington, hundreds of research grants were stuck in processing as the university struggled with its Workday implementation. Factors such as an inadequately defined cutover plan and delaying critical decisions contributed to significant disruptions, which included delayed payments to vendors amounting to tens of millions of dollars. Implementation challenges also impeded research projects and compelled faculty members to cover expenses personally. After a yearlong delay and a project budget increase of \$71 million, the university ultimately incurred costs of \$340 million to implement the system.

Implementing a new enterprise resource planning system requires balancing the need for adequate training and ensuring system functionality to mitigate risks effectively. Employees might struggle to adapt to new processes and functionalities, leading to errors, inefficiencies and resistance to changes in operations. Additionally, ensuring full system functionality is crucial to meet organizational requirements and deliver expected outcomes. If the system lacks essential features or fails to integrate with existing processes, it can result in operational disruptions, data inaccuracies and decreased productivity. One Washington must make decisions balancing these two needs in allocating its limited resources for implementing the new system.

The Oregon Department of Administrative Services implemented a new human resources and payroll system at the beginning of 2023. However, the state struggled to provide adequate time for training, as the training team was learning to use the system and developing training simultaneously. During Oregon's system implementation, issues arose that contributed to several problems, including thousands of state employees experiencing errors with their paychecks. These issues included both overpayments and underpayments, as well as inadequate wage statements. As a result, workers have filed lawsuits and complaints. Despite efforts to resolve these issues, the problems persisted as of July 1, 2024.

Poor data quality can lead to incorrect decision-making, operational inefficiencies and financial losses. Data inconsistencies can disrupt integration efforts, limiting the system's capability to support real-time operations or adapt to changing business requirements. Addressing data quality issues is imperative to maximize the benefits of an enterprise resource planning system and ensure its successful implementation.

Iowa began replacing its financial management system with Workday in September 2021. However, during the testing phase, the state identified implementation issues that would affect state business processes. Therefore, the state temporarily suspended implementation and reviewed the issues and their potential solutions. The state terminated its \$50 million contract with Workday due to the software's failure to meet its requirements.

This audit examined risks related to the accuracy and reliability of financial statements

Every year, Washington publishes its Annual Comprehensive Financial Report (ACFR), detailing how the state manages the public money entrusted to it by Washington residents. It contains details about all the government's financial activities, including its assets and debt liabilities, expenditures (such as state employee salaries or infrastructure costs), and revenues (taxes, grants, service fees, etc.). This information is audited by the State Auditor's Office to ensure the integrity of financial reporting.

Accurate and reliable financial statements are fundamental to maintaining transparency, accountability and fiscal stability in Washington. For example, credit rating agencies rely on accurate financial statements to assess governments' creditworthiness. Inaccurate and unreliable financial statements can undermine investor confidence, leading to reduced investments in bonded state projects and infrastructure. Additionally, inaccurate statements can impair the state's ability to secure favorable borrowing terms, potentially resulting in higher costs and increased debt burdens for taxpayers. Moreover, inaccurate financial data can hinder effective decision-making by policymakers, leading to misallocation of resources and inefficiencies in government operations.

The inherent importance of financial statements led us to focus on One Washington's efforts to produce accurate and reliable financial statements with the new financial management system. These financial statements help to get a clear picture of the fiscal health of the state's government. Given that the project is still underway, this audit focuses on One Washington's project plans and progress prior to implementation. The purpose of this approach is to provide early insight into areas that could put developing financial statements and the ACFR at risk.

The main objective of this audit is to identify and resolve potential issues early on to prevent inaccuracies in state financial reporting. The work we performed focused on the state's ability to produce financial statements and did not fully evaluate the effectiveness or sufficiency of One Washington's efforts to address all the risks identified in this report. Because of this, it is important to note that this audit and resulting recommendations cannot prevent or predict all possible problems that could arise during the implementation of the Workday system or that other functionality might not be fully realized. After the new system is operational, other audits might conduct more robust testing and evaluation of One Washington's data classification system and other work.

This audit answered the following questions:

- How has One Washington planned to ensure that the state can produce accurate and reliable financial statements?
- What support, including training, will One Washington put in place to help state agencies prepare for the transition to Workday?

This report is organized in two chapters, addressing these issues:

1. One Washington's progress on:
 - Managing the transfer of data from AFRS to Workday
 - Addressing key risks to reliable account coding of information after Workday launches
 - Preparing financial statements during the transition and after Workday launches
2. One Washington's progress on developing training and long-term support for state agencies as they prepare for the transition to Workday

Information in the Results section of our report was current as of July 11, 2024, but One Washington's Workday implementation project is ongoing. Please note that One Washington offered additional information about project activities taking place after that date in its formal response to the report, starting on page 33.

Audit Results

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

Results in brief

One Washington has followed, or plans to follow, leading practices for successfully transferring data as it prepares to move financial information to a new financial management system, Workday. One Washington and OFM have taken steps – such as developing automated rules, plans for testing data and crosswalks to the new system – to address risks related to classifying new data correctly in Workday after it launches. OFM’s plans for generating financial statements will help reduce risks associated with transitioning to a new system.

One Washington has followed, and has plans to follow, four leading practices for successfully transferring data

The state’s accounting system supports financial reporting by storing and classifying the data the state uses to produce its financial statements. Ensuring that financial statements are accurate and reliable always requires considerable effort but requires even more during and after a major system implementation. Ways that such a transition can disrupt the state’s ability to produce accurate and reliable financial statements include a learning period during which staff adjust to new accounting structures, difficulties producing the right reports, and the temporary need to work in two systems. Further, the data transfer process could result in lost or inaccurate data.

We identified four leading practices for conducting a successful, seamless data transfer project:

Practice 1: Identify data to be moved

Practice 2: Analyze and map that data

Practice 3: Back up the data and isolate systems involved in the transfer

Practice 4: Test the data before and after transferring it

This audit looked at what One Washington has done or has plans to do related to these key practices. We concentrated our assessment on elements necessary for the preparation of financial statements and did not encompass all of One Washington's plans.

Practice 1. One Washington identified which data to transfer, which helps maintain data integrity and reduce unnecessary work

Leading practices suggest organizations should conduct a data transfer assessment. A data transfer assessment allows an organization to evaluate and plan what data to transfer and how to move it from the existing system to the target system. Performing a data transfer assessment helps develop a clear vision for the transfer process.

Identifying what data to transfer to the new system involves assessing data sources, understanding their characteristics and planning for a smooth transition to the new environment. This is important for maintaining the integrity of the state's data used for financial reporting. It is also important for managing the work that must be done to transfer the data. The data transferred must be transformed to fit the new system. However, not all data in the old system must be moved to the new system, and the entire data transfer does not need to be done at once. An assessment is vital to know what data the state must transfer and when to move it.

One Washington assessed which data needs to be transferred from AFRS to Workday and how to transfer it. Early in the project, One Washington reviewed the Workday system's underlying data structure and the state's relevant business process flows. As part of its data transfer assessment work, One Washington identified core financial data it must move to Workday in the current part of the project to implement the new system.

The core financial data being moved to Workday include:

- General ledger account balances
- Budgets
- Accounts receivable invoices that have been billed but remain outstanding
- Personnel data to enable entry and approval of transactions
- Information related to assets, banks, and customer and supplier accounts

As part of its data assessment, One Washington also made decisions not to transfer historical data – this is data the state does not need to use after the new system launches – to the new system and about when to transfer particular data. One

Washington also made decisions about data that will be moved to the new system in later phases of the overall project, including data related to grants and projects, procurement, human resources, payroll and budgeting. One Washington plans to turn its focus to those parts of the project after completing implementation of project Phase 1a (core financials).

Practice 2. OFM has analyzed and mapped data, which helps ensure that data in the new system will be complete, accurate and usable

After identifying which data needs to be moved to the new system, an organization should analyze and map the data to prepare it for the new system. This pre-transfer classification work is important because it helps the organization identify where to put the data in the new system. Data analysis looks at data to see how it is used currently and how it will be used in the new system, while data mapping involves identifying where data needs to go in the new system to produce the desired results and ensure smooth data movement across systems. Both are essential to ensure the organization transfers data to the right places in the new system and that the data aligns properly with the new system's data requirements.

One Washington's data conversion plan calls for an initial analysis and mapping of data from AFRS to Workday. OFM staff said they have mapped the codes currently used to sort data in AFRS to the corresponding functions in Workday. They plan to test that mapping using the balances from previously completed financial statements because new data is not available yet. Using the older balances also helps because staff know what that data should look like. The work in this area addresses the leading practices in analyzing and mapping data before transferring it to a new system, and it will be considered complete once testing of the data mapping is finished.

This pre-transfer work focuses on classifying the data that will be transferred from AFRS to Workday. It is separate from classification work focused on data entered into Workday or loaded to Workday from legacy systems after the new system is operational, which we discuss on pages 17-19 of this report.

Practice 3. One Washington has not yet isolated affected systems and backed up data but plans to do so before the data transfer

Transferring data from one system to another poses risks to the data itself as well as to other connected systems. During the transfer process, data loss could occur or systems critical for operations might experience negative effects. Taking steps to mitigate these risks is important for preserving data and maintaining systems' functionality.

Leading practices suggest that organizations:

- Isolate the transfer systems from other important systems to allow those other systems to be used during the transfer process. Ensuring that affected systems are not connected to others will keep critical business processes running smoothly during changes or upgrades.
- Back up or copy data before transferring it to a new system. This serves as an insurance policy for the data, ensuring that even if the transfer encounters challenges, the original data remains protected and is not lost.

One Washington plans to isolate production systems and leave data in AFRS and agency systems as backups for the data copied to Workday. At the end of June 2025, when it expects to launch the new Workday system, One Washington plans to load the data to the actual Workday system and to freeze payments or cash deposits from being processed in AFRS, isolating AFRS from agency systems. When it goes to transfer data to Workday, One Washington plans to copy the data and load the copied data to the new system, leaving the original data in AFRS as a backup.

Practice 4. One Washington plans to test the data before and after the transfer, which should help the state find and fix errors

Testing data is important because it allows an organization to identify and fix errors in the data or problems with the data-transfer process. Leading practices suggest that organizations transferring data to a new system should regularly measure and test the data in stages before the transfer to validate the correctness of the data and continue to audit and test data in the new system after it is operational. Completing a data transfer in phases allows an organization to break the process into smaller targets, making it easier to track progress and identify potential roadblocks along the way. Testing in stages allows an organization to adjust the transfer strategy and strengthen the process. Without validating and testing the data, the state would not know whether data was incomplete or categorized incorrectly. Continuing to test data after the system goes live helps ensure data integrity, functionality, security and compliance with requirements.

One Washington has regularly measured and tested data in stages and plans to validate the data after loading it to the new system to ensure that the transfer to Workday was successful. One Washington's data transfer plan calls for four cycles of loading data copied from AFRS to a prototype of the new system, then loading the data to the actual Workday system in a fifth and final cycle. Each cycle increases targets for how much data should be successfully loaded. For example, the target in the first cycle was 70 percent, meaning that the target for a file containing 1,000 records was to load 700 of the records successfully. In each cycle, One Washington also validates the templates used to load data to the Workday system. After each cycle, One Washington then tests the data, analyzes errors and fixes them in AFRS to improve success in following data load cycles. One Washington began its third testing cycle in mid-April 2024.

One Washington also plans to continue testing the financial data after it completes the data transfer process and Workday launches. To test the data after the new system launches, OFM plans to use system-generated exception reports to identify data that does not match expectations – such as balances that are unchanged from the beginning of the year or balances that are negative when they should be positive – and to address errors manually.

One Washington and OFM have taken steps to address three primary risks related to classifying data correctly in Workday after it launches

After the necessary financial data has been transferred from AFRS to Workday and the new system has launched, state agencies will enter financial data in Workday or in legacy systems that connect to Workday. Just like transferred data, this new data must be classified correctly. The following section focuses on proper classification of data post-transfer.

Any new system implementation involves risks that data will not be classified correctly, which, in this project, could cause inaccurate financial statements. To generate accurate financial statements and reports, the state must correctly classify its financial transactions. This work includes assigning account codes to financial transactions, which group data into specific categories for financial reporting. The Workday implementation is especially challenging because of the number of state agencies and systems interacting with it. Additionally, Workday will require a new accounting structure and transaction processes, creating the risk that coding will be incorrect for transactions entered after the new system is deployed.

One Washington and OFM have taken steps to address three primary risks to classify transaction data correctly in the new system:

Risk 1. Staff unfamiliar with the new system will make errors

Risk 2. The new system might lack rules that automatically apply codes or identify errors

Risk 3. The new system might not effectively communicate with legacy systems at state agencies

Addressing Risk 1. To mitigate risks associated with an unfamiliar system, One Washington developed automated rules and OFM is offering training for agency staff

The Workday system introduces a new accounting structure and processes that affect the classification of financial data. One Washington is working to automate much of this new coding, but staff will still need to code some financial data

manually. Therefore, they must learn a new way to assign account codes, which increases the risk of classification errors.

One Washington and OFM staff said they have taken the following actions to reduce the risk of classification errors.

- One Washington has applied rules in Workday to automatically assign account codes to operational transactions, such as paying a supplier invoice or receiving payment from a customer. Provided that the programmed rules are configured correctly, this automation ensures that financial data is classified accurately, thereby reducing human error.
- OFM is offering training on basic accounting principles to state agency fiscal staff. Some of the financial data that goes into the financial reporting system, such as adjustments, cannot be coded using automated rules. For data that must be coded manually, staff need to understand accounting principles and account coding. A key objective of the accounting training is to teach staff what they need to know to correctly identify account coding in situations where it cannot be automated.
- One Washington created system checks that reduce the possibility of inaccurately classifying transactions. These checks detect invalid coding and missing data in mandatory fields. The Workday system will notify agency personnel of errors. Before submitting the transaction for approval, users must fix any errors identified by these system checks to avoid inaccuracies.

Addressing Risk 2. One Washington ensured the system has effective rules to code transactions and identify errors. One Washington also plans to test coding before deploying the system.

When configured correctly, and with proper change management processes in place, automated processes such as coding rules and system checks are more likely to remain consistent and reliable. One Washington has taken the following steps to ensure that automated processes classify data correctly.

- One Washington worked with state agencies and the Workday consulting firm to help ensure the design and configurations include effective account coding rules and system checks to classify financial data correctly.
- System design changes are reviewed by state staff, a contracted consultant providing implementation assistance, and Workday staff to determine whether design changes will align with Workday's core system.
- One Washington will test data classification using an end-to-end technique before deployment. End-to-end testing is a comprehensive method that tests the entire workflow of a transaction. The implementation team will develop tests from scenarios developed by One Washington with input from state

agencies, allowing for testing that includes agencies' specific requirements. One Washington staff will do a first round of system testing, then provide education and support to agency staff as they conduct the second round of testing.

Having One Washington and agency staff conduct testing will help ensure that the system is tested by people familiar with agency business processes and governmental accounting. This will help provide assurance that testing will be effective, and results appropriately evaluated. The testing will be the first hands-on experience with the Workday system for many agency staff, who will be guided by One Washington subject matter experts familiar with the new system.

Addressing Risk 3. One Washington created a map that helps communicate how data from legacy systems is cross-walked to the new system

Like One Washington's efforts to map and test data after transferring it from AFRS to Workday, they also have mapped and plan to test data from individual agency systems to Workday. Some of these systems will not yet be modified to be able to effectively communicate with Workday before the new system launches, which could result in misclassified financial data from some state agencies. The systems that connect to AFRS do not all speak the same language or store data in the same format as the new Workday system. To provide a temporary solution, One Washington and OFM have taken the following steps:

- With the support of OFM, One Washington created an Enterprise Integration Crosswalk to map and translate the data from legacy systems to Workday. This is a process similar to mapping data from AFRS to Workday, but it involves legacy systems at individual state agencies rather than AFRS. The mapping and translation of legacy data is necessary for accurate classification of data from systems that will not be remediated by the system release date.
- One Washington has also planned to test the effectiveness of the Enterprise Integration Crosswalk before deployment, first with a pilot agency and during end-to-end user testing.

OFM's plans for generating financial statements will help reduce risks associated with transitioning to a new system

OFM creates financial statements from data submitted by state agencies, and those statements are used to create the ACFR, which presents a comprehensive and detailed overview of the state's financial condition. Inaccurate or unreliable financial statements could lead to worse borrowing terms for the state, reduced

investment in state projects, misallocation of resources and reduced transparency regarding government spending, according to the Financial Audit team at the State Auditor’s Office. Therefore, it is crucial that the financial statements are accurate.

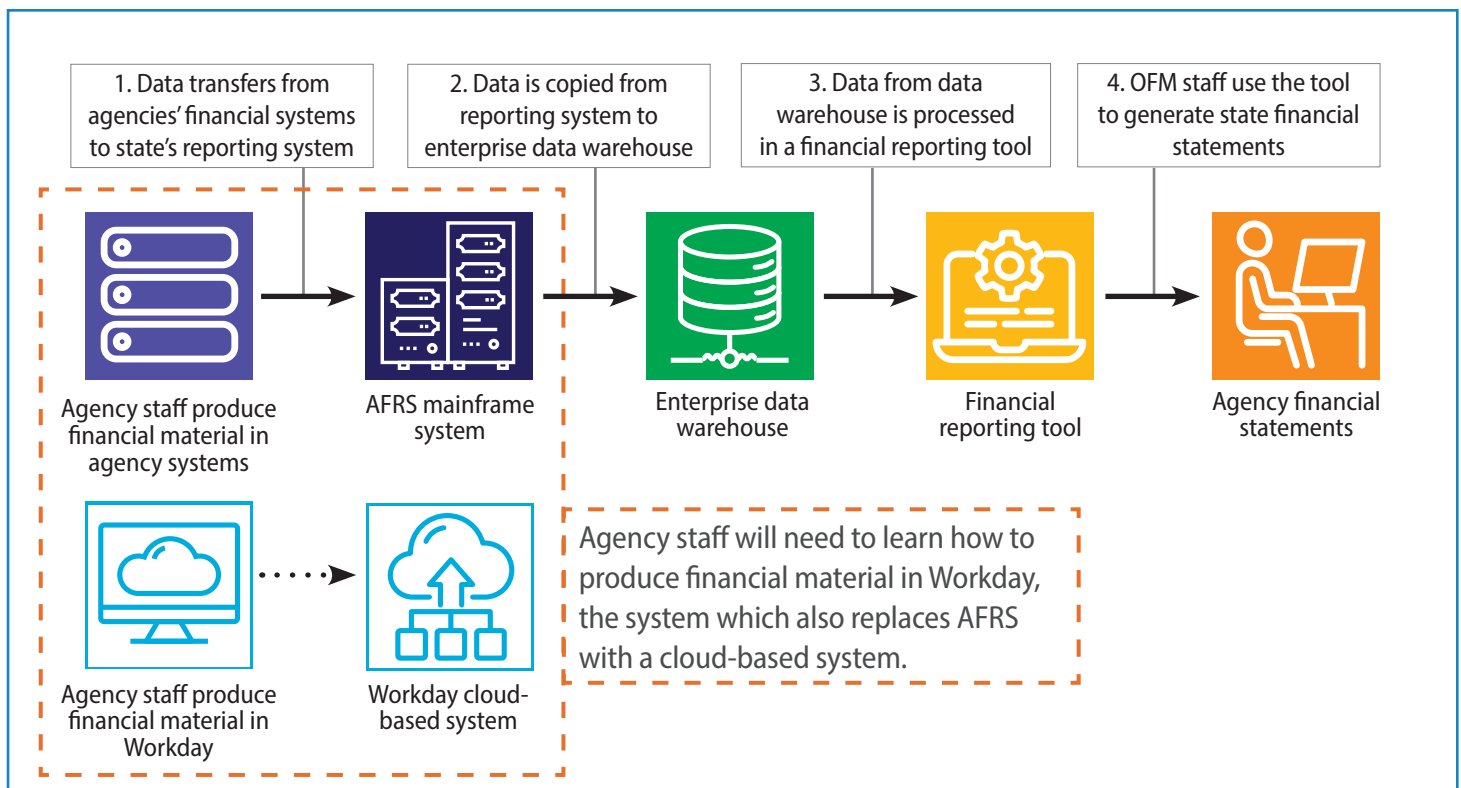
Generating financial statements in a new system involves various risks. These include not being able to export the data from Workday to the data warehouse or staff tasked with generating the financial statements being unable to do so using the new system. Further, the state must be able to generate the financial statements in a timely manner to ensure the ACFR can be produced and audited by its legally required deadline, which is within six months of the fiscal year-end. Potential consequences of failing to address these risks include a lack of transparency in how taxpayer money is spent, as well as lower bond ratings, which could affect the state’s ability to raise money by issuing bonds.

To mitigate these risks, OFM intends to:

- **Keep virtually the same process to generate the financial statements from the data.** The process used today involves taking data from the main financial reporting system, moving it to a data warehouse the state uses to store financial reporting data from multiple sources, and then using that data and a financial reporting tool to generate financial statements. The primary change to the process will be that the data comes to the data warehouse from Workday rather than AFRS, as shown in Exhibit 2.

Exhibit 2 – Current and future data processing paths: AFRS compared to Workday

Steps boxed in orange are those reviewed in this audit



Source: Auditor prepared based on processes described by OFM.

Although keeping much of the existing process reduces the risk of this process failing, adding the Workday system into this process still contains some risk that the process will not work correctly.

- **Set up the new system but wait one year after it launches before using it as part of the process for generating financial statements.** The agency will use data from AFRS to create the financial statements it will release in the second half of 2025. After Workday launches, the agency intends to refine the system before using Workday data for the financial statements for the first time. Waiting a year before using data from Workday to produce financial statements gives the state time to work through issues that might arise before it must produce the required financial reporting using the new system.

Risks related to the communication of the project, turnover of program staff and training for the new system could affect agency readiness, despite One Washington's plans

Result in brief

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, communicate information about the new system and address staff turnover. One Washington has begun to prepare agencies for the transition to Workday and has developed plans to support agencies after Workday's implementation.

One Washington has taken several steps to help prepare agencies for the transition to Workday, but significant risks remain

The state's successful implementation of Workday will rely in part on One Washington's ability to adequately address three areas. It must properly train end-users, share information about the new system with its partners and customer agencies, and address staff turnover and vacancies within in the program. Agencies must also address turnover and vacancies among their staff.

Training is critical to the success of the Workday implementation project. Failing to adequately educate and train Workday users would almost certainly cause problems during and after system implementation. Users will need to know how to use the new system to produce accurate and reliable financial reporting. The need for support and training of agency staff will not end after the transition to Workday. Developing a long-term plan emphasizing knowledge transfer, new hire training and improved performance helps to ensure users receive the support they need.

Information access issues impede One Washington's ability to effectively communicate with agencies. In our discussions with agencies, we learned that access to essential project information has either been restricted or is not available in a timely manner. This has hindered some agencies' ability to effectively share system information with their own users. Agency users want easier access to One Washington's Workday resource website and shareable links to make it easier to disseminate key project documents within their agencies. However, access to the

information hosted on One Washington's internal website that agencies need to be better prepared for this transition is restricted and only available upon request. A One Washington staff member said access is restricted because the internal website hosts proprietary information from the vendor and because state IT security guidance requires the current level of security restricting open access to the site. The staff member added that any state staff or contractor who requests access to the site receives it.

They also said that the program is responding to agencies' requests for more targeted, purposeful communication and easier resource access. One Washington reports working to restructure communications, such as hiring additional communications staff and making relevant information easier for agencies to identify in weekly project emails to agencies and on project webpages. Although some barriers exist to accessing training resources and assets within One Washington's internal website, the formal go-live training materials will be housed within the state's Learning Center.

One Washington is also collaborating with the state's technology service agency, Washington Technology Solutions (WaTech), to allow agency staff to access the restricted website using their existing state computer system credentials.

Turnover and vacancies in key agency support positions and changes to the change management program could affect agency readiness. One Washington has held individual sessions with agencies regarding the transition to Workday, which agency staff told us has been helpful. However, the quality assurance contractor One Washington hired to identify necessary corrections, anticipate potential problems and help ensure the project delivers value, identified risks with One Washington's capacity to continue these sessions. One Washington established a change management team to work with agencies and prepare their staff for the transition to Workday early in the project. Additionally, the quality assurance contractor identified risks regarding the lack of a change management director and other resources. One Washington told us it hired a new change management director, who began work Jan. 1, 2024. Over the past two years, the structure of the change management program has changed significantly, and One Washington was in the process of redesigning its approach to change management during this audit. There has also been turnover in key positions within One Washington that are directly responsible for providing change management resources to agencies. One agency said it has had four change management staff assigned to it and had to explain everything again for each new staff member, and another agency also said it has had four or five change management staff assigned during the project. According to One Washington, its vacancy rates are roughly 20 percent, an improvement from two years ago, when they were around 50 percent.

If the one-on-one sessions with agencies do end and One Washington does not provide an alternative method for agencies to share concerns and needs, there is a risk that those concerns and needs will not be addressed before implementation. One Washington told us it does not intend to reduce its individual support to

agencies. One Washington's training plan acknowledges the risks of not providing agencies with adequate change management resources. According to the training plan, the absence of or delays in establishing and implementing a strategic change management plan to prepare agencies for training could interfere with agency readiness for training and/or end-user adoption of Workday.

One Washington has begun to prepare agencies for the transition to Workday, including training users on the new system and in accounting fundamentals

One Washington has taken steps to provide support to agencies and help users prepare for the transition to Workday. These include:

- **Training Needs Assessment.** The assessment was originally conducted in September 2021 and was updated in February 2024. For the assessment, One Washington held focus groups with several state agencies affected by the new system implementation to learn about user needs and concerns and to identify training project risks. A One Washington staff member said they used this assessment to inform training design and delivery approach. Some of the recommendations that agencies provided include:
 - Improving the quality of information and speed of communications with agencies to rapidly address agency and program needs
 - Supporting the agencies in their business process re-engineering with standardized tools, templates and expert advice
 - Creating clear communication channels between project workgroups and agencies to avoid duplicating work
- **Accounting training.** Agencies that use Workday are required to have a basic understanding of accounting principles and procedures. AFRS allows users to automatically code transactions without knowledge of accounting principles, whereas Workday's structure requires users to use basic accounting principles to code transactions. Therefore, One Washington has encouraged agencies to refresh their knowledge of basic accounting principles by providing guidance and training.

In February 2024, OFM Statewide Accounting announced the launch of the Accounting Training curriculum. The curriculum is available through the Washington State Learning Center, and state agency personnel can sign up for classes as of July 1, 2024. One Washington has also provided agencies with additional resources for refresher courses, which are accessible through free programs focusing on accounting fundamentals. In addition, OFM is rewriting the state accounting manual section that describes how agencies should perform period-end procedures to accurately describe the new process in Workday.

- **Weekly online information sessions.** Since January 2024, One Washington has led weekly online sessions to provide agencies demonstrations of the Workday system and answer users' questions about the system design plans. The sessions are presented live, cover a variety of topics and have included demonstrations of the Workday system using screenshots as well as live demonstrations of the configured system being used.
- **Organizational change management support.** The goal of the change management team is to address agency concerns about Workday and prepare for a successful transition. To do this, One Washington has assigned a change manager to each agency to provide targeted support and to ensure agencies receive effective communication about project information and that their concerns are addressed.
- **Training plan.** Completed in March 2024, the End-User Training Plan provides an overview of the development, implementation and evaluation of training. It includes: high-level plans for key training activities, training roles and responsibilities, a training calendar, curriculum, and how training will be sustained after the system launches.

We did not evaluate the quality of One Washington's proposed training. However, we identified the following risks related to the training schedule:

- ***Time provided for training might be insufficient.*** One Washington plans to devote three months to end-user training. We talked to staff from two universities that had recently implemented Workday, and they stated their initial training timelines were inadequate and rushed. University of Washington staff said the six months they originally planned for training was not enough. Washington State University staff said it would have been nice to have another month or two to better prepare for teaching the sessions and to decide how to assign training to different users. They both recommended devoting as much time as possible to training.
- ***Training for agency end users is scheduled at a time when staff who need it are busy with year-end activities such as reconciling accounts.*** One Washington is planning to provide formal training sessions from March 2025 to June 2025. Preliminary training activities will commence in January 2025 according to the program schedule. The formal training sessions are scheduled at the end of the fiscal year, which is already a busy time for state agency fiscal staff. This is the case even without an accounting system replacement. During this period, fiscal staff must review, verify and reconcile transactions to ensure accuracy and compliance with accounting standards. Therefore, fiscal staff might not have sufficient capacity at that time to be trained in a new system.

Moreover, providing training during this time could strain the fiscal staff's workload and increase the risk of inaccuracies in their fiscal reporting. One Washington's training-needs assessment recommended analyzing how training and its timing would affect agency business, the close of the

fiscal year and other agency concerns. However, we reviewed the End-User Training Plan and did not see evidence that it addressed these concerns, so it remains unclear how or if One Washington plans to address them.

One Washington has developed plans to continue to support agencies after Workday's implementation

One Washington has plans to provide agency support and training through Workday's launch. According to its recently approved training plan, One Washington's training team will be responsible for developing all training materials and enrollment requirements before the system launches. After it launches, a planned division of OFM will assume responsibility for sustaining support to agencies by developing additional Workday training materials, maintaining the system and enrolling users for training. That team would be responsible for updating and distributing materials through the state's Learning Center and managing enrollment to training as needed.

The training plan also makes several recommendations to ensure that sustained training activities are successful, and agencies are supported after Workday launches. For instance, the training plan recommends One Washington create a governance structure that includes roles and responsibilities for updates to training, processes and leading practices for making updates, and any stipulations for review and approval before posting and assigning updates.

Threats to project schedule and contingency planning that is not yet finalized could affect the overall success of the new financial reporting system

Results in brief

Despite One Washington's efforts to prepare agencies, multiple delays have compounded the risks to the overall project schedule and could affect testing and training. Planning for potential issues minimizes risk and improves a project's chances of success by addressing risks proactively. As of July 11, 2024, One Washington has not finalized contingency plans to respond to implementation disruptions that could arise but expects to have them in place before the new system launches.

Multiple delays have compounded the risks to the overall project schedule and could affect training

The project's planned launch date of July 1, 2025, is at risk because key tasks and deliverables have not been completed in the time frame initially defined in the work plan. Reports from One Washington's quality assurance contractor show important activities related to migrating data from AFRS to Workday are not being completed in the scheduled amount of time. As of January 2024, One Washington reported to its quality assurance contractor that resource constraints are impacting timelines for key tasks and deliverables. Although not critical yet, these delays were compressing the timeline before building the system prototype used to test the system, putting overall system readiness at risk. However, on May 22, 2024, One Washington leadership said that the program had built the testing prototype on time. Leadership also said the program had added about six weeks to its scheduled testing time in response to agency feedback, allowing for more system testing. That testing, which One Washington had scheduled to run from April 2024 through September 2024, now is expected to continue through mid-November 2024.

Agencies have also expressed concerns about the state's ability to meet the planned launch date. These agencies have many competing priorities which have stretched their resources thin, and they are concerned they will not have the capacity to complete necessary tasks within project deadlines.

As of July 1, 2024, One Washington leadership told us the program still plans to complete the project by its target date. One Washington has hired two additional

staff members to increase work capacity in the reporting and cost allocation system design areas. The staff said the sequence of activities that are essential for project success – such as developing the training plan before it can create curriculum and materials, which must be completed before One Washington can use them to train users – is not yet affected. However, less time is now available in the project schedule to complete tasks. Compressing the timeline to complete significant tasks could increase the risk of problems and could compromise the state's ability to generate accurate financial statements using the new system.

Delays in system design put end-user training at risk

Successful deployment of end-user training depends on the completion of various system design deliverables. Although One Washington has completed its training plan, it cannot fully develop training materials and curriculum until the system design is complete and tested so training does not point to design elements that have changed. A delay in one or more design deliverables can have major effects on the design and delivery of end-user training. Further, the schedule should allow enough time after the system design and testing have been completed to align training with system specifics. Rushed training can lead to a lack of understanding of the system and increase the risk that users will make mistakes.

One Washington could be forced to cut from remaining project activities such as training. As of February 2024, the development of training materials is scheduled to occur from June through December 2024. However, if risks to the system design schedule are not mitigated, One Washington may have to reduce or cut project activities to save time. Because training occurs late in the project timeline, it has a higher likelihood of being reduced. One Washington's quality assurance contractor noted that overall project delays and delays to testing activities might affect training materials development.

One Washington has a high-level strategy but has not yet formalized its contingency plans

Formal contingency plans can reduce disruptions during a project. Planning for potential issues minimizes risks and improves a project's chances of success by addressing risks proactively. For example, Washington State University implemented a Workday financial system in 2020 with go/no-go decision points built into its design timeline. Although no-go decisions delayed system implementation for six months, waiting to resolve issues before proceeding resulted in a successful implementation overall.

One Washington provided its deployment strategy, which serves as a blueprint for One Washington's approach to planning and performing key activities during and immediately leading to the switch from AFRS to Workday, in July 2024, while

the document was awaiting final approval. This strategy includes a high-level description of the types of contingency plans One Washington plans to follow if issues arise that could jeopardize the success of system implementation or its functionality.

The two types of contingency plan options described in One Washington's deployment strategy are:

1. **Rollback Plan:** This plan is activated when a critical issue cannot be resolved in a reasonable timeframe or if the system is unstable after the implementation. In this option, the plan calls for One Washington to stop the cutover process and restore legacy systems "as appropriate." The Workday system would continue with all current business processes, until One Washington defines and implements a new go-live date. One Washington leadership stated that for this approach to work effectively, the plan would need to be highly detailed. Additionally, agencies have already begun preparing to transition to Workday.
2. **Fix-Forward Plan:** One Washington would use this plan when issues arise that can be resolved without reverting to a previous state. The steps can include:
 - Identifying the issue and creating a plan to resolve it
 - Ensuring there is a team available to work on the resolution
 - Regular updates to stakeholders about the progress of the resolution

The deployment strategy states that "rolling back software changes is complicated, time consuming, and error prone; the fixing forward approach is a lower risk option."

Go/no-go. Related to the deployment strategy, One Washington has begun work toward establishing go/no-go criteria. The program has not yet finalized and approved these criteria for deciding at cutover time whether the Workday system is sufficiently ready to launch or if it must be delayed. Finalizing these criteria is crucial for One Washington to be able to take action related to its contingency plan. One Washington's draft deliverable expectations document shows that approval of the criteria document is scheduled for Oct. 21, 2024; however, this will remain an area of risk that could affect the success of the system implementation and the state's ability to produce accurate and reliable financial statements until One Washington defines and documents those criteria.

Disaster recovery plan. One Washington's deployment strategy also calls for development of a disaster recovery plan as required by WaTech's Information Technology Disaster Recovery Planning Policy. Development of the disaster recovery plan is currently scheduled for January-February 2025. As outlined in One Washington's deployment strategy, the disaster recovery plan must include the roles critical for executing the plan, other systems, internal or external hosted applications, interagency service providers, and external parties.

One Washington will work with OFM and other stakeholders when developing the plan, which must align with OFM's continuity of operations planning. The deployment strategy states the disaster recovery plan must be reviewed and exercised within 90 days of the production July 1, 2025, go-live date.

OFM's continuing regular business operation. In addition to One Washington's contingency-related efforts, program leadership told us that OFM plans to continue its regular operations related to preparing for the next biennium. This regular business process involves copying current biennium AFRS tables for state agencies and statewide into the new biennium, eliminating the need to make new versions of the majority of tables. Although not part of One Washington's contingency planning, this work will help ensure AFRS is set up and ready for continued use in the event that One Washington decides that Workday cannot be launched on the target date.

State Auditor's Conclusions

The One Washington program will replace the state's aging financial computer system with a modern system, integrated with other core administrative services. The project is extremely complex, involving the transfer of billions of dollars in budget data for more than 100 state agencies. When the transition to the new system is complete, these agencies will need to adopt new processes for managing the state's finances.

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.

Projects as large and complex as One Washington require years of planning and implementation. We will remain alert to other opportunities to provide insights through our audit work that will help it and other major public technology projects succeed.

Recommendations

For One Washington

To ensure state agencies are informed of the plan to provide training, as described on pages 22-23, we recommend One Washington:

1. Ensure project resources, such as websites and training materials, are up to date and easily accessible and shareable with state agency personnel

To address the risks associated with not having finalized contingency plans should Workday fail to produce reliable financial data, as described on pages 28-30, we recommend One Washington:

2. Produce actionable contingency plans to ensure minimal disruptions to the State's financial reporting requirements

For One Washington and the Office of Financial Management

To mitigate the risks associated with launching the new financial system prematurely and ensure a smoother transition to full operational capacity, as described on pages 28-30, we recommend One Washington and OFM:

3. Establish clear go/no-go decision points in the project schedule to mitigate the risks associated with launching before readiness

Agency Response



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

August 14, 2024

Honorable Pat McCarthy
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor McCarthy:

Thank you for the opportunity to review and respond to the State Auditor's Office performance audit report, *"One Washington: Opportunities to strengthen plans for producing reliable financial statements."*

We have concerns about how some findings may be interpreted; therefore, we offer several clarifications in this response to ensure a clearer understanding for all stakeholders.

As this is a prospective audit, many evaluated activities and decisions have not yet occurred, as outlined in the project plan. At the start of this audit, the enterprise was 18 months to go-live. We agree with the SAO that enterprise resource planning (ERP) implementations carry known risks.

One Washington is subject to, and an engaged partner in, formal IT project oversight by Washington Technology Solutions (WaTech). Due to the size and nature of the program, we engage with three dedicated WaTech IT project consultants, WaTech executive leadership, and an independent and external quality assurance vendor knowledgeable in ERP implementations. This daily engagement is centered around the early identification and mitigation of risks, as well as leveraging lessons learned and adherence to best practices.

Regarding section 1 of the audit results, "Addressing major risks related to generating accurate and reliable financial statements in the new system"

One Washington is a division at the Office of Financial Management (OFM) and partners daily with the other enterprise service divisions within the agency.

Financial reporting and the state's financial policies are the responsibility of the OFM Statewide Accounting Division. The One Washington program has partnered closely with this division to configure an accounting system that aligns with Governmental Accounting Standards Board standards and has mapped the state's financial statements to the new Foundation Data Model (FDM). Workday has also been configured with custom validations to help eliminate financial statement errors and help agencies avoid misclassifying accounting entries. Statewide Accounting plans to test its ability to create accurate financial statements during User Experience Review (UER) in January 2025 by recreating the state's 2024 fiscal year statements before go-live.

Regarding section 2 of the audit results, "Risks related to the communication of the project, turnover of program staff, and training for the new system could affect agency readiness, despite One Washington's plans"

We understand this project is a resource strain on all agencies implementing Workday. Any additional

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draw on resources is going to feel significant, especially as many agencies face vacancies. Thank you for acknowledging that agencies are concerned about their capacity to complete project tasks:

“These agencies have many competing priorities which have stretched their resources thin, and they are concerned they will not have the capacity to complete necessary tasks within project deadlines.”

We agree that it is crucial to allocate dedicated time for state agencies to actively participate in Workday training. As an enterprise partner and per our August 2, 2024 memo to SAO, we hope you will evaluate the timing of audits during this period to create time and space for agency end users to attend the training. Your report accurately describes several precursor activities to formal training on pages 34 and 35.

One Washington is leveraging a training strategy known as ‘just-in-time’ training (JIT). JIT is an approach used in adult learning that provides employees with the knowledge and skills they need to perform their job functions as they need them. This method helps employees avoid information overload, access knowledge when they need it through online tools, and put learnings into practice immediately.

This approach, combined with foundational activities happening now, will benefit the end users by offering a year-long learning journey beyond traditional end-user training. By the time formal training begins in the spring of 2025, employees will have:

- (1) Provided inputs to the design and delivery approach of end-user training through the Training Needs Assessment (*completed in February 2024*).
- (2) Taken required training: Statewide Accounting 101 (Basic Accounting) and Statewide Accounting 102 (Intermediate Accounting) that is currently available on The Learning Center, and Statewide Accounting 103 (*available November 2024 on The Learning Center*).
- (3) Become familiar with the Washington state configuration of Workday by attending weekly information sessions (*happening weekly starting in January 2024*).
- (4) Received targeted and tailored organizational change management support.
- (5) Received their training plan and learning journey map based on their role in Workday.

Learning journeys will be shared in the fall of 2024, giving agencies six months to prepare and plan for their required training. We understand the time provided may seem insufficient if evaluating only the time given to end-user training. We also know that all training activities may not be sufficient for some end users to feel confident in the change to Workday, which is why refresher courses and support are built into the offerings to employees. Training does not end when the system goes live, as you note in the section, “One Washington has developed plans to continue to support agencies after Workday’s implementation.”

Regarding section 3 of the audit results, “Threats to project schedule and contingency planning that is not yet finalized could affect the overall success of the new financial reporting system”

We agree that contingency planning is an important part of any project, especially projects that impact the entire enterprise. Our concern is that as people read this report, they may infer that we are behind schedule on our contingency planning activities.

Knowing this is a prospective audit, we shared information about deliverables planned in the summer and fall of 2024 related to contingency planning. We also provided documentation of those deliverables as they were formalized and approved. These artifacts show that robust contingency planning has always

Page 3

been a critical component of our implementation methodology, as is the industry standard for an ERP. For example, we shared the Deliverables Expectation Document (DED) 069 Go/No-Go Readiness Criteria, outlining the work that will take place between August and October 2024. Section 5.2 lists specific milestone dates, including acceptance of the Go/No-Go Readiness Criteria on October 21, 2024, as you stated in the report.

The SAO findings yield to the perception that all planned or ongoing activities are at risk simply because they are not yet finished.

“... however, this will remain an area of risk that could affect the success of the system implementation and the state’s ability to produce accurate and reliable financial statements until One Washington defines and documents those criteria.”

Per the project schedule, we are following a defined plan which includes deliverables, acceptance criteria, and a delivery schedule that were all provided to the audit team.

These planned deliverables provide a snapshot of the pace of the project work for One Washington, and how the nature of a prospective performance audit can yield different information based on when the audit takes place.

We appreciate the SAO’s interest in being helpful toward a successful implementation. We hope the additional efforts we took in orienting the audit team about enterprise resource systems, the unique aspects of our state's Workday implementation, and the complexities of such a large-scale project will provide valuable insights and context. Please thank the audit team for their professionalism and collaboration in engaging with members of One Washington, OFM, and other agencies implementing Workday.

Sincerely,



David Schumacher
Director
Office of Financial Management



Cristie Fredrickson
Executive Sponsor
One Washington

cc: Joby Shimomura, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Rob Duff, Executive Director of Policy and Outreach, Office of the Governor
Mandeep Kaundal, Director, Results Washington, Office of the Governor
Tammy Firkins, Performance Audit Liaison, Results Washington, Office of the Governor
Scott Frank, Director of Performance Audit, Office of the Washington State Auditor

OFFICIAL RESPONSE TO PERFORMANCE AUDIT ON ONE WASHINGTON: OPPORTUNITIES TO STRENGTHEN PLANS FOR PRODUCING RELIABLE FINANCIAL STATEMENTS -- AUGUST 14, 2024

The Office of Financial Management (OFM) provides this management response to the State Auditor's Office (SAO) performance audit report received on July 17, 2024.

SAO PERFORMANCE AUDIT OBJECTIVES

The SAO's performance audit addressed three questions:

1. How has One Washington planned to ensure that the state can produce accurate and reliable financial statements?
 2. What support, including training, will One Washington put in place to help state agencies prepare for the transition to Workday?
-

Recommendations to One Washington and OFM in brief:

SAO Recommendation 1: To ensure state agencies are informed of the plan to provide training:

1. Ensure project resources, such as websites and training materials, are up to date and easily accessible and shareable with state agency personnel.

STATE RESPONSE: We continue to develop and improve project resources, such as websites and training materials, to ensure they are up to date and easily accessible and shareable with state agency personnel. We appreciate the candor with which state agencies shared their barriers to information with the SAO and are committed to appropriately balancing the need for easier access while following state data security policy. You accurately noted that the One Washington communications and agency readiness teams were already in the process of implementing solutions. *Per existing process improvement initiatives, October 1, 2024.*

While this work will resolve website accessibility issues for agencies that have migrated to the WaTech shared tenant, those agencies outside of the shared tenant may need to work with their One Washington contacts on a case-by-case basis to receive information in an alternate method. We encourage all agencies that can adopt the enterprise platform to do so.

Action Steps and Time Frame

- *N/A*
-

SAO Recommendation 2: To address the risks associated with not having finalized contingency plans should Workday fail to produce reliable financial data:

2. Produce actionable contingency plans to ensure minimal disruptions to the State's financial reporting requirements.

STATE RESPONSE: Actionable contingency plans are already a part of our project methodology and documented in the Phase 1A project plan. One Washington will follow the current project schedule to produce actionable contingency plans as part of the deployment strategy. *Per the current Phase 1A project schedule, this covers several deliverable activities.*

Action Steps and Time Frame

➤ *N/A*

SAO Recommendation 3: To mitigate the risks associated with launching the new financial system prematurely and ensure a smoother transition to full operational capacity:

3. Establish clear go/no-go decision points in the project schedule to mitigate the risks associated with launching before readiness.

STATE RESPONSE: One Washington’s shared clear go/no-go decision points are already a part of our project methodology and documented in the Phase 1A project plan. We will follow the current project schedule to produce clear go/no-go decision points as part of the deployment strategy. *Per the current Phase 1A project schedule, October 21, 2024.*

Action Steps and Time Frame

➤ *N/A*

Appendix A: Initiative 900 and Auditing Standards

Initiative 900 requirements

Initiative 900, approved by Washington voters in 2005 and enacted into state law in 2006, authorized the State Auditor’s Office to conduct independent, comprehensive performance audits of state and local governments.

Specifically, the law directs the Auditor’s Office to “review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts.” Performance audits are to be conducted according to U.S. Government Accountability Office government auditing standards.

In addition, the law identifies nine elements that are to be considered within the scope of each performance audit. The State Auditor’s Office evaluates the relevance of all nine elements to each audit. The table below indicates which elements are addressed in the audit. Specific issues are discussed in the Results and Recommendations sections of this report.

I-900 element	Addressed in the audit
1. Identify cost savings	No.
2. Identify services that can be reduced or eliminated	No.
3. Identify programs or services that can be transferred to the private sector	No.
4. Analyze gaps or overlaps in programs or services and provide recommendations to correct them	No.
5. Assess feasibility of pooling information technology systems within the department	No.

I-900 element	Addressed in the audit
6. Analyze departmental roles and functions, and provide recommendations to change or eliminate them	No.
7. Provide recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions	No.
8. Analyze departmental performance data, performance measures and self-assessment systems	No.
9. Identify relevant best practices	Yes. The audit identified best practices for implementing large data transfers.

Compliance with generally accepted government auditing standards

We conducted this performance audit under the authority of state law (RCW 43.09.470), approved as Initiative 900 by Washington voters in 2005, and in accordance with generally accepted government auditing standards as published in *Government Auditing Standards* (July 2018 revision) issued by the U.S. Government Accountability Office. 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.

The mission of the Office of the Washington State Auditor

To provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective. The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic [subscription service](#). We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program. For more information about the State Auditor's Office, visit www.sao.wa.gov.

Appendix B: Objectives, Scope and Methodology

Objectives

The purpose of this performance audit was to answer the following questions:

1. How has One Washington planned to ensure that the state can produce accurate and reliable financial statements?
2. What support, including training, will One Washington put in place to help state agencies prepare for the transition to Workday?

For reporting purposes, the audit results have been organized into key findings. The messages relate to the original objectives as follows:

- One Washington is in the process of addressing major risks related to generating accurate and reliable financial statements in the new system (pages 13-21) – This finding addresses Objective 1.
- Risks related to the communication of the project, turnover of program staff, and training for the new system could affect agency readiness, despite One Washington's plans (pages 22-26) – This finding addresses Objective 2.
- Threats to project schedule and the lack of a formal contingency plan could affect the overall success of the new financial reporting system (pages 27-30) – This finding addresses Objectives 1 and 2.

Scope

This performance audit examined One Washington's current implementation plan and risk management strategy to identify potential weaknesses or limitations that could hinder the system's successful implementation scheduled for July 1, 2025. The audit also reviewed One Washington's plans to prepare and support state agency users as they transition to a new accounting structure. This audit was prospective, looking at One Washington's Workday implementation during the middle of the project, so some of One Washington's efforts and plans were not ready to be reviewed at the time we conducted our audit fieldwork. We obtained the evidence used to support the findings, conclusions and recommendations in this audit report during our audit period (December 2023 to July 2024).

Methodology

We have summarized the work we performed to address each of the audit objectives in the following sections.

Objective 1: How has One Washington planned to ensure that the state can produce accurate and reliable financial statements?

We reviewed state law related to the “120-day rule” for permit approval time to identify requirements for local government permit processes (RCW 36.70A and RCW 36.70B). We also reviewed the state building code, as defined in Washington laws and regulations, which adopts the International Building Code (RCW 19.27.031 and WAC 51-50-003). The International Building Code includes certain types of permits, such as for grading and utilities, which we distinguished as “civil” permits in our audit report. We conducted online research to identify relevant leading practices. The Office for Regulatory Innovation and Assistance (ORIA) published the guide “Local Government Permitting: Best Practices,” which addressed permit processes. The full report, published in 2008, is available on the ORIA website. In determining implementation status for governments, we assessed factors such as whether governments used the practice for all three permit types and whether the governments used the practice for the audit period.

1. To address how One Washington ensures a successful data transfer

We performed online research to identify leading practices for enterprise resource planning system implementations. We then reviewed One Washington’s Data Conversion Strategy and Plan for planned activities and processes that would help to ensure a successful and accurate data transfer based on the best practices we identified.

We identified potential red flags related to data transfer by reviewing quality assurance reports produced by the company that One Washington hired to provide quality assurance assessments for the project, attended online information sessions with One Washington and staff from state agencies, and interviewed Washington state agencies. To determine what One Washington is doing to address those red flags, we reviewed planning documents One Washington provided, and interviewed One Washington leadership and state agencies. We then assessed whether there were any gaps in how One Washington was attempting to address those red flags.

2. To address data classification

To determine One Washington’s plans for ensuring financial data gets classified correctly in the new system, we interviewed One Washington leadership and staff as well as OFM staff, and reviewed project planning and documentation that One Washington provided, including the cross-walk it developed that maps data elements from AFRS to Workday and from state agencies’ legacy systems to Workday and its testing strategy. We also attended information sessions on the new system and how it will handle various business processes, an overview of the new system’s underlying data system and meetings of the One Washington’s Agency Support Team.

3. To address generating financial statements

To determine One Washington's plans to make sure the state can produce financial statements after switching to the Workday system, we interviewed OFM staff involved with that process as well as One Washington leadership, reviewed quality assurance reports, and reviewed project plans that One Washington provided.

To identify red flags related to generating financial statements that are accurate and reliable, we reviewed quality assurance reports and interviewed state agencies. To determine whether and how One Washington is addressing those red flags, we reviewed project documentation and interviewed OFM staff and One Washington leadership and staff. We then used auditor judgment to determine if there were any gaps in how One Washington was addressing those red flags.

Because this was a prospective audit done while project work was ongoing, some information we would have chosen to review was unavailable because it had not been completed at the time the audit work was done. Further, because the system is still being developed, our work had to focus on project plans and interviews with staff and leadership at One Washington and staff at state agencies.

Objective 2: What support, including training, will One Washington put in place to help state agencies prepare for the transition to Workday?

To address this objective, we sought to gain an understanding of how One Washington is preparing state agencies to use Workday and identify any risks, and what One Washington should do to prepare state agencies to use the new accounting structure they will use in Workday and if there are any gaps in those preparations.

To gain an understanding of how One Washington is preparing state agencies to use Workday and identify any risks, we reviewed One Washington's End-User Training Plan and other project documentation, communications from One Washington to state agencies and third-party quality assurance reports; interviewed program leadership and state agency staff; and attended meetings of One Washington's Agency Support Team.

To gain an understanding of what One Washington should do to prepare state agencies to use the new accounting structure they will use in Workday and if there are any gaps in those preparations, we: interviewed staff involved in Workday implementations that were already completed at Oregon, the University of Washington and Washington State University; interviewed staff at state agencies; and reviewed third-party quality assurance reports. We then used auditor judgment to determine if One Washington's efforts to prepare state agencies to use the new accounting structure in Workday had any gaps.

Work on internal controls

Because this audit involved looking at plans for a system that has not been completed yet, we determined that internal controls were not significant to the audit's objectives. Therefore, we did not review the design, implementation or effectiveness of internal controls.



“Our vision is to increase **trust** in government. We are the public’s window into how tax money is spent.”

– Pat McCarthy, State Auditor

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