Highlights of GAO-16-656, a report to congressional committees

Why GAO Did This Study

HUD is responsible for managing and reporting on the nearly $45 billion it spends annually for housing programs. The department has reported its reliance on outdated and costly-to-maintain systems used for financial management functions. In 2013, HUD initiated a modernization program called New Core, which involved migrating financial management capabilities to a federal shared service provider, with expected benefits to include reducing legacy systems costs, improving the data, and resolving weaknesses in its financial management systems. After spending about $58 million over 3 years, HUD decided to end New Core development in April 2016.

Congress included a provision for GAO to review the New Core program. This review (1) determined the financial management systems capabilities implemented through New Core and (2) evaluated HUD’s implementation of key IT management practices applied to the program. GAO reviewed New Core plans and documentation to assess the capabilities delivered, compared HUD’s implementation to recognized IT practices, and interviewed relevant agency officials.

What GAO Found

In October 2015, as part of its planned New Core financial management systems modernization efforts, the Department of Housing and Urban Development (HUD) completed transitioning 4 of 14 capabilities to shared service solutions. The implemented capabilities were for managing employee travel and relocation; recording time and attendance; performing core accounting functions such as general ledger accounting, producing financial reports, and processing salaries and expenses transactions; and managing procurements. As a result, the department reported that it fully replaced 4 systems, gained access to 7 shared service solutions, streamlined administrative services, and added efficiencies to the processing of financial management functions. For example, the systems used for core accounting and procurement were integrated to support the timely recording of commitments and obligations. However, while the 4 capabilities were transitioned as scheduled, none fully met the department’s requirements or expectations. For instance, the department continues to execute programmatic transactions using costly and inefficient legacy systems that were expected to be replaced with New Core. HUD has begun other initiatives to deliver financial management systems capabilities and replace legacy systems that were not addressed under New Core. Detailed plans for these efforts are in development.

HUD’s efforts to implement planned capabilities for New Core demonstrated weaknesses in the department’s information technology (IT) management and governance practices. Key management practices include fully defining what a program is intended to accomplish; developing the program scope, schedule, and costs; and managing requirements. However, HUD’s management of New Core had weaknesses in these areas. For example, the department did not:

- outline operations for all planned capabilities or create a roadmap for transitioning to the desired modernized environment;
- create comprehensive scope, schedule, and cost documentation; and
- manage requirements to ensure they were fully documented and traceable from business needs to system implementation.

Effective governance and executive-level oversight also help ensure programs achieve expected results. Specifically, establishing governance control reviews and providing oversight through, among other things, sustained leadership and coordination among stakeholders can strengthen modernization efforts. However, during the effort to implement New Core, HUD’s IT governance and oversight were not fully effective. For example, governance reviews did not raise concerns or require improvement plans for management weaknesses identified, such as the lack of a schedule with a valid critical path. Moreover, executive-level oversight did not ensure effective coordination among stakeholders.

With any further pursuit of new initiatives to modernize its financial management systems, it is critical that the department consistently apply key IT management practices and effective governance to ensure it does not jeopardize the success of these efforts.