

Cross Agency Priority Goal Quarterly Progress Update

Shared Services

Goal Leaders:

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FY2016 Quarter 3

Overview

Goal Statement

- Strategically expand high-quality, high-value shared services to improve performance and efficiency throughout government.

Urgency

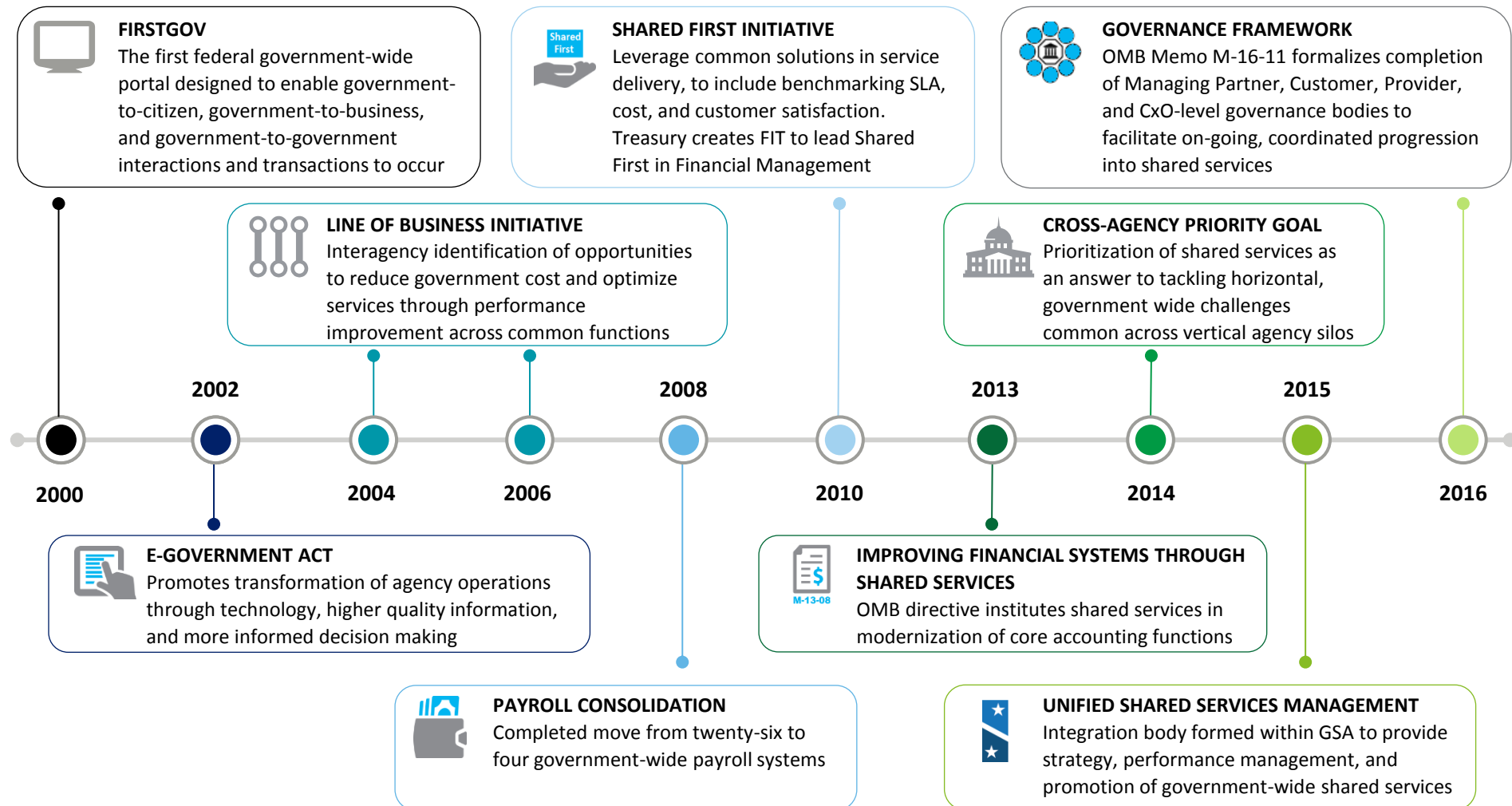
- Most Federal agencies have similar administrative functions that require the investment of increasingly scarce resources. Human resources, financial management, and payroll, for example, are common administrative functions that all agencies need, but not all agencies are equally efficient at managing. By creating Shared Service Providers (SSPs), and concentrating the delivery of administrative services within a smaller number of agencies, duplicative efforts and costly systems upgrades can be reduced. Further, by giving this task to agencies with the right expertise, we can free up resources for mission critical activities, reduce risk in systems implementations, and deliver cost-effective support to agencies.
- Shared Services for administrative functions has long been common in the private sector and in other governments but has struggled to get momentum in the U.S. Federal Government. To date, most users of shared services have been small agencies and commissions. Cross-servicing across Cabinet-level departments has not taken place. This reduces the economies of scale for shared service providers and continues a disjointed and redundant approach to federal accounting, HR, acquisitions, etc.
- The passage of the Data Act in FY 2014, with a narrow three year implementation window and specifying the creation and adoption of accounting standards, will be a difficult task for those not using a SSP. Agencies participating in shared service arrangements for financial, procurement, HR, payroll or performance reporting systems will be able adopt the changes more rapidly and at reduced costs. The bill requires both Inspector General (IG) and Government Accountability Office (GAO) review and audit of the adoption of the standards shortly after their issuance. If those standards are adopted first by the shared service providers, customers will benefit from that early adoption both economically and logistically.

Actions (Short Term)

- The Office of Management and Budget (OMB) recently established an organizational structure to manage and oversee current and future administrative shared services. The newly created organizational structure will be responsible for working with all stakeholders to:
 - Provide better integrated, more consistent, and sustainable management and oversight across administrative functions and shared service providers;
 - Create and maintain a long term government-wide strategy to balance agency demand and provider supply;
 - Identify opportunities for transparency into shared service provider performance and pricing;
 - Explore unique funding solutions to provide access to investment capital necessary for shared service providers to remain viable.

The Evolution of Federal Shared Services

Shared service guidance has evolved and matured over the course of multiple administrations, driven by a need to improve and consolidate administrative functions.



Progress Update – Key Q3 Accomplishments

The Shared Services Cap Goal strategy has four pillars that will help achieve its goals: Governance, Policy, Demand Management, and Supply Management. Here are the accomplishments from each pillar in Q3 2016:



Governance – Establish a stakeholder ecosystem that inspires high-quality, high-value shared services and marketplace health and sustainability.

- Continued to operate the Shared Services Governance Board, Provider Council, Customer Council and LoB Managing Partners Council to ensure cross-government and cross-functional collaboration and to drive action as a coordinated enterprise.



Policy - Institutionalize shared services progress , build policy to enable shared services adoption and enable the ecosystem.

- OMB Memorandum 16-11, *Improving Administrative Functions Through Shared Services*, was released on May 4, 2016 . This institutionalizes the demand and supply management initiatives listed below.
- The Revolving Fund Working Group completed draft guidance for all revolving funds to improve capital investment and better support the shared services ecosystem. The guidance is currently being reviewed by stakeholders.



Demand Management - Make smart investments and enable successful migrations.

- Released the Modernization and Migration Management (M3) Framework (www.ussm.gov/m3). This framework will deliver more successful mission support transformations and mitigate risk. It is based on the best practices and lessons learned from over 100 shared services professionals in government and industry.
- Currently implementing the M3 Framework to oversee more than 20 agency migrations/modernizations.



Supply Management - Use data and performance management to provide continuous feedback, assess capabilities, grow capacity and improve transparency.

- Completed inaugural government wide customer satisfaction survey for financial management and human resources shared services.
- Completed inaugural performance management framework, for shared services providers, known as *ProviderStat*.

2016 and 2017 Milestones

2016 and 2017 Key Milestones	Milestone Due Date	Status
Cross Administrative Functions		
Establish a Shared Services Governance Board (SSGB) responsible for determining strategic direction, goals and expectations, for shared services.	Q1 2016	COMPLETE
Establish a Unified Shared Services Management (USSM) Organization to serve as an integration body, working across functions, providers, and consumers to provide implementation direction and guidance.	Q2 2016	COMPLETE
Leverage existing authorities such as the Franchise Fund Authority to create greater consistency and flexibility with the shared services community.	Q3 2016	MISSED ¹
Evaluate the best use of Independent Verification and Validation (IV&V) support for shared service implementations.	Q3 2016	COMPLETE
Develop the Modernization and Migration Management (M3) Playbook and help agencies to understand and utilize the playbook to create consistency across the shared services and reduce the risk of failure in implementations on consolidated solutions. Establish and deploy strategies that assist agencies in migrations to shared services and that lead to greater success.	Q3 2016	COMPLETE
Develop a migration timeline designed to assess future demand and inform the Provider community to ensure sufficient supply exists in the community.	Q4 2016	COMPLETE
Lead a cross-agency pilot for core HR data and Payroll to determine a target end state for civilian agencies. <u>Payroll Services</u> include capturing, validating, and processing payroll and disbursement data for a given pay period by gathering data on employee time worked and leave taken, calculating gross pay and processing deductions and taxes to calculate net pay.	Q4 2016	On-track
Leverage existing lines-of-business and shared service provider governance structures to identify an integrated shared service ecosystem governance model.	Q4 2016	On-track
Conduct annual customer satisfaction survey to assess customer satisfaction and establish baseline.	Q4 2016	COMPLETE
Conduct a study to determine the optimal organizational structure for service delivery within the shared services community.	Q4 2016	On-track
Deliver a service catalog for financial management, HR, grants and acquisition.	Q4 2016	On-track

¹ Rescheduled for Q4.

2016 and 2017 Milestones

2016 and 2017 Key Milestones	Milestone Due Date	Status
Document mission, vision, goals, objectives and strategies in an administrative shared service 5-year strategic plan	Q1 2017	On-track
Define common HR service outcomes that will be used to build a catalog and designate HR service providers.	Q1 2017	On-track
Complete SLA performance measures for multiple functional areas.	Q4 2017	On-track
Develop and implement a future vision for a consolidated framework for provider performance management, measurement and oversight across functional areas.	Q4 2017	On-track
Financial Management Line of Business		
Award acquisition vehicle for software maintenance and licenses to support strategic sourcing.	Q4 2016	On-track
Develop use cases for optimizing software configurations.	Q4 2016	On-track
Human Resources Line of Business		
Publish government-wide Talent Development business requirements.	Q1 2016	Missed ²
Develop and publish government-wide Time & Attendance (T&A) business requirements.	Q2 2016	Missed ²
Publish the Human Capital Business Reference Model (BRM), a federal operation model for the HR function.	Q2 2016	Missed ²
Develop and publish government-wide Employee Performance Management business requirements.	Q3 2016	Missed ²
Develop and publish Identity, Credential, and Access Management (ICAM) Plan, a component of the HR Security Reference Model.	Q4 2016	On-track

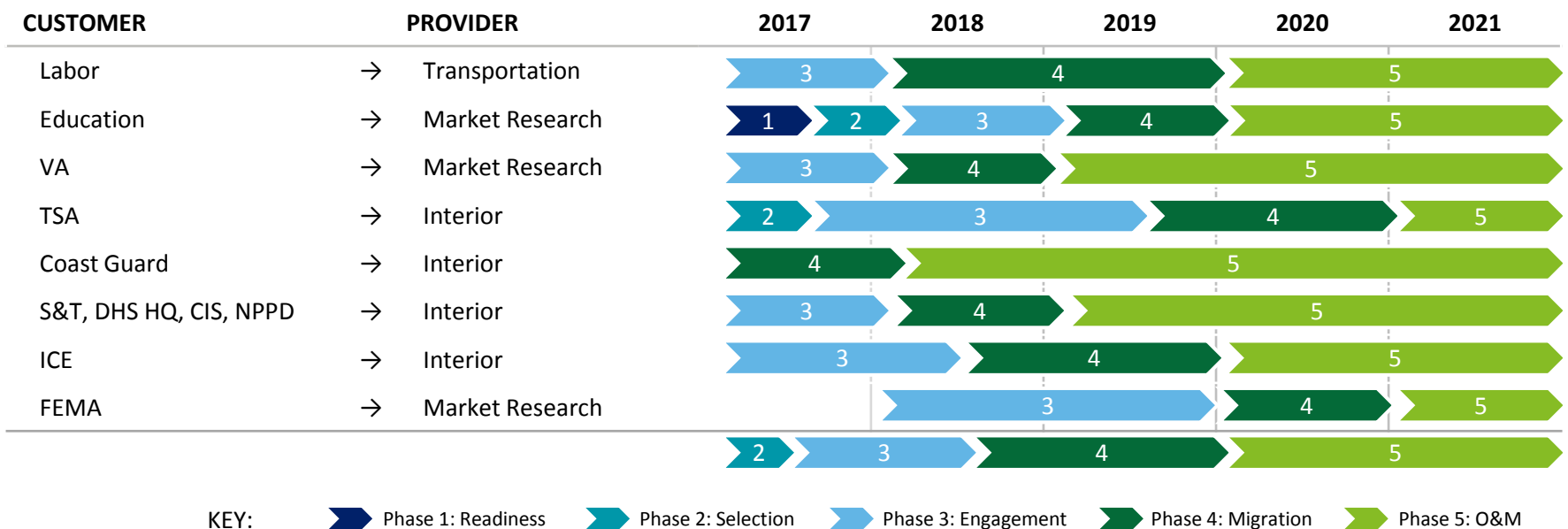
² These artifacts were completed prior to the milestone due dates. Documents are pending in the OPM clearance process awaiting approval for publication.

Financial Management Previous and Upcoming Modernizations and Migrations

PREVIOUS MODERNIZATIONS AND MIGRATIONS:

- Agriculture, Transportation, and Treasury (several bureaus/components) previously migrated to their respective SSP centers
- HHS, Energy, DOI, NSF and Justice previously underwent internal consolidations
- HUD recently migrated to Treasury for systems and transaction processing
- DNDO recently migrated FM systems to Interior

UPCOMING MODERNIZATIONS AND MIGRATIONS:



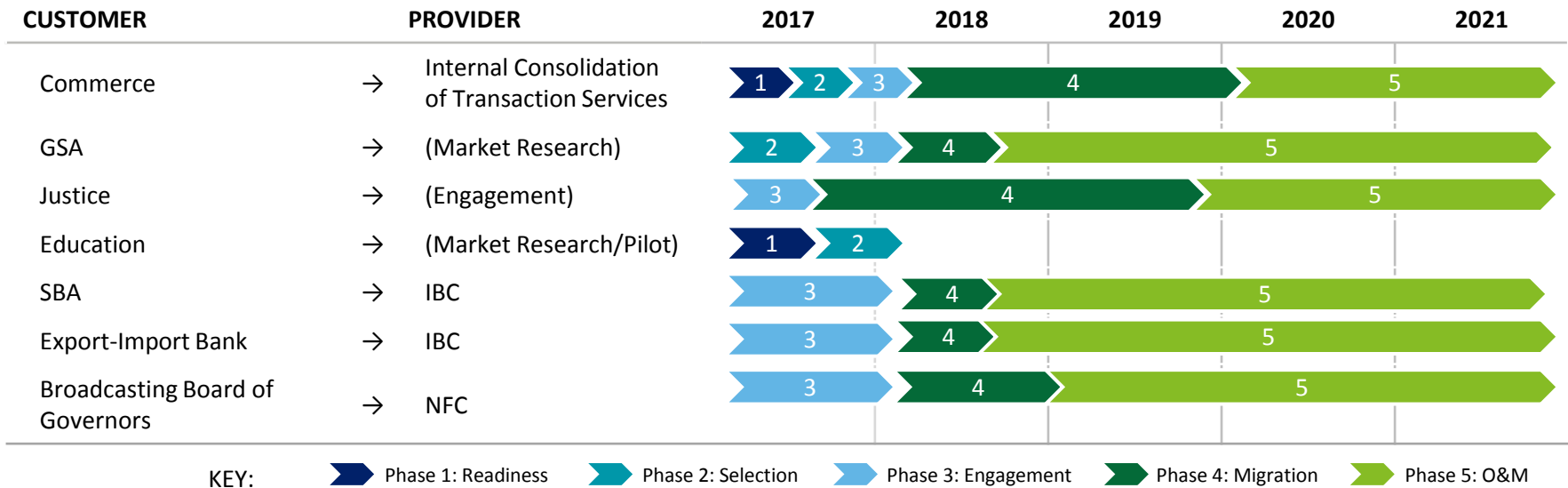
Note: As of 8/9/2016

Human Resources Previous and Upcoming Modernizations and Migrations

PREVIOUS MODERNIZATIONS AND MIGRATIONS:

- HR SSP adoption among CFO Act agencies has been concentrated within payroll and time and attendance systems support
- HUD, VA, FHFA, IBWC have recently completed migrations or centralizations

UPCOMING MODERNIZATIONS AND MIGRATIONS:



Note: As of 8/9/2016

Shared Services M&O Future State

Current State and Challenge:

- Multiple shared service initiatives are independently led with inconsistent guidance across service areas, Federal agencies, Lines of Business and providers.
- To achieve the CAP goal to strategically expand high-quality, high value shared services and to improve performance and efficiency throughout government, reform is required in the way the government delivers and oversees its shared service initiatives.

OMB initiated the Administrative Shared Services Management and Oversight (M&O) study to identify possibilities for organizational realignment for management of administrative services.

Study Engaged a Broad Range of Stakeholders and Experts:

- Steering and advisory committees comprised of OMB and cross-government executives guided the study.
- Conducted 22 focus groups with over 90 government shared service stakeholders.
- Participants included CxOs (CFO, CAO, CHCO, CIO) or their designated representatives, and targeted Federal agencies currently consuming, providing or migrating to administrative shared services.
- Reviewed more than 100 documents including journal publications; case studies; government, association and industry reports; policy directives and guidance.

The future state for the administrative shared services ecosystem requires striking a balance among multiple factors:

- “Good government”, specifically economies of scale, leveraging proven solutions and reducing duplicative investments;
- Current and future consumer benefit and protection;
- Provider entrepreneurship and innovation.

Initial scope narrowed to Acquisitions, Financial Management, Human Resources, Information Technology, and Travel.

Key Performance Indicators

Key Implementation Data

Year One Metrics	Source	Baseline	Baseline Year	Target	Frequency	Latest data#	Trend
• % of Departments using shared services for some core administrative function (FM, HR, IT, etc.).	Agency Data Call	TBD	2014	100%	Annual	Under Review ³	NA
• Overall customer satisfaction with FM providers	USSM	72%	Q2 2015	80%	Annual	78%	NA
• Customer satisfaction with value of FM services received for price paid	USSM	54%	Q2 2105	80%	Annual	66%	NA
• Total # of instances of Financial Management Systems in the Federal Government	FMLOB	46	Q3 2015	TBD ³	Annual	46	NA
• % of agencies using shared services for core HR	HR LOB	56.72%	2003	100%	Annual	84.21% ⁴	Increasing
• % of agencies using shared services for payroll	HR LOB	61.62%	2003	100%	Annual	99.25%	Steady
• Overall customer satisfaction with HR system providers	USSM	75%	2013	80%	Annual	76% ⁶	Steady ⁵
• Customer satisfaction with value of HR system services	USSM	50%	2013	80%	Annual	74% ⁶	Steady ⁵

Indicators in Development – Year Two and Three Metrics:

- Increase in shared services adoption among 24 CFO Act agencies for individual [function] processes
- Improvements in satisfaction results from customers (CFOs, CHCOs, CIOs, CAOs, etc.)
- Total # of Human Resources Systems in the Federal Government
- HRIT costs relative to customer satisfaction

³ Will be provided in FY 2016 Q3 after the conclusion of a study to identify the optimal future-state vision of shared service delivery.

⁴ Calculated as a percentage of federal civilian FTEs.

⁵ Designated as “Steady” because statistical tests on the degree of year-to-year change show the variation to be statistically insignificant.

⁶ Based on 2016 Customer Satisfaction Survey for shared services.

Contributing Programs

Shared Service Providers	Core Services Provided
Department of Agriculture, National Finance Center (NFC), Financial Management Services (FMS) *	Human Resources and Payroll, Financial Management, Data Center Hosting
Department of Interior, Interior Business Center (IBC)*	Human Resources and Payroll, Financial Management, Acquisition Services
Department of Treasury, Administrative Resource Center (ARC)* and Shared Services Programs (SSP)	Human Resources, Financial Management, Acquisition Services, Data Center Hosting
Department of Transportation, Enterprise Service Center (ESC)*	Financial Management, Data Center Hosting
Department of Health and Human Services, Program Support Center (PSC)	Human Resources, Financial Management, Real Estate and Logistics, Acquisition Services
Department of Defense, Defense Finance and Accounting Service (DFAS)	Financial Management, Payroll
Department of Defense, Defense Civilian Personnel Advisory Service (DCPAS)	Human Resources
General Services Administration, Business Management Office	Human Resources and Payroll, Financial Management, Data Center Hosting

* Designated by OMB and Treasury as a Federal Shared Service Provider for financial management.

Acronyms

- ARC - Administrative Resource Center
- CAO – Chief Administrative Officer
- CAP – Cross Agency Priority
- CFO – Chief Financial Officer
- CHCO – Chief Human Capital Officer
- CIO – Chief Information Officer
- DCPAS – Defense Civilian Personnel Advisory Service
- DFAS – Defense Finance and Accounting Service
- DHS – Department of Homeland Security
- DNDO – Domestic Nuclear Detection Office
- Education – Department of Education
- ESC – Enterprise Service Center
- FAME – Federal Agency Migration Evaluation
- FIT – Office of Financial Innovation and Transformation
- FM – Financial Management
- FSSP – Federal Shared Service Providers
- GAO – Government Accountability Office
- GSA – General Service Administration
- HR- Human Resources
- HUD – Department of Housing and Urban Development
- IBC – Interior Business Center
- IG – Inspector General
- IT – Information Technology
- Labor – Department of Labor
- NFC – National Finance Center
- OFPP – Office of Federal Procurement Policy
- OMB – Office of Management and Budget
- PSC – Program Support Center
- RFI – Request for Information
- SLA – Service Level Agreement
- SSP- Shared Service Program
- Treasury – Department of the Treasury
- TSA – Transportation Security Administration
- USCG – United States Coast Guard
- USDA – United States Department of Agriculture
- VA – Veterans Affairs