January 29, 2003

Dear Bonnie:

The purpose of this letter from the 16 Northeastern Region District Chiefs (NORDICS) is to alert you to the serious adverse impacts on District programs of the implementation of BASIS+ in FY03, and to invite Eastern Region and Headquarters management to meet with us to try to determine appropriate ways to address the issues raised in this letter.

The NORDICS unanimously agree that BASIS+ will be a useful financial tool when it is complete, and we gratefully acknowledge all the dedicated USGS employees who have been working very hard on its development and implementation. But we also strongly agree that BASIS+ was not ready for implementation as the sole financial management tool for USGS for FY03. As a result, we are already realizing adverse impacts, and will no doubt realize more as the fiscal year goes on, including the inability of some Districts to close out successfully at the end of FY03. Despite the premature release of BASIS+, we accept that it is the USGS's financial management tool for FY03, and we are working diligently to implement it as best we can. To be as successful as possible, **the NORDICS would like to: (1) Urgently request prompt completion of the remaining budget policies and software modules of BASIS+ that we need to effectively manage our FY03 finances; and (2) Document what we feel are serious adverse impacts on Districts of BASIS+ not being timely or accurate.**

(1) Prompt completion of remaining budget policies and BASIS+ software--Many important aspects of District financial management rely on complete, accurate, and consistent budget policies and BASIS+ software. These include: (1) the ability to enter funding from all funding sources; (2) the ability to plan and track staffing on projects; (3) computation of a District facilities assessment rate; (4) computation of a District common-services assessment rate; (5) the ability to compare project expenditure rates to available net project funds; and (6) the ability to see at a glance the financial status of the entire District. Most of these District needs rely on the interaction of at least several budget policies and software modules. Since the policies and modules have been released one at a time, we have not yet been able to finalize our decisions on assessment rates or get a clear picture of our staffing situation, projects status, and overall District status. Furthermore, the lack of completeness and consistency in the policies and modules have not allowed us to accurately determine the cost of new projects that we are trying to develop for FY03 and beyond. We are now four months into the fiscal year. It is imperative that the remaining budget policies and software modules we need for success in FY03 be completed within weeks rather than months. Moreover, large-scale, comprehensive training in the new policies and modules should proceed immediately, so that when the policies and software are ready, we will understand them and be ready to use them properly. We suggest that all necessary policies and modules be in place and working properly, and all training accomplished, before the end of the second quarter; after then, it simply will be too late to recover from major financial problems that are developing in some Districts.

(2) Serious adverse impacts of BASIS+ on Districts--It is clear that there are already some serious adverse impacts on District programs as a result of the decision to implement BASIS+ as our sole financial-management tool in FY03. More adverse impacts will no doubt result if the remaining budget policies and software modules are not completed in a timely manner. We will briefly enumerate some of these impacts here, to ensure that the gravity of the situation is clear.

1. Behind-schedule projects and administrative tasks, due to time spent learning and debugging BASIS+.

2. Distraction from project oversight, partner-agency relations, and new project development, at a critical time of the year for these activities, due to time spent debugging BASIS+ and developing work-around spreadsheets.

3. Inability to provide accurate cost information in proposals for new work, causing multiple revisions and loss of confidence by partner agencies.

4. Inability to accurately staff projects and to determine if rates of expenditure are in balance with net project funds, leading to inefficient staffing decisions and project over-expenditures.

5. Inability to make on-the-spot cost estimates for new projects when at the negotiation table with partner agencies, resulting in possible broken or delayed negotiations for new projects.

6. Inability to clearly explain new budget policies and computations to our partner agencies, possibly causing confusion and distrust.

7. Inability to obtain a clear, accurate picture of the District staffing situation, leading to uncertainty about the number of employees covered by projected funding and available for new assignments.

8. Inability to obtain a clear, accurate picture of the overall District financial situation, resulting in uncertainty about how much new work should be developed to ensure successful close-out. (This impact clearly has been aggravated by uncertainties in the USGS budget and budgets of our partner agencies.)

9. Growing dissatisfaction among reimbursable partner agencies as they become aware of the increase in total assessments.

10. Inability to bill partner agencies for work completed in the first quarter, raising embarrassing questions about our administrative competence.

11. Inability to provide financial information quickly and accurately to auditors, should we be asked to do so for FY03, which would do little to convince auditors that we are improving our financial processes.

12. Inability to provide timely and accurate financial information for Regional Strategic Reviews and Annual Program Reviews, possibly preventing recognition of impending poor financial close-outs.

In summary, the NORDICS are committed to using BASIS+ to manage our FY03 District finances. However, we need the remaining budget policies and software modules that are necessary for successful financial management in FY03 to be completed and released in the next few weeks, and we need to be thoroughly trained in their use. In addition, there are already serious adverse impacts from the first four months of BASIS+ implementation, and there will likely be more adverse impacts as we go through the rest of the fiscal year, including poor financial close-outs for some Districts. These impacts also extend beyond financial management to partner-agency relationships and future project development. High-level recognition and discussion of these adverse impacts is needed to help manage them and plan for dealing with their occurrence.

Please let us know if Eastern Region and Headquarters management can meet with us soon to discuss these issues further and to develop plans to address them. Thank you for your time and consideration of these important issues.

Sincerely,

The Northeastern Region District Chiefs