



**A Report to the  
Audit Committee**

**Mayor**  
David Briley

**Oracle R12 Implementation  
Steering Committee**  
Dawn Clark

**Audit Committee Members**  
John Cooper  
Charles Frasier  
Talía Lomax-O'dneal  
Bob Mendes  
Brackney Reed

Metropolitan  
Nashville  
Office of  
Internal Audit

# Audit of Oracle E-Business Suite R12.2 Implementation Interim Report 01

August 17, 2018

## EXECUTIVE SUMMARY

August 17, 2018



### Why We Did This Audit

The Oracle E-Business Suite R12.2 implementation will affect Metropolitan Nashville Government's financial reporting and daily business practices.

### What We Recommend

The Oracle E-Business Suite R12.2 Implementation Steering Committee should ensure that project documentation is properly signed off, available for review, and status reported accurately.

# Audit of Oracle E-Business Suite R12.2 Implementation

## BACKGROUND

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The Oracle JD Edwards EnterpriseOne system which mainly covers the financial, human resources, and payroll support for the Metropolitan Nashville General Government and Metro Nashville Public Schools, expires in December 2019. CSS International was hired to conduct an assessment in 2016 to review business processes and perform a Map/Gap analysis. A decision was made to move to Oracle E-Business Suite R12.2 system based on the assessment result.

The Oracle E-Business Suite R12.2 capital project is a two-year implementation project with a capital spending need of approximately \$23 million and involves about 34,200 hours of work effort. The Metropolitan Nashville Council has appropriated \$18 million for this project to date, with an additional \$5 million to be recommended in this year Capital Spending Plan.

The implementation project started in July 2017, and the new system is estimated to go live in May 2019.

## OBJECTIVES AND SCOPE

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The audit objective is to determine whether controls exist so the implementation of the Oracle E-Business Suite R12.2 would satisfy business requirements, ensure data security, and segregation of duties.

The interim audit report covered the project period from July 2017 to July 31, 2018. The Accounts Payable module was selected for overall comprehension of the implementation process and review of application controls.

## WHAT WE FOUND

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Oracle E-Business Suite R12.2 has standard controls built into the system, which need to be configured or customized by developers to satisfy Metropolitan Nashville Government's specific needs. The design phase of the Accounts Payable module is still ongoing in parallel to the building and testing phase of other modules.

The Project Delivery Platform was not being used as described in the CSS Business Plan, which is incorporated as part of the implementation contract.

## GOVERNANCE

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The Metropolitan Nashville Government Department of Finance, Human Resources Department, Information Technology Services, and Metro Nashville Public Schools formed a steering committee in 2016 to oversee the migration from JD Edwards to Oracle E-Business Suite R12.2.

The project team comprises of members from Metropolitan Nashville Government's Information Technology Services and CSS International. The project management also comprises of representatives from Information Technology Services and CSS International. The Metropolitan Nashville Government created a core team for each functional area affected by the project to assist in documentation, configuration, and to be trained as internal consultants for the new system. Subject matter experts in each functional area have been designated to provide insights, so business requirements are accurately collected, communicated, and implemented.

The project team holds a weekly status meeting and monthly steering committee meeting to report on project status.

## PROJECT STATUS

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The Metropolitan Nashville Council has appropriated \$18 million in Capital Spending Plans, with an additional \$5 million to be recommended in a future Capital Spending Plan. The expenditure incurred for the project comparing to the approved budget is shown in Exhibit A.

### Exhibit A - Project Budget versus Expenditures as of August 8, 2018

Capital Spending Plan	Budget	Total Expensed	Expense Percentage
FY 2017-2018	\$12,000,000	\$11,114,153	92.6%
FY 2017-2018 Mid-Year	6,000,000	1,594,301	26.6%
Grand Total	\$18,000,000	\$12,708,454	70.6%

Source: Metro JD Edwards Three Year Budget/Actual Report

CSS International adopted a phased approach for the implementation. Major phases include design, build, validate, deploy, and training. The business plan presented in the contract defined activities, deliverables, and a timeline for each phase.

The design phase was planned to be completed by September 2017. However, since the project team is running several phases (design, build, and validate) concurrently for different modules to achieve resource efficiency, the design phase for several functional areas is still ongoing. Development of forms, reports, interfaces, conversions, enhancements (FRICE) is a major activity during the design phase. As of August 8, 2018, out of 554 FRICE objects, 378 objects (68 percent) are still in design phase, including 45 FRICE objects (79 percent) of the 57 objects for the Accounts Payable module. The status of the RICE project deliverables is available in Appendix A.

The first integrated system test is on schedule and in preparation. This test covers configuration and conversion of the staging instance and user acceptance for six business functions with 114 RICE objects.

## OBJECTIVES AND CONCLUSIONS

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*Do controls exist so that the implementation of the Oracle E-Business Suite R12.2 Accounts Payable module will satisfy business requirements, ensure data security, and segregation of duties?*

**Undeterminable.** The Oracle E-Business Suites R12.2 system has standard control mechanisms to meet overall resource management needs of users. The Accounts Payable module was selected for assessment of whether available controls are configured to meet business requirements specific to the Metropolitan Nashville Government. No conclusion can be drawn since the design phase of this module is not yet completed.

The CSS project team runs different phases for different modules in parallel to achieve resource efficiency. However, the status report does not reflect this implementation methodology. Implementation documentation was not available in the Project Delivery Platform prescribed in the CSS Business Plan for real-time status tracking (see Observation A.) This issue was addressed after it was brought to the attention of the project management team.

## AUDIT OBSERVATIONS

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Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

### ***Observation A – Utilization of Project Management Tool to Ensure Accurate Status Reporting***

CSS International, Inc. was not utilizing the Project Delivery Platform to administer all aspects of the project as described in its Business Plan incorporated in the Metropolitan Nashville Government contract 48579. A key monitoring file, along with other documents indicated in the Business Plan was not found on the Project Delivery Platform site. No other centralized tool, except for the weekly status meetings, is being used by the project team to monitor the progress of the project, and track the required deliverables for each phase. As of June 21, 2018, Steering Committee meeting, the project status showed the design phase ended in October 2017. However, the design phase is ongoing and running concurrently with the build phase for efficiency in resource allocation of the implementation team. This practice has resulted in several deliverables from the design phase such as BR30 and BP60 not being completed and signed off by all parties.

Fully accessible project documentation can improve management oversight of the project status and enhance transparency. When brought to their attention, CSS started to address this issue by adding resources to ensure documentation is updated in the Project Delivery Platform system.

#### *Criteria:*

- *COSO, Monitoring–Principle 16– The organization selects, develops and performs ongoing and/or separate evaluations to ascertain whether the components of internal controls are present and functioning.*

- Metro Contract 48579 – Business Plan (response to RFQ 965697)

*Recommendation for management of the Oracle E-business Suite Implementation Project to:*

1. Ensure the utilization of Project Delivery Platform system monitoring tool so that all deliverables can be effectively tracked.
2. Ensure all business requirements, including change documents, are signed off by all pertinent stakeholders of the project, and all deliverables for each phase are received before a phase is closed.

## **GOVERNMENT AUDITING STANDARDS COMPLIANCE**

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We conducted this performance audit in accordance with generally accepted government auditing standards. 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 observations and conclusions based on our audit objectives.

## **METHODOLOGY**

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To accomplish our audit objectives, we performed the following steps:

- Studied Oracle E-Business Suite R12.2 system documentation.
- Interviewed key personnel within:
  - Oracle E-Business Suite R12.2 Implementation Core Team
- Reviewed and analyzed vendor’s Response to Request for Proposal and contract for Oracle R12 Implementation Project.
- Evaluated internal controls currently in place.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

## **AUDIT TEAM**

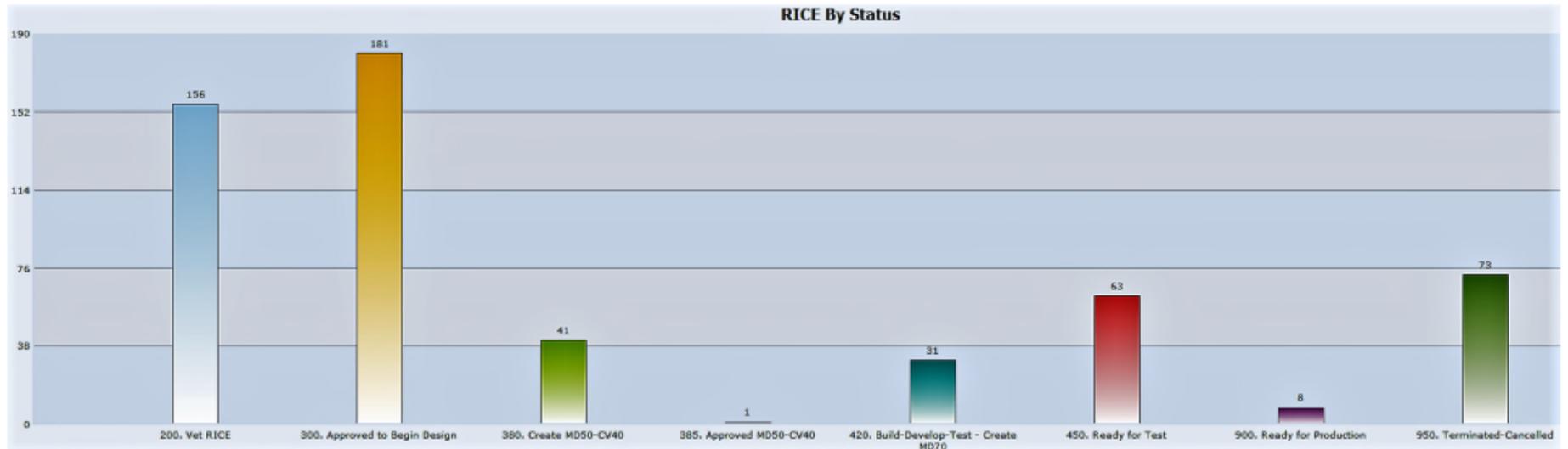
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Nan Wen, CPA, In-Charge Auditor

Qian Yuan, CISA, CIA, ACDA, CMFO, Quality Assurance

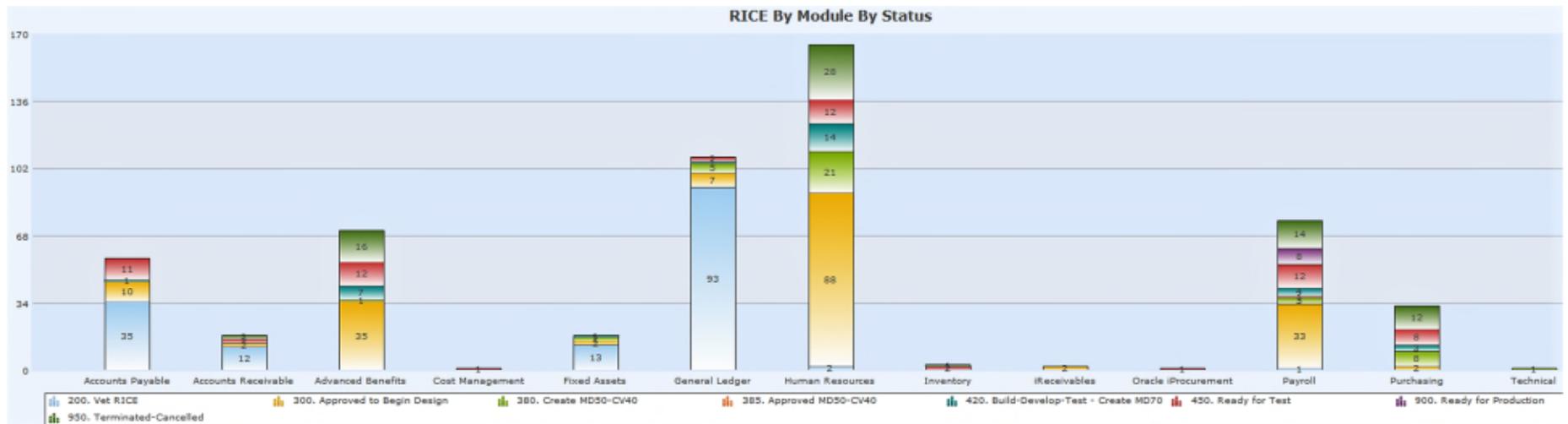
Mark Swann, CPA, CIA, CISA, ACDA, CMFO, Metropolitan Auditor

## APPENDIX A – RICE STATUS AS OF AUGUST 8, 2018



Source: CSS Project Management Website

MD 50 is the deliverable for the functional design specification and CV40 for conversion design. The '200 Vet RICE', '300 Approved to Begin Design', and 'Create MD50-CV40' objects are all part of the design phase.



Source: CSS Project Management Website

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



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August 16, 2018

Mr. Mark Swann  
Metropolitan Auditor  
Office of Internal Auditor  
404 James Robertson Parkway  
Nashville, TN 37219

Re: Audit of the Metropolitan Nashville Government's Oracle R12.2 E-Business Suite Implementation Project

Dear Mr. Swann:

This letter acknowledges the Finance and Information Technology Departments' receipt of the interim draft report for the above referenced project. We have reviewed your observations and implemented your recommendations as indicated in the Management Response.

We appreciate the methodology used in reviewing the Oracle R12.2 E-Business Suite Implementation Project, particularly these interim recommendations while the implementation is still underway.

Regards,

  
Talia Lomax-O'dneal



Keith Durbin

## APPENDIX B – MANAGEMENT RESPONSE

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We believe that operational management is in a unique position to understand best their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

RECOMMENDATION	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendation for the Metro Project Management Team to:</i>		
A.1 Ensure the utilization of Project Delivery Platform system monitoring tool so that all deliverables can be effectively tracked.	<b>Accept</b> – All deliverables are being tracked in PDP. The complete project plan including detailed tracking is saved at Document/the library/Enter the Library/00 Project Controls/PMP Project Management Plan/	07/12/18
A.2 Ensure all business requirements, including change documents, are signed off by all pertinent stakeholders of the project, and all deliverables for each phase are received before a phase is closed.	<b>Accept</b> – We will obtain all approved deliverables before the Design phase for R12 is closed. We will follow this same process for the Taleo, iReceivables, and Fusion that have just kicked off on their separate timeline.	07/31/18