

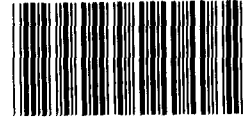


United States  
General Accounting Office  
Washington, D.C. 20548

Information Management and  
Technology Division

B-222177

February 1, 1993



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The Honorable John D. Dingell  
Chairman, Subcommittee on Oversight  
and Investigations  
Committee on Energy and Commerce  
House of Representatives

Dear Mr. Chairman:

In order to assist the Subcommittee in its evaluation of the issues raised in our report Securities and Exchange Commission: Effective Development of the EDGAR System Requires Top Management Attention (GAO/IMTEC-92-85, Sept. 30, 1992), you requested that we review and comment on the Securities and Exchange Commission's letter to you of December 17, 1992. In this letter, SEC takes issue with several points in our report but generally agrees with our recommendations.

SEC states that we criticize the agency for accepting a partially complete requirements document and for adding requirements thereafter. SEC also takes issue with our finding that management needs to exercise better control over the EDGAR project. SEC provides reasons for the agency's acceptance of a partially complete requirements document from the contractor and subsequent increase in system requirements and cost. In addition, SEC contends that top management took adequate measures to avoid delays in developing EDGAR.

We believe that the reasons SEC provides for accepting an incomplete requirements document and tolerating EDGAR's spiraling growth are flawed and that available evidence shows that top management distanced itself from active oversight of EDGAR, particularly between the start of the EDGAR contract in January 1989 and the summer of 1991. We agree that some of the actions SEC planned and later implemented in late 1992 may put EDGAR back on track. However, the effectiveness of these actions cannot be determined. For example, SEC did not provide detailed information on progress toward (1) prioritizing users' needs, (2) setting realistic project

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schedules, and (3) establishing methods for resolving systems development problems. Our specific comments follow.

INCOMPLETE REQUIREMENTS DOCUMENT AND GROWTH  
IN EDGAR REQUIREMENTS

SEC states that the agency accepted an incomplete requirements document because the project by its very nature was an open-ended undertaking with characteristics never before attempted. Thus, according to SEC, the fact that requirements for the system have been added since the contract was awarded should not be surprising.

We question whether by 1989, when the requirements document was accepted, EDGAR was as open-ended as contended in SEC's letter. For example, SEC had the results of a pilot program, initiated in 1984, which successfully proved the feasibility of developing an electronic filing system such as EDGAR. Therefore, SEC's assertion that it was designing a system with untested characteristics at the time of the 1989 contract is misleading. Also, there is no evidence in SEC's letter that causes us to change our view that the requirements document was incomplete because it lacked basic information on system inputs, outputs, and data characteristics--information that should have been learned during the pilot. Further, in describing the growth of requirements in the report, our point was that management was not effectively prioritizing the added requirements, and was not controlling what appeared to be an unlimited growth of system requirements--which nearly tripled from approximately 350 to 999 between August 1989 and February 1992.

EDGAR COST PROJECTIONS

SEC incorrectly stated that we recognized between \$70 million and \$75 million as the probable final contract cost. We did not accept any figure as the probable final contract cost. As our report indicates, \$78.3 million is the EDGAR project director's estimate of what the EDGAR contract cost could be by 1997--a 52-percent increase over the original contract value of \$51.2 million. The \$78.3 million figure did not appear in the documents provided to us on the EDGAR project.

TOP MANAGEMENT OVERSIGHT

SEC contends that the agency's senior management has actively overseen the development of the EDGAR system and continues to do so. SEC pointed out that former Chairman Ruder established the Office of EDGAR Management in 1987 and that

other management actions since the summer of 1991 provided better oversight of the EDGAR project.

We disagree that SEC adequately exercised top management oversight of EDGAR. From 1989 through 1991, SEC had no active top management mechanism for overseeing EDGAR, including controlling the growth of EDGAR's system requirements. As our report indicates, the EDGAR Executive Steering Committee never met after December 1988. This committee was established to resolve major legal, policy, and procedural issues affecting EDGAR's development. In essence, during the 3 years between December 1988 and December 1991, the Office of EDGAR Management had total responsibility for the project and had difficulty gaining access to the Chairman.

In addition, as explained in our report, SEC's actions between the summer of 1991 and mid-September 1992 were also inadequate. Although SEC's executive director assumed responsibility for EDGAR's development in late 1991 and established the position of chief information officer, the position was not filled until August 1992. Further, despite the fact that the executive director established a change control board in March 1992 to review and approve proposed functional and technical changes to EDGAR, the board lacked adequate user representation and met only three times between March 27 and September 10, 1992.

#### SEC'S RESPONSE TO GAO RECOMMENDATIONS

SEC's letter indicates that the agency has implemented our recommendation to modify the change control board to incorporate some of the characteristics of a top management steering committee. For example, charters have been established for the change control board, now called the EDGAR Executive Steering Committee, and the two committees that support the Steering Committee--the End-User Advisory Committee and the EDGAR Requirements Subcommittee. However, SEC has provided no specifics on what the Steering Committee has accomplished in terms of prioritizing users' needs, setting realistic project schedules, and establishing problem tracking and resolution methods. Accordingly, it appears that it is too soon to determine whether SEC's actions will adequately lead to the completion of EDGAR and meet the needs of all users.

REPORTING TO CONGRESS

Finally, SEC disagrees that it should send biannual reports on EDGAR's status to the appropriate congressional committees until EDGAR is implemented, as we recommended in our report. Instead, SEC plans to send status reports on an annual basis.

Previous EDGAR legislation required SEC to report EDGAR's progress to the Congress every 6 months until December 1990, when EDGAR was expected to be substantially complete. Because the system is still being developed, biannual reports would serve to keep the committees better informed about EDGAR's progress until the system is completed.

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We are sending copies of this report to the Chairman, Securities and Exchange Commission; the Director, Office of Management and Budget; and interested congressional committees. Copies will also be made available to others upon request. If you have any questions please contact me or Mary Ellen Chervenik, Assistant Director, at (202) 512-6418.

Sincerely yours,



Howard G. Rhile  
Director, General Government  
Information Systems

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