



CITY OF ATLANTA

City Auditor's Office
Leslie Ward, City Auditor
404.330.6452

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Why We Did This Audit

The Audit Committee directed us to expand work we were already conducting on the Oracle system implementation to review the city's oversight of contractors working on the implementation. The committee was concerned about schedule delays and increasing costs. Because the new system is integral to the city's plans to strengthen management controls and capacity for financial and performance reporting, delays in implementation pose a significant risk.

What We Recommend

Our recommendations are intended to strengthen the current implementation and are applicable for future projects. The ERP Steering Committee should:

- Develop a process for evaluating when changes to the software are necessary.
- Clearly identify roles and responsibilities for project participants.
- Develop a clear statement of work for the program director with performance measures.
- Require the quality assurance team and the program director to report directly to the Steering Committee.

In order to ensure that competitive procurement requirements are met, we also recommend that the chief procurement officer:

- Restrict the city's use of federal or state contracts for procuring professional services. These contracts should be used only for purchasing commodities and equipment.

For more information regarding this report, please contact Gerald Schaefer at 404.330.6876 or gschaefer@atlantaga.gov.

Performance Audit:

Contractor Oversight in Oracle Implementation

What We Found

The city was slow to make decisions and communicate requirements for the new system, which hampered its ability to oversee the work of contractors. The city's goal was to revise processes without changes to the software code. But because some processes are shaped by law or long-standing tradition, this goal set an unrealistic expectation. The city's broad outcome goals, while reasonable, did not provide enough guidance to support specific decisions.

Lack of clear roles and requirements made it difficult for the contractors to fulfill their obligations and for city staff to assess the contractors' work:

- The steering committee didn't establish a framework for making and communicating decisions;
- Steering committee members had different understandings of the committee's responsibilities;
- Project team leaders had different understandings of their responsibilities and authority for making decisions;
- The program director had no clear scope of work or performance expectations.

The city initially selected IBM to work with city staff and the program director to implement the system. The program director reported that the first phase of the implementation – assessing requirements and identifying ways to streamline practices – was completed in October 2005. This work should have provided sufficient detail to design the system. IBM and city staff began work to configure the system, but the city ended its contract with IBM in January 2006 for convenience and entered into negotiation with Oracle Consulting in February 2006.

Although city staff had approved all of IBM's work through phase I and subsequent termination of the contract, Oracle determined that city requirements weren't detailed enough to configure the software – requiring at least an additional 6 months and \$9 million to complete the implementation. While the program director attributed Oracle's findings primarily to differences in the vendors' methodologies, the city's proposed scope of work to complete the project did not accurately reflect progress on the project. We believe Oracle likely would have requested more funding up front if it had.