



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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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

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

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
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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?
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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
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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
