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UMD AD Case Competition

Virtual Kickoff
April 11, 2023

Deloitte Overview

Deloitte is the world's largest professional services firm

Deloitte has 70,000+ professionals in the U.S. who provide advisory, audit, consulting, and tax services.



Deloitte is consistently named one of the **best companies** to work for by *Fortune* and *BusinessWeek* and we are ranked **no. 1 in Public Sector Consulting** by *Vault*



Our consulting practice delivers services across **core business operations, customer & marketing, enterprise performance, human capital, and strategy & analytics**



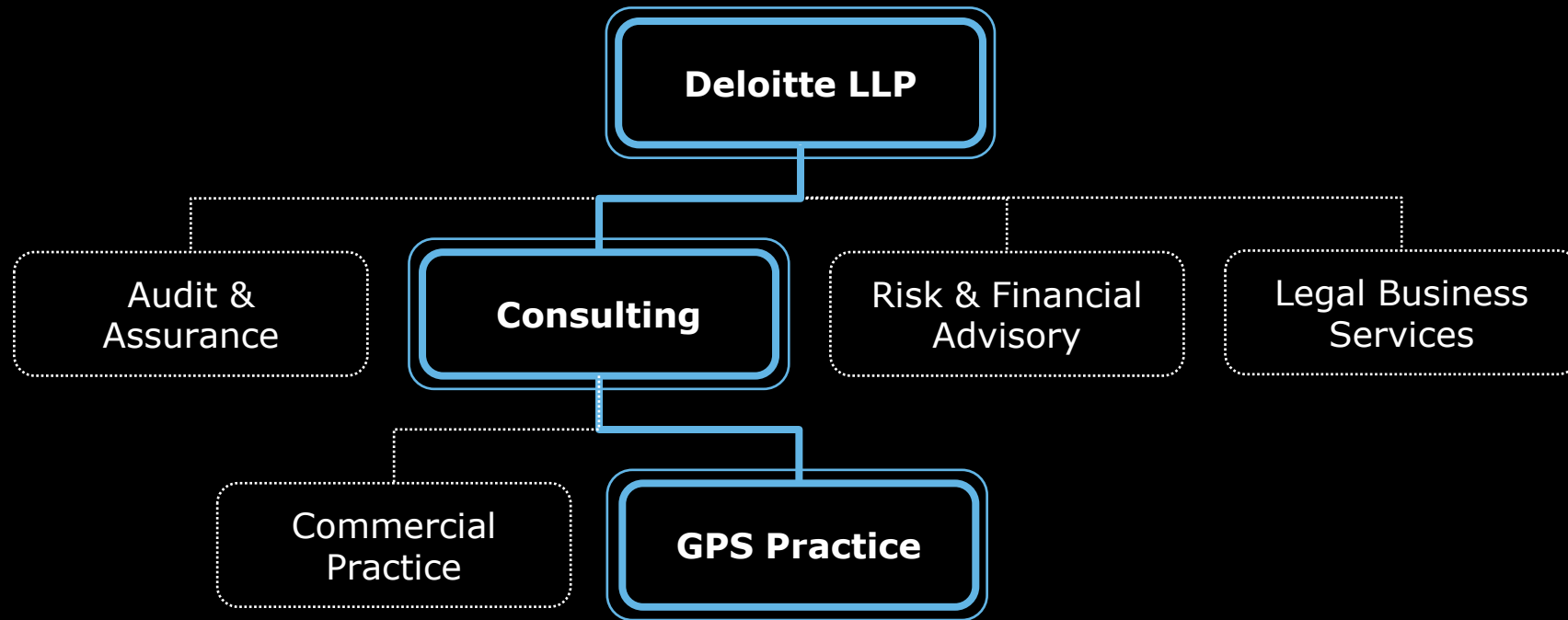
Our culture is **inclusive, collaborative, and innovative**



We invest in **growth, development, and leadership** for our people

We work in Deloitte's Government & Public Services (GPS) Consulting Practice

Consultants in the GPS Consulting Practice help government agencies make difficult choices and bridge the gap between vision and execution.



We work in Deloitte's Government & Public Services (GPS) Consulting Practice

Within the GPS industry, Deloitte serves clients across the globe and across all components of government. There are over 12K GPS consultants serving clients across the Federal government, state and local governments, and higher education.

State, Local, & Higher Education

Clients Include:

- Commonwealth of Pennsylvania
- State of Michigan
- University of California
- State of Texas

Federal Health

Clients Include:

- Centers for Disease Control & Prevention (CDC)
- Food & Drug Administration (FDA)
- Military Health System (MHS)
- Veterans Affairs (VA)



Defense, Security & Justice

Clients Include:

- United States Navy
- Department of Justice (DOJ)
- United States Air Force
- United States Army

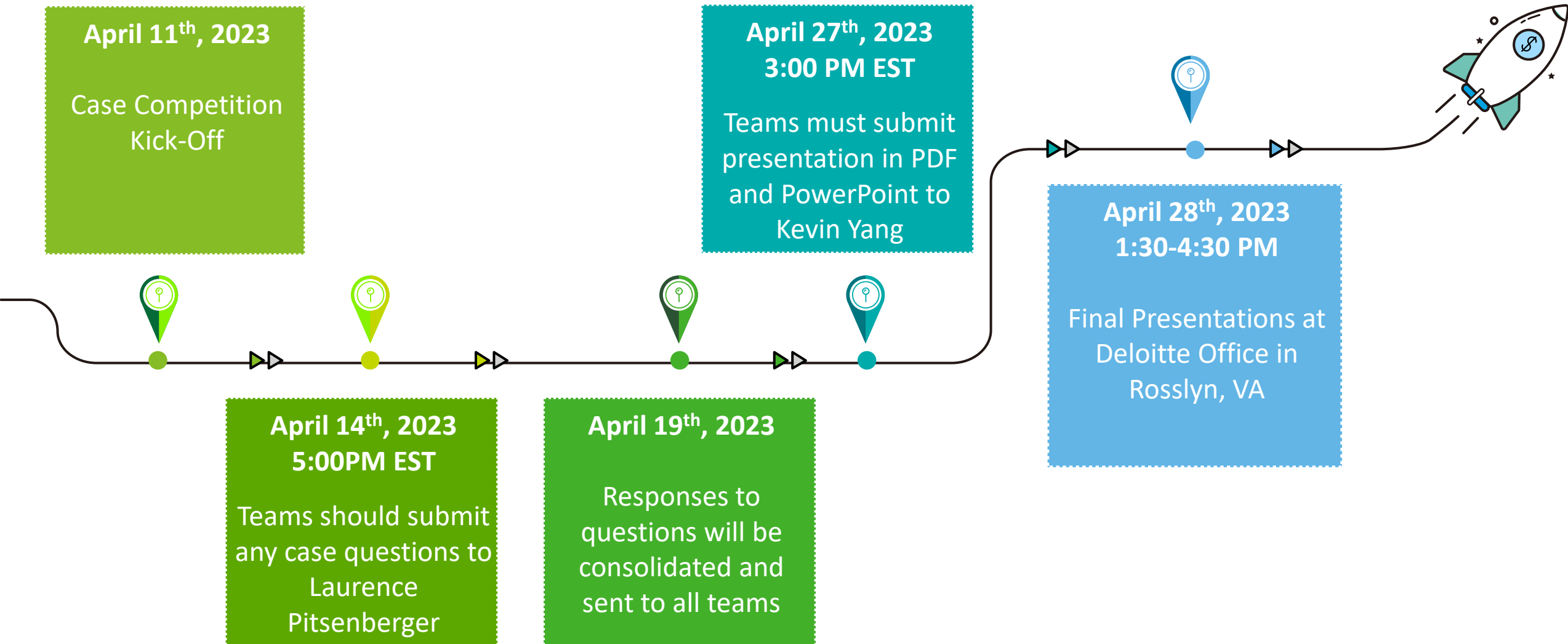
Civil Government

Clients Include:

- Internal Revenue Service (IRS)
- Department of State (DOS)
- Department of Agriculture (USDA)
- United States Postal Service (USPS)

Case Competition Overview

Case Competition Timeline



Team Assignments

Team	Team Coach	Team Coach Email Address	Team Members
1	Bill Fegan	bfegan@deloitte.com	Aviva Mehta, Tae Woo Kim, Syarifatul Umam, Joshua Soundararajan
2	Dan Page	danpage@deloitte.com	Shweta Salelkar, Satvik Narang, Lakshita Garg, Vatsal Srivastava, Sherman Sequeira
3	David Piliponskiy	dpiliponskiy@deloitte.com	Sharjeel Nawaz, Stephen Alexander, Ayush Sinha, Durga Ramamoorthy, Josef Butkus
4	Terqueasha Wooten	twooten@deloitte.com	Sakshi Patil, Harshitha Ramachandra, Dhiraj Lahoti, Asmita Samanta, Shashank Ramprasad
5	David Piliponskiy	dpiliponskiy@deloitte.com	Jarrar Haider, Marvelyn Abigail, Sanwon Seo, Yi-Hua Lan, Shiv Jethi
6	Dan Page	danpage@deloitte.com	Isleidys Mendez, Shreyas Rao, Peter Cassell, Boaz Edinger, Beena Kalavadia
7	Bill Fegan	bfegan@deloitte.com	Nishma Garg, Alexandria Hare, Jaime Potter, Akhil Reddy, Lisa Coe

Team Coaches

An experienced Deloitte consultant has been assigned to each team to support as Team Coaches who will serve as advisory resources for the teams. It will be up to the teams to take the initiative to connect with their Team Coach.

What to Expect

- Weekly touchpoints
- High level guidance and feedback around core topics
 - Understand the problem
 - Shape the solution
 - Prepare the deliverable
- Challenge the team's assumptions and recommendations

Best Practices

- Be proactive and manage up
- Set a project schedule and adhere to it
- Understand that the Coaches are busy
 - Communicate
 - Provide enough time for any meeting
 - Prep materials to be reviewed
- Ask Coaches appropriate questions

Case Overview

Business Situation:

Your client is the **Chief Financial Officer (CFO) of a Federal Health Agency** that has recently received approval from Congress to **implement a working capital fund** for the back office financial services that the Office of Finance provides centrally to the agency's five operating divisions, referred to as Centers. The introduction of the working capital fund starting in FY 2024 means that going forward her office will collect funding from its customers, the agency's five Centers, rather than from congressional appropriations.

The CFO has asked for Deloitte's help in **establishing a process for the Office of Finance's working capital fund to recover the cost of its operations from the Center customers** the office serves. She wants to ensure the process is transparent and equitable and has asked for Deloitte to **also develop a governance structure** for the Centers to review and approve the Office of Finance's budget and their contributions towards it.

Background:

Office of Finance, Federal Health Agency

Office of Finance Overview

Overview: The Office of Finance provides financial management and reporting services, as well as acquisitions and grants management support. These services are provided centrally to the Federal Health Agency's five Centers.

FY 2024 Budget: \$20M; *5% annual increase from the prior year*

Employee Base: 200 full-time employees (FTEs)

Services Provided:

- General Ledger Services – Tracking spending and any earnings, as well as preserving accurate financial records and implementing effective recordkeeping systems.
- Vendor Invoice Processing – Process of receiving a supplier invoice, approving it, establishing a remittance date, paying the invoice, and then recording it in the general ledger.
- Travel Card Services – Providing support for using travel card to book flights and hotels for approved travel, and for properly submitting expenses.
- Acquisitions Support – Negotiating and awarding contracts to procure goods and services for the government.
- Grants Support – Issuing award of grants to support research for the public good.

Federal Health Agency Overview

Overview: The Federal Health Agency is made up five Centers (including a Headquarters), each with specific duties for protecting public health. The Centers operate independently with their own missions, leaders, processes, and budgets.

Center Details:

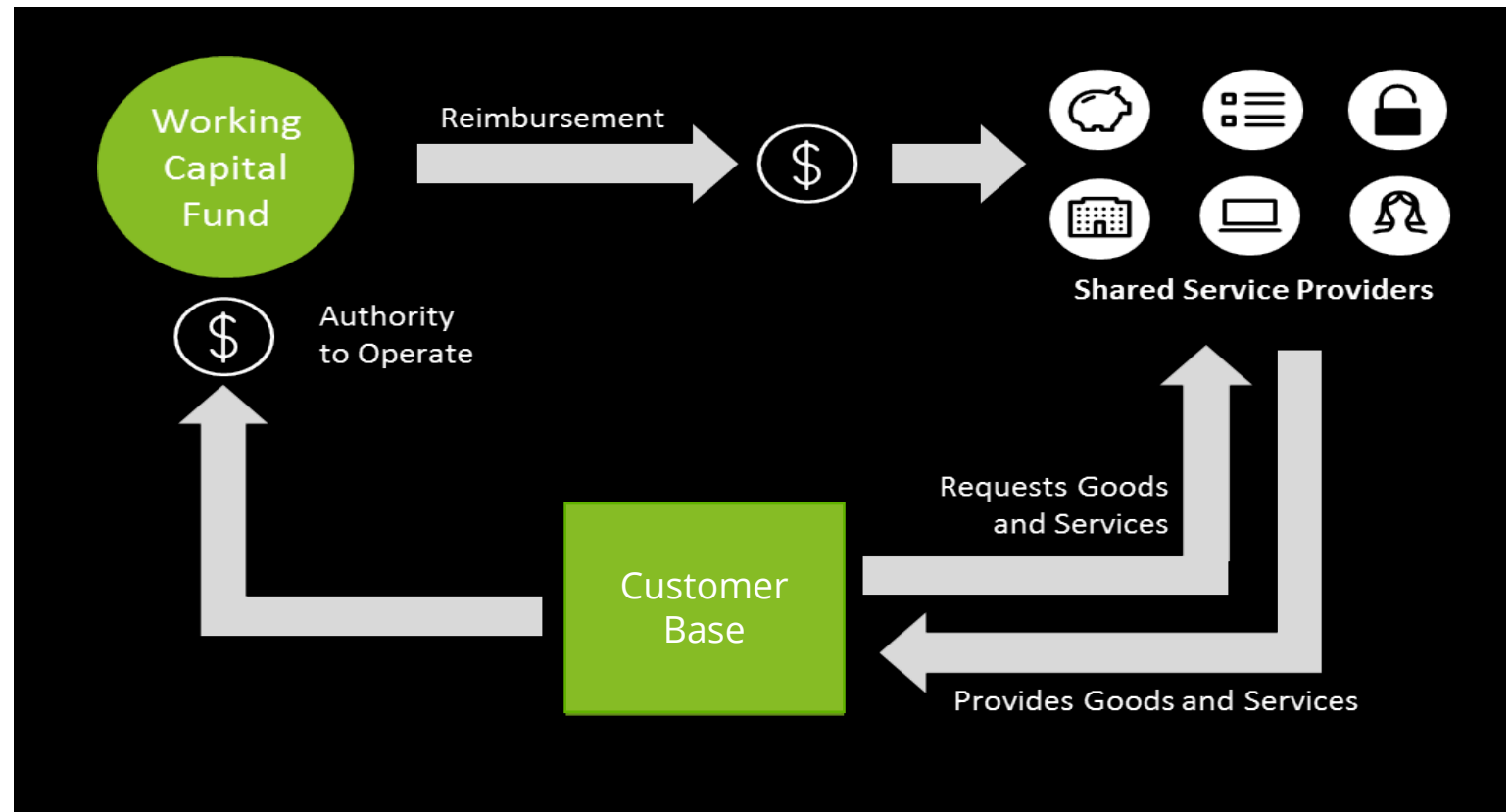
Headquarters	Center A	Center B	Center C	Center D
HQ sets the overall strategy and priorities for Agency and centrally administers several back-office functions across the agency to create efficiencies. CFO and Office of Finance reside within HQ.	Center A is the largest by budget and employees. Its budget is supplemented by fees collected for services provided to other Federal agencies. As a result, Center A is not traditionally especially cost conscious.	Center B is the second largest Center. Its leaders feel that the pursuit of its mission is constrained by a limited budget, and as a result, Center B is very cost-conscious and outspoken in budget negotiations.	Center C, although it is the smallest Center, is very passionate about its mission and extremely protective of its budget.	Center D was recently established in response to legislation providing support for new policies and programs for at-risk populations. Center D expects to grow 25% in budget and number of employees over the next two years.
FY24 Budget: \$210M Employee Base: 514 FTEs	FY24 Budget: \$2,050M Employee Base: 6,000 FTEs	FY24 Budget: \$1,300M Employee Base: 3,800 FTEs	FY24 Budget: \$202M Employee Base: 840 FTEs	FY24 Budget: \$680M Employee Base: 1,200 FTEs

The Challenge: Implementing a Working Capital Fund

Working Capital Fund Basics

A **working capital fund (WCF)** is a type of revolving fund that encourages Federal agencies **to rely on the collection of funds from customers** rather than direct congressional appropriations to finance their operations.

- Collections from customers are estimated to cover the full cost of operations and gives agencies the ability to **finance continuing operations and allow for infrastructure investments** across fiscal years.
- Working capital funds are intended to operate on a **break-even basis**.



Benefits of a Working Capital Fund

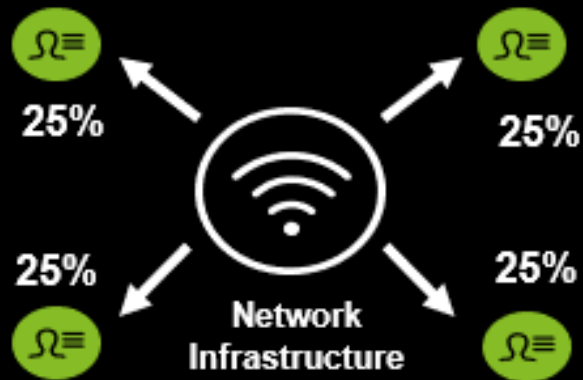
Implementing a working capital fund can yield the following benefits for Federal agencies:

- **Budget Optimization** – allows customers to have direct input into the budget process to ensure their program needs are met and appropriately resourced.
- **Efficient Management** – consolidates the budgeting, accounting, and reporting functions under a single governance and financial structure.
- **Fiscal Accountability and Transparency** – creates more accountability about the cost of products and services, creating incentives only to consume what is needed to support the mission.

Cost-Recovery Methodology

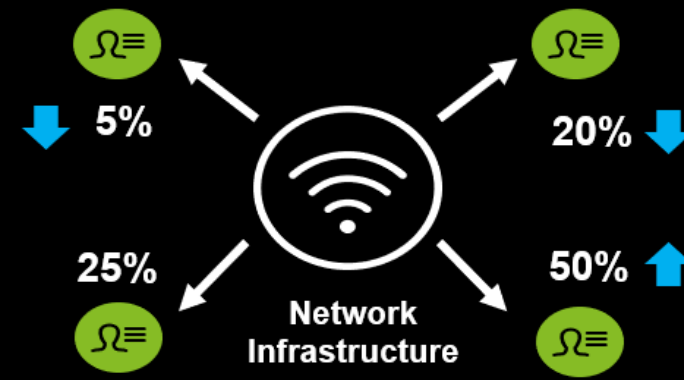
A cost-recovery methodology provides the mechanical framework for a Working Capital Fund by helping assign the costs of an organization's activities to customers equitably.

Historical State



- Customers are not necessarily billed in an equitable manner—even in cases where customers are not using services equally.
- Customers receive bills without transparency into how their costs were calculated.

Desired State



- Service cost are allocated based on established and equitable methodology.
- Customers understand the services they are receiving and are better equipped to manage costs accordingly.

The Assignment:

Deliverables, Expectations, and Guidelines

The Assignment

The CFO of a Federal Health Agency has asked for Deloitte’s help in implementing a working capital fund for centrally administered financial services.

Your Task

Develop a process for the Office of Finance to work with its Center customers to set the office’s operating budget and determine how its working capital fund will be recover costs from the Centers, on an annual basis.

Your solution must incorporate the following:

- Establish a cost-recovery methodology to determine how the Office of Finance’s budget will be collected from each of the Centers.
- Develop a governance structure for the Centers to review and approve of the office’s annual budget and its cost-recovery methodology.
- Consideration of change management requirements and processes.

Business Assumptions

Your solution should also consider and/or address the following key assumptions pertaining to the business landscape:

- The working capital fund must be operationalized for the start of FY 2024.
- The transition to the working capital fund will be budget neutral for each of the Centers for FY 2024; the Center budgets will be adjusted for FY 2024 according to your cost-recovery methodology.
- The CFO is hoping to use this working capital fund model as pilot to eventually be expanded to other shared services functions, such as HR and IT.

Presentation Guidelines

- The materials provided should include all necessary information to develop the solution and presentation. Teams are welcome to conduct external research.
- Case presentations must be submitted by email as a PDF **and** a PowerPoint presentation **to Kevin Yang at keviyang@deloitte.com by 3:00PM EST Thursday, April 27, 2023**. Failure to submit on time will result in disqualification. Students should also bring four hard copies of the presentation and the presentation on a USB drive.
- Teams can submit questions to **Laurence Pitsenberger at lpitsenberger@deloitte.com by 5:00 PM EST Friday, April 14, 2023**. We will consolidate all questions and share responses with all teams simultaneously by **Wednesday, April 19, 2023**.
- Teams will have **10 minutes to present, followed by 7 minutes of Q&A** (with a hard stop for both presentation and Q&A). Every team member must have a speaking role during the presentation.
- There is no slide limit for the presentation, **but teams should consider presenting to C-suite type of leaders**. The presentation needs to be crisp, direct, and impactful. The time limit will be strictly enforced.
- Please include a **team introduction slide** with pictures of each team member.

Appendix:

Additional Information

Office of Finance Budget

The Office of Finance’s budget for the upcoming and current fiscal year is provided below.

Office of Finance Budget		FY 2024	FY 2023
Personnel	Leadership Team	1,000,000	950,000
	General Ledger Team	2,700,000	2,500,000
	Invoice Processing Team	1,900,000	2,100,000
	Acquisitions Team	7,000,000	6,100,000
	Grants Team	3,600,000	3,600,000
	Travel Card Team	1,200,000	1,200,000
	Compliance Team	600,000	700,000
	Internal Training Team	400,000	300,000
Total Personnel		18,400,000	17,450,000
Non-Personnel	Accounting System Consultants	350,000	350,000
	Acquisitions and Grants Software	400,000	400,000
	Computer Equipment	675000	675000
	Materials / Supplies	100,000	100,000
	Travel	75,000	75,000
	Total Non-Personnel	1,600,000	1,600,000
Total Budget		20,000,000	19,050,000

Office of Finance Service Statistics

Vendor Invoice Processing

Center	\$ Value of Invoices Processed			# of Invoices Processed		
	FY 2021	FY 2022	FY 2023 (est.)	FY 2021	FY 2022	FY 2023 (est.)
Headquarters	18,000,000	22,000,000	20,000,000	5,000	5,500	5,000
Center A	300,000,000	310,000,000	330,000,000	23,500	23,600	23,650
Center B	240,000,000	260,000,000	250,000,000	20,000	25,000	26,000
Center C	20,000,000	22,000,000	22,000,000	1,300	1,300	1,400
Center D	N/A	55,000,000	111,000,000	N/A	11,000	20,000

Travel Card Services

Center	# of approved Travel Cards			# of Trips taken		
	FY 2021	FY 2022	FY 2023 (est.)	FY 2021	FY 2022	FY 2023 (est.)
Headquarters	75	77	81	200	600	625
Center A	400	400	400	398	1,000	1,100
Center B	338	340	342	200	905	950
Center C	54	55	54	61	310	320
Center D	N/A	123	120	N/A	120	350

Office of Finance Service Statistics *(continued)*

Acquisitions Support

Center	\$ Value of Contracts Awarded			# of Contracts Awarded		
	FY 2021	FY 2022	FY 2023 (est.)	FY 2021	FY 2022	FY 2023 (est.)
Headquarters	19,000,000	20,000,000	21,000,000	100	110	115
Center A	150,000,000	155,000,000	165,000,000	1,000	1,100	1,200
Center B	100,000,000	110,000,000	115,000,000	950	1,050	1,100
Center C	10,000,000	11,000,000	10,500,000	175	190	180
Center D	N/A	75,000,000	125,000,000	N/A	600	1,000

Grants Support

Center	\$ Value of Grants Awarded			# of Grants Awarded		
	FY 2021	FY 2022	FY 2023 (est.)	FY 2021	FY 2022	FY 2023 (est.)
Headquarters	0	0	0	0	0	0
Center A	150,000,000	155,000,000	165,000,000	750	775	800
Center B	150,000,000	140,000,000	145,000,000	700	700	700
Center C	15,000,000	15,000,000	15,000,000	50	50	50
Center D	N/A	300,000	1,500,000	N/A	1	4

Center Considerations

Each of the Centers have special considerations that will impact their interests and should be taken into account when developing a cost-recovery methodology and governance structure for the working capital fund.

Headquarters	Center A	Center B	Center C	Center D
While the Office of Finance is aligned under Headquarters, it still provides services to Headquarters and must treat it like any of the other Center customers.	Center A is planning a new initiative that will require dedicated acquisitions support to the expedient award of new contracts. Center A is willing to pay extra to gain priority over other Center customers for acquisitions support.	Center B has had recent success using bots to automate various processes and has recommended that the Office of Finance implement a similar solution to automate Vendor Invoice Processing. The solution would require an upfront investment of \$500,000 but would save \$800,00 in personnel cost annually starting next year.	Center C has asked its fellow Centers to consider allowing it to be exempt from contributing to the Office of Finance’s cost-recovery.	Center D is planning various new initiatives that will require additional acquisitions and vendor invoicing support starting next year. As a result, the Center leaders are concerned that any cost-recovery methodology based on consumption will negatively impact their budget.