

Federal Shared Services: *The Future for Administrative Shared Services and Challenges Facing Shared Service Providers (SSPs) and Their Customers*

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Agenda

- Introduction
- Scope
- Why Use Shared Services?
- Background/History of Shared Services in the Federal Government
- Shared Services Today
- Shared Service Challenges
- The Future of Shared Services
- Conclusion

Introduction

- Federal agencies are being asked to execute their missions to ever increasing standards in a resource constrained environment
- Shared services have been identified as a way to, reduce costs, reduce redundancy and improve efficiency in Federal IT solutions
- This presentation discusses the movement toward shared services within the Federal government

Scope of the Presentation

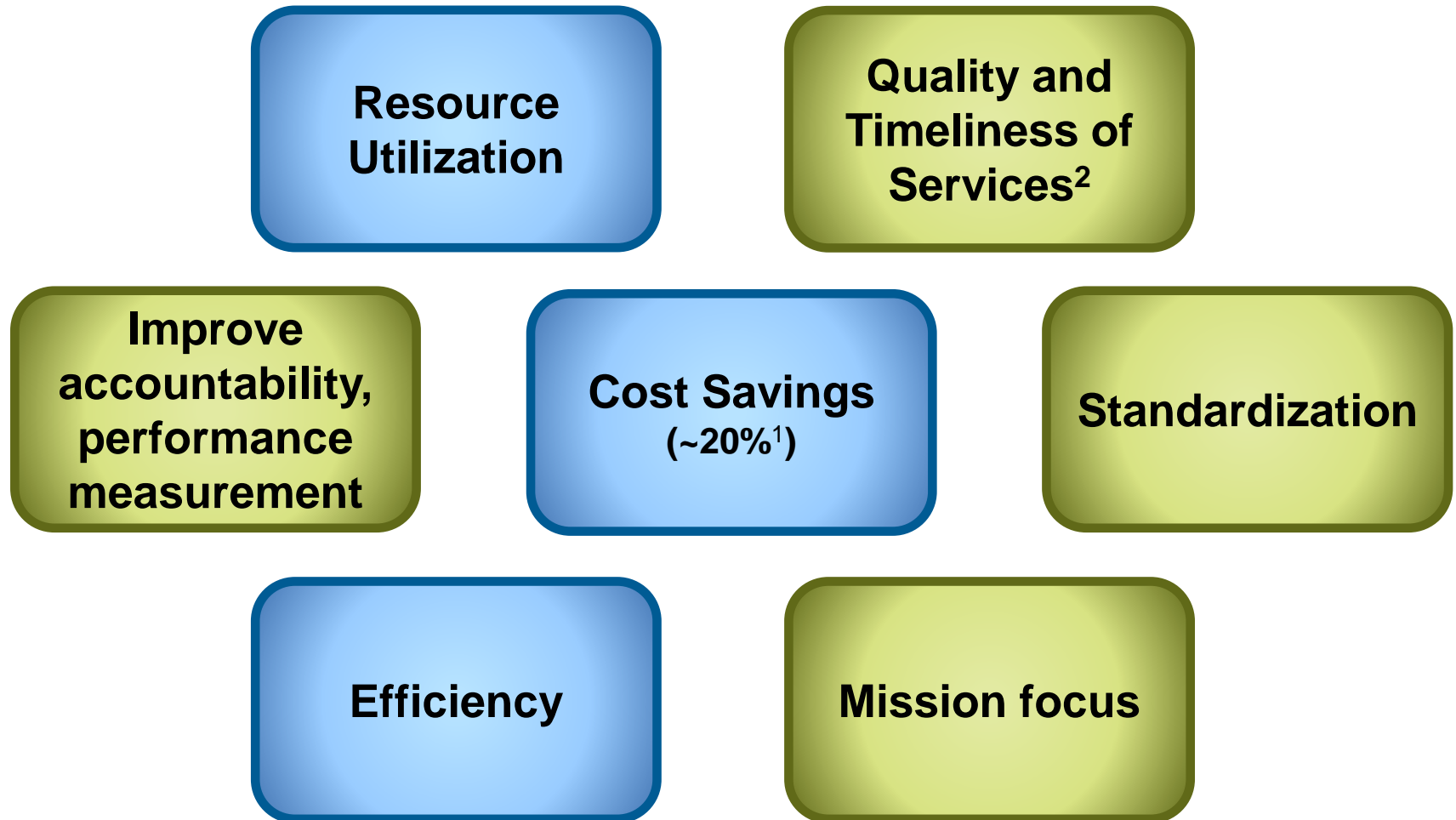
Limited to the discussion of shared services within U.S. Federal government

Focus is on sharing business administrative services, such as financial management and human capital

Excludes the sharing of Information Technology services
(e.g., Software as a Service, Platform as a Service, Cloud First)

Limited to providers that are offering service outside of their home agency

Why Use Shared Services?

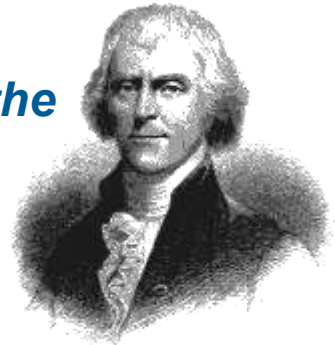


¹Accenture. "Maximizing Value Public Sector Shared Services." 2005.

²Gartner, "British Columbia Canada Executes a Viable Shared Service Initiative"

Background of Shared Services in the Federal Government

“I think it an object of great importance...to simplify our system of finance, and to bring it within...comprehension...the whole system [has been] involved in impenetrable fog...”
- Thomas Jefferson, 1802



Need for shared and standard information, processes, and requirements

Initial focus was on data, requirements, and consolidation

Some foundational legislation:

- Budget and Accounting Procedures Act of 1950
- Federal Managers Financial Integrity Act of 1982
- CFO Act of 1990
- Government Performance and Results Act
- Government Management Reform Act of 1994
- Federal Financial Management Improvement Act of 1996
- Digital Accountability and Transparency Act of 2014

Initiatives in the Federal Government

Formation of the Joint Financial Management Program (JFMIP)

- Development of standard requirements for financial management systems
- Certification of systems that met the requirements

Consolidation of services into shared provisioning models (examples):

- Defense Finance and Accounting Office
- USDA National Finance Center (NFC)

Define Standard Business Processes and Data in the Federal Government

- DoD Corporate Information Management
- Federal Enterprise Architecture Framework
- DoD Business Enterprise Architecture

Creation of Lines of Business (LoB)

- Publication of Line of Business Concept of Operations
- Publication of Shared Service Strategy
- Creation of HR LoB PMO

Creation of Treasury Office of Financial Innovation and Transformation (FIT)

- Designation of four Federal Shared Service Providers (for financial management systems)

2015 and Beyond

- SSPs continue to service existing customers
- SSPs take on new customers
- Potential additional SSP(s)

Federal policy and guidelines:

- 25 Point Implementation Plan to Reform Federal Information Technology Management
- Federal Information Technology Shared Services Strategy
- OMB-M-13-08 "Improving Financial Systems Through Shared Services"
- President's cross-agency priority management goal for shared services

Shared Services Today – Who is Offering Shared Services across the Federal Government?

Current Shared Service Providers in the U.S. Federal Government¹

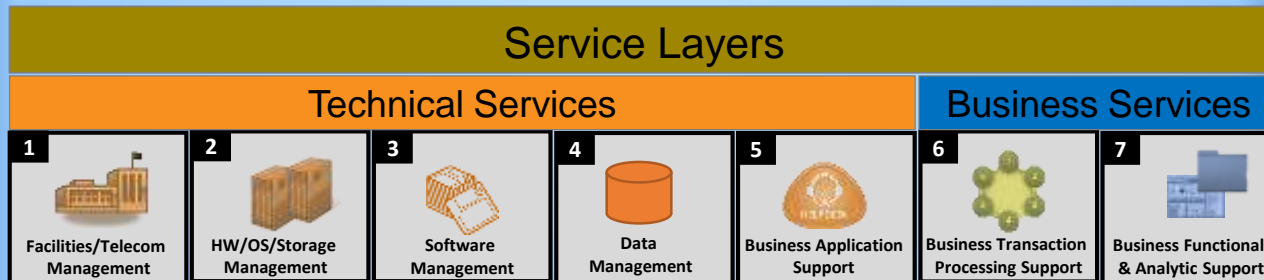
Department/Agency	Shared Service Provider	Core Service(s) Provided
Treasury	Administrative Resource Center (ARC)	Financial Management, Procurement, Asset Management, Travel, Payroll
Transportation	Enterprise Service Center (ESC)	Financial Management, Procurement, Travel, Payroll
Interior	Interior Business Center (IBC)	Financial Management, Procurement, Travel, Payroll
USDA	National Finance Center (NFC)	Financial Management, Procurement, Travel, Payroll
Defense	Defense Finance and Accounting Service (DFAS)	Financial Management, Payroll
GSA	Federal Integrated Solution Center (FISC)	Human Resources, Payroll, Financial Management, Data Center Hosting
Defense	Defense Civilian Personnel Advisory Service (DCPA)	Human Resources
HHS	Program Support Center (PSC)	Financial Management

¹As defined in the Presidential Cross Agency Priority List
Limited to those providers who are offering shared services outside of their home organization.

SSP Characteristics – Packaging of Services

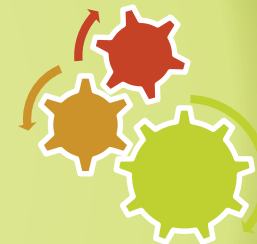
Service Offerings

- Different combinations of these service layers are offered in service packages
 - For Example: Layers 1 & 2 provide hosting services
 - Layers 1-5 provide full application services
 - Layers 1-6 provides systems and technology plus workforce services

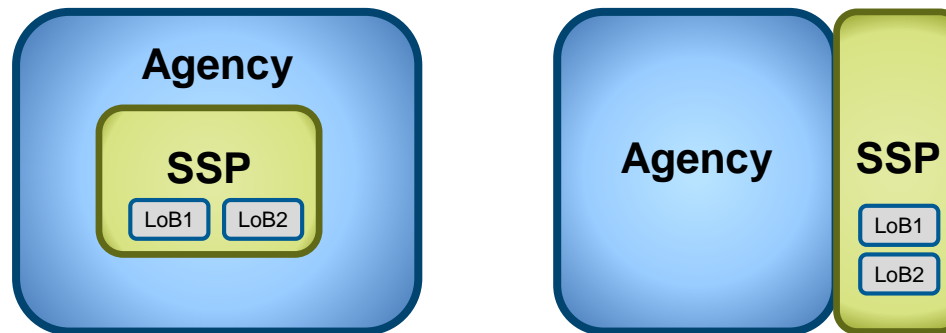


Cost Recovery & Fees

- Costing based on service layers supports the ability accurately price service packages
- Fees must be sufficient for full cost recovery
- Must be able to collect fees through the use of a revolving fund via Intergovernmental Agreements (IGAs)



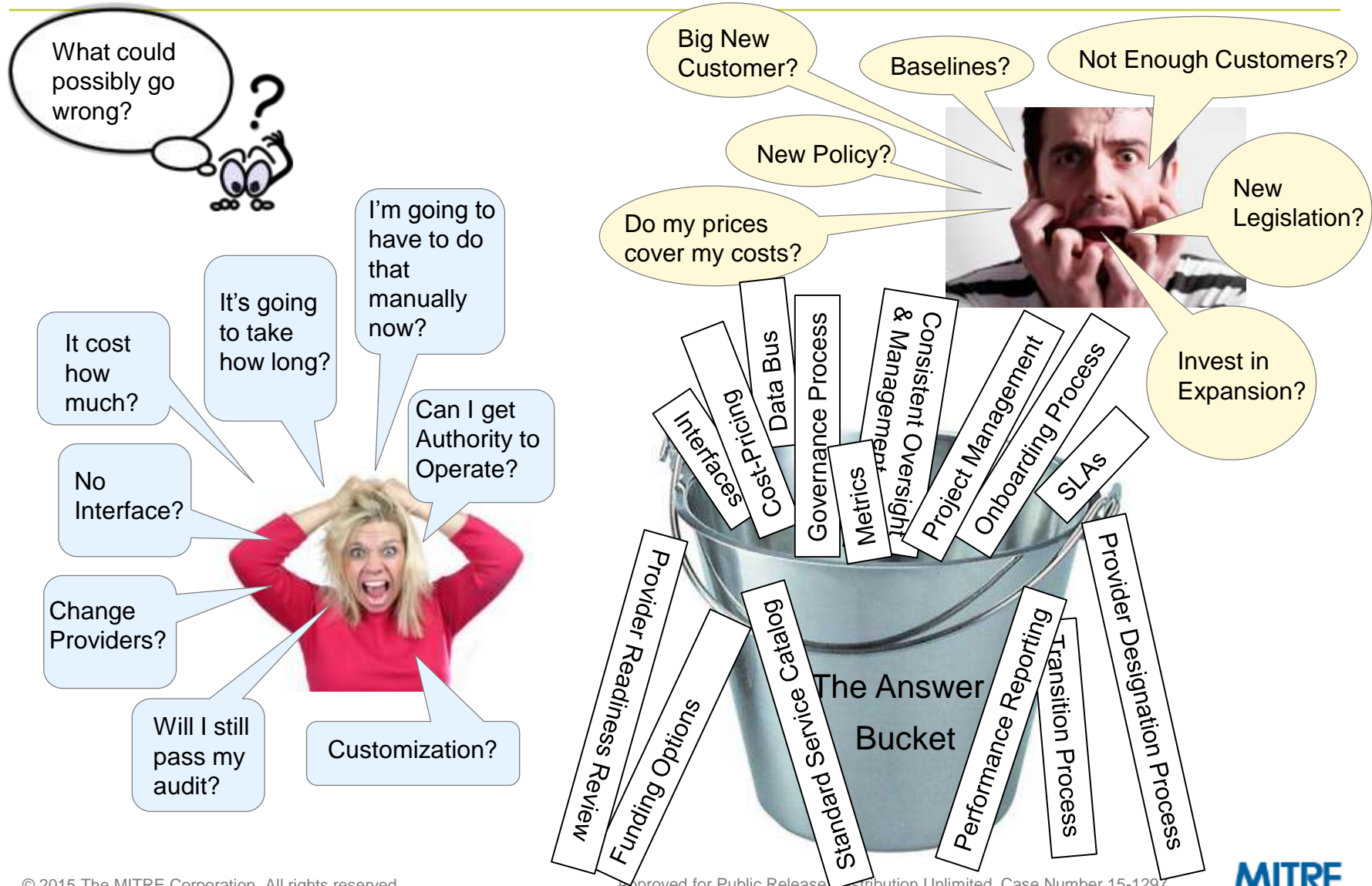
SSP Characteristics – Administration



Current Business Environment varies across the SSPs. The SSP:

- May be organized as a individual group within an agency or may be part of a larger initiative within the agency
- May have multiple lines of business (LoB) (e.g., HR, FM)
- May offer multiple underlying products in a single line of business (e.g., SAP, PeopleSoft)

Shared Service Risks



Shared Service Challenges - Providers

Standardization of Service Offerings



Governance



Cost and Pricing



Political Support



Baseline

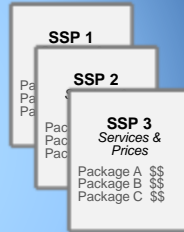


Funding



Shared Service Challenges - Customers

Comparison of SSPs



Customer Service



Transition



Standardization



The Future of Federal Shared Services

“New automated solutions will be web-based; allow agencies to share common data, require little to no (duplicate) data entry; have complete financial information; and, as appropriate, provide the public access to financial information.”

“The Office of Financial Innovation and Transformation”, Memorandum for Chief Financial Officers, OMB Controller, March 30, 2010

The Federal government can expect to benefit from shared services

- The Partnership for Public Service predicts the government can save between 21 and 47 billion dollars over a ten year period¹
- Gartner predicts that finance shared services can reduce the total cost of the finance function alone by 25% to 35%²
- Gartner also foresees³:
 - Improved governance and oversight
 - Reduced audit and compliance costs

How will the Federal government harvest these potential benefits?

¹Building a Shared Services Marketplace Recommendations from the Shared Services Roundtable, Partnership for Public Service, March 2015

²Government Consolidation and Shared Service Efforts will Continue to Struggle”, Gartner, January, 2008

³Implementing Finance Shared Services Benefits and Best Practices”, Gartner, April, 2008

The Future of Federal Shared Services: On-Going Initiatives

Among the initiatives the Federal government has underway to implement successful shared services are the following:

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- Exploring the development and implementation of a shared data transfer capability (e.g., enterprise bus) to facilitate the interaction and communication between mutually interacting software applications
 - Working with the SSPs to assess their capabilities; identify and address gaps; and improve their ability to describe, fund, manage and deliver services to customers.
 - Developing of a standard catalog of shared service offerings
 - Developing standards to migrate to a shared service provider
 - Exploring ways to improve the governance and oversight of Federal shared service offerings

The Future of Federal Shared Services: What Will the Future Look Like?

What could the future look like if we achieve successful implementation of administrative shared services in the Federal government?

We would expect to find features such as these:

Providers publish an easy to understand catalog

Providers services and costs can be easily compared using common metrics

Cost per transaction and for unit of service reduce over time

Standard offerings have highly configurable implementation that eliminates need for customization

Standard reports supplemented by robust business intelligence capability eliminates custom reports

Customers negotiate service level agreements, that include incentives and penalties, with providers

Shared data transfer capability eliminates point to point interfaces and manual transactions between administrative systems

Initial on-boarding or changing providers is simple and relatively inexpensive

Conclusion

- **Administrative shared services have been successfully implemented across Federal agencies**
- **Shared services reduce costs, improve quality, mission impact**
- **Shared services is high priority for Federal Executives**
- **Many initiatives underway to address challenges/roadblocks**
- **Senior executives must be committed and actively involved in order to succeed and benefit from shared services**
- **This offers many opportunities for the cost community**



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Reference

Service Layer Descriptions

Business Services	7	 Business Functional & Analytics Support Provides customers specialized services on (1) management advice/guidance on policies and regulations pertaining to specific industries, business process improvement, etc., (2) audit support, and/or (3) business analytics/intelligence for management purposes.
	6	 Business Transaction Processing Support Provides customers support staff to process business transactions on behalf of the customer. Support staff can interface with either the customer's system or with the system. These staff are thoroughly trained on the system/software, specifically, how to process government transactions.
	5	 Business Application Support Includes monitoring of the application and vendor provided software for faults and performance, application optimization support and help desk support for the system. Provides assistance to users with reporting tools, data access tools and reporting needs.
Technical Services	4	 Data Management Includes the databases and staff to store and manage data for a system. Also included are backup and restore capabilities, adherence to customer data retention policies and the maintenance and administration of common reference/master data.
	3	 Software Management Includes the license management, setup, configuration and optimization of vendor provided software to operate a system.
	2	 Hardware/OS/Storage Management Includes the hardware, operating system(s), storage devices, administrative software, fault and performance monitoring software and staff needed to host, manage and operate a system.
	1	 Facilities/Telecommunication Management Includes the operation and maintenance of a physical facility to host and operate a system. It also includes the telecommunications equipment, office furniture, physical security, grounds maintenance etc., necessary to ensure a secure operations center.

Where to find more information

- **OMB M-13-08 “Improving Financial Systems Through Shared Services”**
- **Treasury, Bureau of Fiscal Service, Office of Financial Innovation & Transformation (FIT) Website**
http://www.fiscal.treasury.gov/fsservices/gov/fit/fit_home.htm
- **Presidential Cross Agency Priority List**
 - **25 Point Implementation Plan to Reform Federal Information Technology Management**
 - **Federal Information Technology Shared Services Strategy**
 - **Shared Services Implementation Guidelines**