



Industry Advisory Council
Transition Study Group

**Demonstrating Results in the
Financial Management Line of
Business**

February 11, 2009



Industry Advisory Council

The Industry Advisory Council (IAC) is a non-profit, non-partisan organization dedicated to fostering improved communications and understanding between government and industry. Through its affiliation with the American Council for Technology (ACT), the Industry Advisory Council provides a forum for industry to collaborate with and advise government executives on IT issues.

The Industry Advisory Council in cooperation with ACT is a unique, public-private partnership dedicated to helping government use technology to serve the public. The purposes of the organization are to communicate, educate, inform and collaborate. ACT-IAC also works to promote the profession of public IT management. ACT and IAC offer a wide range of programs to accomplish these purposes.

ACT and IAC welcome the participation of all public and private organizations committed to improving the delivery of public services through the effective and efficient use of information technology. For membership and other information, visit the ACT-IAC website at www.actgov.org.

Disclaimer

This document has been prepared to provide information regarding a specific issue. This document does not – nor is it intended to – take a position on any specific course of action or proposal. This document does not – and is not intended to – endorse or recommend any specific technology, product or vendor. The views expressed in this document do not necessarily represent the official views of the individuals and organizations who participated in its development. Every effort has been made to present accurate and reliable information in this report. However, ACT-IAC assumes no responsibility for consequences resulting from the use of the information herein.

Copyright

© Industry Advisory Council, 2008. This document may be quoted, reproduced and/or distributed without permission provided that credit is given to the American Council for Technology and Industry Advisory Council.

Further Information

For further information, contact the Industry Advisory Council at (703) 208-4800 or www.actgov.org.

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



Executive Summary: Demonstrating Results in the Financial Management Line of Business

Billions of dollars have been spent throughout the federal government by agencies to enhance their business operations¹. This paper addresses the Financial Line of Business (FMLOB) and how government and industry can work collaboratively to implement mandates, policies, and directives to further drive performance improvement and reduce risks for business operations.

The FMLOB demonstrates results by bringing agencies together to improve their financial management. The aim is to streamline government transactions, find common solutions for business management, leverage economies of scale, and ultimately save taxpayer dollars. The Office of Management and Budget has said consolidating financial management and human resources systems will save \$5 billion over 10 years.”² All agencies are scheduled to move to shared financial management service providers by 2015.

While FMLOB efforts have already accomplished a significant amount, there is still a lot of work to be done. A series of questions regarding financial management reforms were presented to chief financial officers, chief information officers, agency management and industry executives. Their perspectives and recommendations are the basis for this paper. They told us that:

- Shared services provide a critical basis for achieving efficiency, while reducing waste, through the use of common data standards and uniform processes.
- Resources across government are constrained. Shared services for financial management have been proven to provide efficiencies and economies of scale.
- The path to a shared services model and increased interoperability is through financial management standardization, but not all agencies are following standards.
- The lack of a clear roadmap and definition of the shared services model is an impediment to the FMLOB.

The new administration needs a comprehensive strategy, improved governance and inter-agency collaboration processes. There also needs to be more effective communication of the value proposition to Congress to accelerate government-wide adoption and to achieve the full value and the potential of this transformation. We recommend that the new administration increase the focus on financial management and its integration with key management support functions including planning, acquisition, programming and budget management. It should involve a central organization empowered with key authorities. These recommendations will provide a number of benefits within the financial management function and across agencies, such as improving financial management information and results from systems implementation.

¹ GAO-06-184

² GovernmentExecutive.com, ‘Research service suggests test runs for financial system consolidation’, 2/20/2007



Demonstrating Results in the Financial Management Line of Business

ASSESSMENT OF THE STATUS QUO

Departments and agencies across the government most often have multiple financial systems in various stages of maturity. These systems are being consolidated, retired, and replaced with newer technologies. Although OMB Circular A-127 requires agencies to purchase financial management system software certified by the federal Financial Systems Integration Office (FSIO), the certified software products generally are being implemented by agencies or Shared Services Center using their own customized set of business rules and processes. As a result, memorandums issued from OMB further specified that agencies upgrading or implementing new financial systems must migrate to a Shared Service Provider (SSP) or be designated as an SSP in order to comply with OMB Circular A-127. They also are required to adopt standardized business processes, data, and business rules.

A significant number of shared services initiatives are underway and are being managed in three distinct business models similar to the private sector. They are:

- Internal SSPs - government organizations established to serve the internal customers of their host agencies. Most internal SSPs have been created by consolidating common functions across the host agencies they serve.
- Government-run SSPs that serve customers external to their host enterprises. These include the SSPs commissioned by OMB to serve as the government-wide consolidated “line of business” solution providers for financial management: the Department of the Interior’s National Business Center (NBC); the General Services Administration (GSA); the Department of Transportation’s Enterprise Service Center (ESC); and the Treasury Department’s Bureau of Public Debt (BPD).
- Commercial SSPs – a few IT companies with software and services that meet federal requirements are competing to provide “line of business” shared services to federal agencies.

Today, the majority of service providers are internal. Additionally, a number of agencies maintain multiple autonomous systems.



SYNOPSIS OF KEY ISSUES

Agencies need to modernize their financial management systems to be able to generate reliable and timely financial and performance information throughout the year and at year's end.³ Current and accurate financial data are required for transparency initiatives, such as the Federal Funds Accountability and Transparency Act and the www.Recovery.gov website. It is also necessary to ease the exchange of information across the government and within organizations.

There is also a sense of urgency across government and within industry to realize the full potential of shared services. There is a concern about a pending human capital crisis where a workforce with the requisite financial management knowledge to support government agencies will be scarce. Several major issues must be addressed. They are:

- The lack of a comprehensive financial management shared-services vision, strategy and roadmap.
- The lack of effective governance processes and cross-agency collaboration models.
- A sensitivity to the risks associated with migrating to a SSP and a lack of incentives to make the change.
- The lack of interoperability between lines of business and interagency systems.
- Immature service level guidance and direction for financial systems.

Concept of Operations. The FMLOB has generated numerous useful work products such as migration planning guidance, business process and data standards. Although these work products have been helpful and well-received, a lack of resources has made it difficult to establish a comprehensive and integrated implementation plan. The Government Accountability Office (GAO) recommended in March 2006 that the FMLOB provide a concept of operations (CONOPS) document. A CONOPS would provide a useful tool to explain how financial management systems at the agency and government-wide levels can operate cohesively using common financial management tools, data standards, and practices..^[1]

There needs to be clarification about what shared and managed services mean in the context of being a federal financial SSP. Currently, the role of an "SSP" is not clearly defined and is not being communicated effectively. There is confusion about shared services being defined narrowly as just data center hosting of applications versus understanding that a shared service provider can, and perhaps should, be able to address an organization's complete financial management service requirements. This includes implementation to full customer care, transaction processing, and systems operational support.

Roles and Responsibilities. Clearly defined roles and responsibilities are another key to establishing continued success of the shared services model and the FMLOB. Many of our interview questions posed to stakeholders were focused on how they viewed the roles of the

³ GAO Finance Report 2008

^[1] GAO-07-914



various agencies and industry in the shared services model and what would help make the FMLOB even more successful. They felt that government needs to do a better job enforcing implementation of systems to support the vision of the shared services model. They also noted that agencies are still over running their costs. Vendors are doing as instructed by agencies, but many times the effort is not in alignment with the standards and policies that have been defined.

Many of our interviewees had strong opinions about the role of industry in the shared services model and the FMLOB. They said that industry brings continued leadership, accountability, business operations expertise, defined governance models and a demonstration of results to the FMLOB. They see industry is a facilitator in the FMLOB and believe it plays a creative role in the efficiency and effectiveness of policy implementation. Those interviewed also said it is critical for industry to continue to gain financial management knowledge to advise their clients effectively. Industry should not just act based on what their client agency requests. Instead they said industry should ensure that requests are in alignment with the standards and policies that have been defined.

Driving Transformation. Contrary to the implementation models used in other organizations, shared services adoption in the federal government has not been driven as a comprehensive, unified transformation initiative. Efforts to establish internal SSPs in particular agencies have been directed largely by the independent leadership of the host agencies. OMB's third party LoB initiatives in FM and HR have been driven as government-wide IT initiatives through the President's Management Agenda, but their focus has been limited to consolidation of the applications and to a lesser extent the information technology infrastructure supporting the applications. Although this is considered a necessary first step to set the stage for more transformational consolidation, significantly greater pay-offs in cost savings and mission benefits would be readily achievable if the government were to adopt an evolutionary path that moves beyond applications to consolidate entire end-to-end business processes and into a small number of SSPs.

Need for Standards. In order to make the shift to an SSP and to achieve interoperability, organizations rely heavily on the ability to establish and implement standards. In the federal government today, a government-wide or even a department-wide view of information for use in evaluating the success or failure of programs is difficult to generate. Limitations in the commonality of supporting processes, data and systems require government personnel to spend an inordinate amount of time to satisfy various data requests. When reports are provided, they tend to be out-dated or inaccurate and personnel may not even be able to provide a response. In fact, it was noted by one interviewee that it is commonplace to use spreadsheet software to normalize data inputs. This is true across departments and agencies, and it crosses the boundaries of support services from program operations to budget, procurement and financial management. This increases the cost and risk associated with implementing financial management systems and the transition of human resources that support these activities.

Industry has been forced to address the proliferation of errors and lack of controls as part of the Sarbanes-Oxley law. A goal of the FMLOB is to facilitate the movement to SSPs as a way to

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



achieve economies of scale. The FMLOB's success is based on its ability to assist agencies and departments in overcoming the obstacles, such as agreement on standardization of business practices and loss of direct control, associated with transitioning to an SSP. Many interviewees recognized the lack of standards not only within functions, but across business lines. They understand the long term benefit of standards and the need for an upfront investment to create and implement standards across government. This investment includes defining end-to-end (e2e) business process standards versus functions that involve multiple disciplines linked through "touch points" to strengthen interoperability among business operations. The interviewees considered this a weakness of the current structure and highlighted the importance of interoperability across processes and business functions but said that this will require collaboration, coordination and standards.

The FMLOB took an important initial step in standardization by defining the Common Government Accounting Classification (CGAC) which provides a standard string of data for accounting transactions. This standard data structure incorporates the Department of Defense's Standard Financial Information Structure (SFIS), which has been included within the DoD's business enterprise architecture. A key difference between DoD's SFIS and FMLOB's CGAC is that the SFIS is enforced by DoD policy while CGAC is not. However, the CGAC will be incorporated in the requirements for software vendors to achieve certification from FSIO. The CGAC effort was a success, not only due to the fact that it established a baseline standard, but because its development was achieved through collaboration of government representatives and industry participants.

The path to a shared services model is through FM standardization. Standards provide for an efficient means of consolidation and reducing transition risk. Agencies are not all using standard financial management software, but standards do bring economies of scale and consistency across agencies. Even though CGAC and SFIS standards are defined, multiple business processes exist within and across agencies to complicate the delivery of shared business solutions that meet stakeholder expectations. Simplification through further centralization of e-Gov shared services support will reduce the number of proprietary agency support services.

Industry in particular sees the need to create a standard for performance-based contracts with defined service level agreements (SLAs). With continued emphasis on performance-based contracts, industry will need to innovate, not just react to the government perspective. Industry is continually investigating what is impacting the government and looking for ways to help. There is a critical need for accountability. Agencies are no longer willing to pay the bill without knowing exactly where their money is going.

As agencies are asked to consider the move to a SSP, they evaluate the effects to their own organization. They are focused on achieving their mission and satisfying compliance with regulations. Plans, programs, budget, resource management and financial management all have separate agendas, processes, systems and discipline. In many cases, movement to a shared service will add time and require additional resources, impacting current plans and the ability to meet timelines for funded initiatives. There is also considerable risk as transition to a

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



shared service in today's environment will include changing processes, business rules, integration and data structures as well as decrease control of resources.

RECOMMENDATIONS

Organizations were eager to share their insights on what they think will help make the FMLOB policies and shared services even more successful under the new Obama administration. The Bush administration's e-Government/Line of Business (LoB) initiative made progress in furthering the adoption of shared services to improve efficiency and effectiveness in "back office" functions and enabled improved focus on performance of agency core missions. The new administration needs a comprehensive strategy, improved governance and inter-agency collaboration processes. There also needs to be more effective communication of the value proposition to Congress to accelerate government-wide adoption and to achieve the full value and the potential of this transformation.

Recommendations in support of centralized services include establishing an architecture and common language leveraging service-oriented architecture (SOA) and an Enterprise Services Bus to drive budgeting, reporting and to influence business case decisions for IT investments. Government agencies are adopting SOA to directly address their most pressing goals: integration of program functionality and information across organizational boundaries in a heterogeneous technology environment. Using the approach of wrapping decentralized and legacy systems in SOA environments means agencies can transform their processes without funding huge, risky rip-and-replace projects for existing applications. Crafting the architecture so it can support multiple applications in an Enterprise Services Bus is a key to a shared-services environment, and this approach sets the stage for SOA.⁴

We recommend that the new administration support OMB and FSIO and direct agency CIOs, CFOs and chief management officers to establish and fund best practices and approaches in IT. This means centralizing business processes and IT infrastructure, the rapid deployment of new business applications, and the leveraging of centralized expertise and infrastructure provided by SSPs.

As described above, standardization is key to achieving interoperability and reducing the risk associated with transitioning to a shared services model. The path has been charted, but it is still a dirt road and needs to be paved. In 2005, OMB realized the importance of creating a path to the model vice defining the end point and providing no direction. Establishing standards is an essential element to paving the path. Agencies understand the long-term benefit of standards, but there is an upfront investment to create and implement standards across government.

⁴http://www.cioupdate.com/trends/article.php/11047_3655316_2/Creating-a-Shared-Services-Infrastructure-for-BPM--SOA.htm Creating a Shared-Services Infrastructure for BPM & SOA `January 22, 2007; by Keith Swenson Amita Abraham.



Agencies and policy makers need a way to fund this investment. This investment must focus on end-to-end (e2e) business processes versus functions and include data standardization across business lines to increase transparency.

We recommend that the new administration provide a greater focus on financial management and its integration with key management support functions including planning, acquisition, programming and budget management. This initiative will require significant effort. It should involve a central organization such as a “Management LOB” with authorities and a Chief Process and Information Officer to lead the transformation of e2e standardization and integration. This office would be responsible for common business architecture, and be comprised of end-to-end processes with financial management being one of several major support functions. There should be an emphasis on functional touch points to tightly integrate these management support functions. This organization should work across government and business lines, as well as with industry.

The collaborative effort between industry and government on standards should be maintained. By coordinating with industry, FMLOB and the government will be able to infuse standards with lessons learned and good industry practices while allowing business participants to become knowledgeable and prepared for pending federal requirements. The outcome of this effort will provide the participants and the government a common target and an agreed upon set of rules by which they can conduct future business.

The establishment of these recommendations will provide a number of benefits within financial management and across business units such as simplified systems implementation, increased capabilities for data exchange and standardized reporting. Limitations exist because activities are provided within the confines of the financial management environment and they need to extend beyond those boundaries.



APPENDIX: RESEARCH FINDINGS

Below is a summary of the written survey responses. Officials from organizations interviewed included the Defense Business Transformation Agency (BTA), General Services Administration (GSA), Financial Systems Integration Office (FSIO), GSA Shared Service Center (SSC), Defense Information Systems Agency (DISA), Office of Management and Budget (OMB) and an industry financial services provider - CGI. This list of participants represented policy makers and both government and industry providers and users.

Our interview participants offered recommendations and suggested opportunities for improving the shared services model for business systems including the FMLOB within the new administration. They proposed:

- Building a Federated Enterprise Architecture (FSIO, E-Gov, Architecture compliance).
- Legislation to drive architecture, governance and interoperability of business systems.
- A “Management Line of Business” to lead transformation and breakdown functional silos within resistant organizations.
- Centralizing the Management Line of Business under the Chief *Process and Information Officer* (CPIO) reporting to the Vice President.
- An end-to-end process view at the federal level with funds coming only from the U.S. Treasury.
- Institutionalizing FSIO, e-gov, and FMLOB under the CPIO as Management Support LOB and thereby removing stove pipes.

1. What do you think will help make the FM LoB policies become even more successful in the new administration?

Organizations were eager to share their insights on what they think will help make the FMLOB policies and shared services even more successful with the Obama administration. The Bush administration’s e-Government/Line of Business (LoB) initiative made significant progress in furthering the adoption of “shared services” to improve efficiency and effectiveness in “back office” functions and enabled improved focus on performance of agency core missions. The new administration needs a comprehensive strategy, improved governance and inter-agency collaboration processes. It also needs more effective communication of the value proposition to Congress to accelerate government-wide adoption and achieve the full value of the potential for transformational benefits.

The path to a shared services model is through standardization. Right now, the road for the new administration has been made, but it is still a dirt road and needs to be paved. In 2005, OMB realized the importance of creating a path to the model and not just telling government that they had to get from point A to point Z with no direction. Agencies understand the long term benefit of standards, but there is an upfront investment to create and implement standards across government. Agencies and policy makers need a way to fund this upfront investment.

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



The new administration needs to have greater focus on financial management as an integral part of a larger government management support. Financial management must be one of several major management support functions. Emphasis on functional touch points to tightly integrate management support functions include Integration of programming, budget management, performance tracking/assessment, and strategic planning that all equate to a Management Support LoB. With an increased focus on e-Gov business processing, the core competencies of federal support managers changes from less administrative to more analytical planning, assessment and action decision-making.

There needs to be clarification about what shared and managed services mean in the context of being a SSP. Currently, the role of an SSP is not clearly defined and there is confusion about shared services being defined narrowly as just data center hosting of applications. Instead, it should be viewed as a shared service provider that can, and perhaps should, be able to address an organization's complete financial management service requirements from implementation to full customer care and systems operational support- through a combination of both government and contracted resources.

Industry especially sees the need to create a standard for performance-based contracts with defined SLAs. There is a critical need for accountability and that is clearly defined in a private company providing services, but this needs to be defined and developed for government to government services. Agencies are no longer willing to pay the bill without knowing exactly where their money is going. Security issues and transition planning are two areas that inhibit moving to a managed services environment.

2. How can collaboration between government and industry help with the success of the FMLOB in the new administration?

GSA FSIO works closely with industry including the core software vendors on standards for business processes such as funds management and payment management. A common language and architecture is necessary so that industry products will conform. Today we have both CGAC and SFIS (the Standard Financial Infrastructure Service - http://www.defenselink.mil/dbt/sfis_resources.html).

Simplification can take place through further centralization of e-Gov share services support. This means we should:

- Reduce the number of proprietary agency support services.
- Reorganize federal government support services away from traditional, yet singular scoped functions, i.e. integrate planning, FM, programming, budgeting, administrative support organizational units.
- Organize into a federal government support services LoB with well-defined support outcomes.

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



- Define and institute new core competencies for government managers – upgrade functional responsibilities.
- Institute greater focus on “internal customer” oriented services and accountability aimed at more efficient agency-mission operations.
- Institute agency-wide controls electronically – no reimbursable, or purchase transactions executed w/o proper pre-requisite controls in place enterprise and government wide.
- FM should serve agencies not just TUS. Focus on performance metrics and contributions to achieving agency strategic and tactical goals. Industry can provide the shared services.

Examples:

- In 2000, Oracle Corp. centralized its administrative, logistics and marketing services support from five service centers worldwide to one; and standardized its operations and focused on providing centralized business-administrative support services. It Instituted data center services (not software) as a services offering LOB; SAP, AFSI, and others have followed suit, General Electric and others now want to find ways to become customers to relieve/reduce support costs. E-transaction processing has grown exponentially to include all forms of business events-transactions, including large contract- payments processing for a broad scope of business.
- Treasury, OMG, GAO and agency operations must integrate via electronic Web servicing and common data base management. Treasury web based records need to be accessible by agencies and vice versa.

Government needs to do a better job of implementing systems. Agencies are still exceeding their budgets. Vendors are doing as they are told by agencies, but many times it is not in alignment with the standards and policies that have been defined. Vendors should work with their customers to manage their investments to show that they are providing value and continue to be worthy of investment. Industry and government can also do a better job of identifying the full lifecycle operational cost savings for shared services.

Policy should support open honest communication for both the government and industry to bring their true strengths to the table. Government is excellent in business operations and industry understands the depths of the changing technology environment. Each group should play on each others strengths and reduce any competitiveness between one another.

3. *What policies and processes do you see currently working effectively within the FMLOB for the government?*

The standardization effort is making inroads toward being able to improve internal operations as well as cross-government interoperability and cost avoidance. By making it a policy to align to the business process standards that have been completed and/or that are underway or planned, the government will benefit in numerous ways. The definition of CGAC has been the greatest

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



contribution of FMLOB. Bringing in all agencies and listening as opposed to dictating is vital as with BEA and SFIS in DoD. Cross agency collaboration prior to publication of policies is essential if they are to be effective and efficient.

Examples:

- Many common, integrated processes being defined for budget formulation, execution, fund control, receivables and payment processes.
- DoD's BEA V4.0 being used for adaptation for government-wide use.
- Web-based submission/access and adaptation of OMB required budget data, e.g., budget requests, SF132 and SF133, with common account structure (CGAC) with Treasury Department is a major initiative for establishing common, integrated processes. An agency's ability to submit detailed SF132 data aggregated by OMB processing and updated at agency detail levels will provide a basis for maintaining chronologies of budget management and program events.

OMB has taken a strong leadership role which has made the FMLOB successful. OMB's leadership in providing benefits and tangible results of the program has made it effective. OMB brought the carrot and the stick to the table. Industry attributes OMB's leadership of the FMLOB to their strong support for the program.

4. How do you see both government and industry reacting to, complying with, or implementing new policies issued from oversight committees? What makes these policies successfully implemented?

- The make-up and roles of oversight committees should remain similar, with probable broader scope over accountability for services rendered, government resources managed and efficiency of operations to include ever-increasing use of shared services providers.
- Contractors will comply to maintain a business base with the federal government. They will view simplification positively, providing more common, uniform services versus agency-specific products-services with greater accountability for services provided.
- Greater consolidation seen within industry providers to government.
- Oversight committees will play greater role over special enactments such as earmarks.
- Greater emphasis will be placed on guidance, oversight of performance outcomes-MCA to morph into performance management.
- Oversight entities will provide a greater role over third party stewardship entities providing processing and information deemed official government information and services.
- Look at policy and implementation from the risk based approach.

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



Examples:

- GAO will expand its role and probable greater use of independent auditor contractors and increased oversight of government data in the hands of industry. Proactive work.
- FSIO role should be expanded beyond systems to include FEA-based business practices, models and processes. There should be changes from traditional functions (see FMSSR) to greater focus on performance management of agency operations and use of resources.
- Treasury’s role should become more interactive with agency operations and possibly include contractor oversight, i.e. requirements for contractor originated and/or processed transactions.

OMB should become more interactive with agencies. Coverage and services should expand to include enacted programs beyond budget source periods up to 10 years. There should be expanded use of program management data in addition to fund-centric requests and tracking indicated-to track performance as well as resource management. Agencies should also look at things from the perspective of multiple agencies, not just their own. OMB is more open to hearing when a case is made from a more global perspective.

It is important that both government and industry carefully review and then comment on drafts of policies to ensure that costly, complex, or non-value added requirements are addressed early on for possible revision or deletion. Even after a policy is released, government and industry should not hesitate to voice concerns or suggest areas where improvements could be made.

Successful implementation requires clear target dates, clear accountability, a strong communication and change management effort to allow for adequate planning and awareness of all key stakeholders.

The private sector now reacts with the government perspective instead of just testing the water to see what will actually go forward. Industry is continually investigating what is affecting the government and looking for ways to help. The FMLOB has industry’s attention and this needs to continue. The difference in the last few years has been significant in how industry reacts to new policies.

5. *What do you see as each group’s first steps? Who and when do you see conversations initiated?*

New rules, laws, or requirements with a two or three month window may create problems. Sometimes the clear accountability and a strong communication needed to allow for adequate planning are impeded by legislative decisions that both the FMLOB, OMB and industry do not have a say in. For example the *TIPRA* legislation requiring federal agencies to withhold three percent from vendors is an issue for agencies to implement. The new administration should weigh the costs of policy versus what they are doing.

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



First steps by legislators, regulators should be requiring greater use of common business processes, use of shared services, and amalgamation of separate functional services into government support services. OMB-FSIO-FEA and other evolving organizations should be institutionalized and funded by Congress with greater oversight compliance authority for agencies to meet program performance requirements versus systems requirements.

For the FMLOB initiative, there are current forums that bring FSIO, OMB and the vendor community together. The federal SSPs and central intergovernmental organizations such as Treasury would benefit from being able to participate in these types of meetings. There are also various industry-led forums that invite government officials in to share and collaborate on various topics. These forums provide value but government participation is inconsistent and not always fairly representative. But perhaps there should be more effort on pushing out relevant information shared to central government councils such as the CFOC or CIOC.

Industry is now involved long before a policy comes out. They are working with OMB to give input and weigh in on new policies to help shape them. Industry is now able to have more collaboration before a policy is issued. This helps both government and industry to analyze, create and implement policies.

6. *What expectations do you have for industry and what do you think industry is looking for from the government in relation to policy execution?*

Industry wants to be part of planning and not work in a vacuum. Better solutions are created when you include the commercial partners. Today FSIO is meeting with vendors individually or in groups.

Industry wants simplification, and consolidation of government business operations with emphasis on management performance over support services, resources and business operations. Industry will expect clear specifications from government. Still Industry should respect the boundaries of inherently governmental roles and responsibilities.

Government expectations are to retain control. Private sector needs to conform to make sure government feels confident that their systems and data are secure and controlled by the government, not industry. There also is a need to ensure that migration costs are not too high. Agencies need to be able to switch contracts and vendors if necessary. Transitions cannot be too costly.

Private sector's expectations are to have performance based contracts. Outcomes should be focused on and signed up for, not bodies or labor rates. All contracts should be performance based.

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



7. What areas do you think currently have gaps that could lead to more successful implementations of policies?

Contrary to the implementation models used in most leading governments, shared services adoption in the federal government has not been driven as a comprehensive, unified transformation initiative. Efforts to establish captive SSPs in particular agencies have been driven largely by the independent leadership of the host agencies. OMB's third party LoB initiatives in FM and HR have been driven as government-wide IT initiatives through the President's Management Agenda, but their focus has been limited to consolidation of the applications and to a lesser extent the IT infrastructure supporting the applications. A necessary first step is to set the stage for more transformational consolidation. Significantly greater pay-offs in cost savings and mission benefits would be readily achievable if the government were to adopt a "best practice" evolution path by: (1) steadily moving beyond applications to consolidate entire end-to-end business processes; and (2) gradually consolidating agency-specific "captive" SSPs into a small number of third party SSPs for both government and the commercial Sector.

Standard configurations could exist. FSIO has talked to banks about their mergers and how they are able to integrate different systems and their lessons learned. There is governance in DoD with statutory regulatory policy and legislation.

Touch points that provide a basis for integrating existing separation among planning, programming, budgeting, budgeting/execution and financial management functions can create a common, uniform means for providing government support services. GAPS between functional silos need a Chief Management Officer to orchestrate.

Example:

Plans, programs, budget, resource management and FM all have separate agendas, processes, systems and discipline that, if properly integrated, will streamline federal government operations. Gaps are between functional silos.

Most importantly, the new administration will have to support the need for resources: money, human capital, skill alignment. Strong leadership and project managers can provide for organizational change management and foster communication.

The contracting model is now where the gaps lie. It is important to have enough information to create effective SLAs. This sometimes entails an initial period of performance to determine. Creation of effective SLAs require due diligence.



8. What metrics are currently in place to measure the success of the FMLOB? Are the current metrics effective? What metrics should be put in place to measure future success?

FSIO meets with the CFO community representatives to know what measures and metrics CFOs need to run their business; meetings scheduled in late August. Acceptance of newly defined FMLOB processes and standards is the only successful metric known. The FMLOB may be replaced with more holistic Government Support Services (FSIO, e-Gov and OMB/Treasury) standard and performance metrics support functions for common tracking of performance. FM success metrics focused on contributions made to providing cost-effective government support services as a success factor-factors based on performance.

Example:

Departure from agency specific systems products and services such as FM are being replaced with common, integrated shared services support. Metrics should be based on FM analysis of what contributions are being made to the management of the enterprise. For example, how is support to the war fighter going?

Within OSD, the comptroller has a dashboard and looks at performance metrics including interest paid, cash balances, timely submission of budget and contracts closed out.

9. Do you see any roadblocks or challenges that each group is facing?

Several major issues must be addressed for the federal government to realize the full potential benefits of shared services:

- Lack of comprehensive shared services vision, strategy and roadmap.
- Lack of effective governance processes and cross-agency collaboration models.
- Politically contentious and ineffective inter-agency funding processes.
- A clear and consistent policy framework and business practices to ensure a level playing field in competitions between government and commercial SSPs.

There are limited resources within FSIO FMLOB. There are only seven people on the staff with limited personnel and dollars (also 7-8 contractors).

Traditional views and organization of resources and functions to fulfill singular missions versus providing effective government management support services – a reluctance to change.

Example:

Budget management continues to be resource-centric versus performance-based. FM is transaction oriented G/L and financial reporting (compliance-disclosure reporting) centric versus tracking of performance of financial management (integrated with programming, budgeting goals).

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



The public-private competition guidance fails to capture the reality that we need to be working in partnership with industry and not necessarily be forced into an artificial competition against industry. Both government and industry have a role – and different strengths – to make the FMLOB initiative successful, both in the implementation of standards as well as the move to a limited number of shared service providers.

10. What do you see as the roles and responsibilities of oversight agencies; The Office of Management and Budget, the General Services Administration, the Financial Systems Integration Office, Office of Inspectors General, and the Government Accountability Office?

Today, GSA is a managing partner; OMB is the leadership team. GSA FSIO provides technical guidance/oversight. FSIO needs to be institutionalized.

GAO has been involved because of their FM research and recommendations for government processes and business systems.

It will take legislation to create CMO (CPIO) as direct line to the Vice President. We are on the right track, but also need senior executive level support.

The inspector general's may perform an evaluative role for implementation. Ensuring the policy is in alignment with and achieving required elements

Government Shared Service providers should promote best practices and standards by ensuring accountability for incremental progress, establishing clear guidance and policy; working collaboratively with agencies across the government to address gaps and resolve common "pain points. They also can promote effective and proactive cross-line of business management to address issues such as common intersecting data standards.

Industry brings continued leadership, accountability and demonstration of results.

11. What do you see as the roles and responsibilities of each agency or bureau Contracting Office and Financial Systems Management Office?

GSA FSIO provides contractor rules for implementing OMB policy and certified software; contractors need to know the rules; OMB will issue rules while FAR addresses the contracting community. Contracting and systems management services may morph into contracting and managing shared services offerings, possibly consolidating to centralize government-wide support services for certain acquisitions and systems management services. Performance tracking of services provided by the private sector providers may also be expanded.

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



Use of shared services for common accounting, administrative services, particularly transaction based processing, is growing at an ever-increasing rate versus single acquisitions of systems products and services for agency specific needs.

They should have active participation in cross-government working groups, timely planning as new standards and policies are promulgated, internal cross-organization collaboration and communication to ensure an awareness of impacts to program/business lines. This will enable effective implementation of LOB policies and standards. The Office of Finance and Budget Offices have a primary role in these activities.

Industry brings business operations expertise, defines the governance model, and retains control of their systems.

12. What do you see as the roles and responsibilities of industry?

Industry is the facilitator and plays a creative role in the efficiency and effectiveness of policy implementation. Industry must also continue to gain FM knowledge to advise clients effectively.

Industry must be responsive to changes in the government manager's role – greater consolidation of products and services to provide common services on a shared services basis. Industry responsibilities will broaden to encompass greater accountability for performance of processing services and accountability for information stewardship based on government policies, standards and specified controls. Industry will assume greater responsibility over stewardship of government data, processes, standards, controls and security requirements.

The private sector should provide goods and services that promote interoperability, are compliant, and meet service level requirements. Through their communication with government, they can provide input for planning and policy makers about best practices and lessons learned.

13. How can collaboration between government and industry help with the FMLOB success?

Collaboration and outreach within GSA and OMB is keeping industry involved. Overall, most people want things implemented in 12-24 months, but the “big bang” approach will be disruptive and cause problems.

There should be greater involvement of industry in policy and best practices development. For example: Enterprise architecture development - the government's role is to define the model and layout for government-wide services. Industry needs to provide the services.

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community



ACKNOWLEDGEMENTS

Writing Team

Benita Bottom, Caggemini Government Solutions
David Fitz, KPMG LLP
Bob Floyd, Robbins Gioia
Malcolm Harden, CGI
John Marshall, CGI
Cary Osborne, EM&I
Jamie Shapiro, CGI
Sherry Weir, Kearney

Transition Study Group Leadership

Mark Forman (Chair), KPMG LLP
Roger Baker (Vice Chair)
Mary Ellen Condon, Booz Allen Hamilton
Judy Douglas, EDS, an HP Company
Dee Lee, Compusearch
Brien Lorenze, Deloitte
Leslie Steele, InterImage

ACT-IAC Staff

Kenneth Allen
Sarah Lindenau

3040 Williams Drive, Suite 610, Fairfax, VA 22031
www.actgov.org • (p) (703) 208.4800 (f) • (703) 208.4505

Government and Industry IT: one vision, one community