

Executive Report

January 2015

2015 Federal Financial Systems Summit (FSS)

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AGA's Corporate Partner Advisory Group

AGA's annual Federal Financial Systems Summit was developed out of AGA's Corporate Partner Advisory Group (CPAG) for the purpose of providing a forum to bring federal financial managers and private sector executives together to discuss the near-term and future prospects of federal financial management systems in a budget-constrained environment.

The mission of the CPAG is to bring industry and government executives together to exchange information,

support professional development, improve communications and understanding, solve issues and build partnership and trust, thereby enhancing AGA's focus on advancing government accountability. This is accomplished by providing studies and analyses of public sector financial management; providing input to AGA for the purposes of informing government on the possible impacts of industry trends and best practices in financial management, and; facilitating a neutral

platform for dialogue and collaboration between government and industry.

CPAG members are a network of public accounting firms, major system integrators, IT companies, management consulting firms, financial services organizations and education and training companies that all have long-term commitments to supporting the financial management community and choose to partner with and help AGA in its mission.

Executive Summary

More than 700 (300 virtually) government financial professionals — representing federal program agencies, central policy-making organizations, state and local governments, academia and the private sector — participated in AGA’s 2015 Federal Financial Systems Summit (FSS) in Washington, D.C. to discuss the current state of the financial management systems environment — from efforts to address and comply with the Digital Accountability and Transparency Act of 2014 (DATA Act) to the lessons learned by federal agencies and experts on planned, ongoing, or completed migrations to shared service providers. The FSS provided a forum for the exchange of thoughts and ideas between federal agency stakeholders, private-sector partners, and key policymakers from the Office

of Management and Budget (OMB) and the U.S. Department of the Treasury (Treasury) using a real-time audience response system from Poll Everywhere, which allowed moderators and panelists to survey audience participants on a number of topics and for participants to submit questions for the moderators and panelists. In addition, for the first time, the FSS was livestreamed, allowing remote participants from across the country to benefit from the insights and interactions.

Topics from this year’s FSS continued to grow upon the foundational knowledge shared in the past. OMB and Treasury shared efforts to benchmark financial management services across the government, while executives from federal agencies shared their

experiences with establishing service metrics and benchmarking of services. In addition, the results of the Annual AGA Chief Information Officer (CIO) survey were revealed, as panelists discussed their perspectives on the top five biggest concerns with the migration to shared services. A panel of federal executives also discussed the challenges and opportunities associated with workforce changes. In addition, panelists shared auditing and oversight implications related to a service provider model. Finally, a data-centric approach to the roll-out of the DATA Act was discussed, and benefits of this methodology were highlighted.

Session One: OMB and Treasury Update

Session Overview

During Session One, **Mr. Dave Mader**, Controller at OMB, and **Mr. David Lebryk**, the Fiscal Assistant Secretary at Treasury, kicked off the event by discussing the benefits of shared services and future expectations for the federal government. Mader and Lebryk responded to audience questions, and announced benchmarking efforts of services across the government to allow for easier access to, and comparisons of, data.

Speaker Perspectives

Mader kicked off the discussion by stressing the importance of the President's Management Agenda (PMA) and how it is a roadmap for the future showing where the government will make investments of dollars and intellectual capital. The four pillars of the PMA - efficiency, effectiveness, economic growth, and people and culture - can be used to drive the government forward. Mader noted that just because agency budgets have tightened does not mean that the government cannot meet or exceed U.S. citizens' needs. With the move to shared services, OMB is executing a vision that is better not only for U.S. citizens, but makes the government a place where people want to work. As a result of changes in technology, federal employees have been able to achieve many remarkable successes.

Utilizing and adapting technology to suit the government's needs will allow the government to continue achieving these successes and stimulate economic growth in areas that have remained stagnant. According to Mader, to attain these goals, the government will need effective finance, human resources, and contract systems or it will not be able to deliver this mission. These systems provide important information and support to agencies and are not just overhead.

Lebryk once again this year, highlighted his three truisms: retirements are coming, technology is getting better, and budgets are and will continue to become tighter. As a result, adoption of shared services is a necessary step for the federal government. Departments can do a better job of planning and implementing steps to mitigate an aging workforce, as departments continue to decrease in size. Lebryk pointed out that only seven percent of the government workforce is under the age of 30, which creates the need to bring in recent graduates to replace those employees who have left and supply the next generation of government workforce.

Lebryk explained that as government consolidates its systems, costs will be lower and the government will have the ability to get to data easily. This will position leadership to look across many agencies to perform comparisons. The four Federal Shared Service Providers

(FSSPs), specifically the Department of Agriculture (USDA), the Department of Interior (DOI), the Department of Transportation (DOT) and Treasury, all provide a modern technology platform that enables agencies to offload their back office functions to a more standard set of systems. The government is also investigating opportunities to use electronic invoicing government-wide, which will be strengthened by activity related to the DATA Act. Lebryk pointed out that the DATA Act is a big effort that is very important to the government overall. Agency reactions so far have not been negative, as leadership understands why the Act is being implemented and knows that it is a necessary step as the government moves forward. Work still needs to be done to move forward, but implementation of this Act is a promising step toward improving the government. The government will probably see a difference five years from now and will likely be very different from the government we know today.

In the past, Mader explained that the federal government has not been able to compare the level of financial management operations across the various departments due to the variety of systems deployed. Now, however, a set of benchmarks are being put forth, that will allow the government to compare performance across agencies and departments. This effort was led

and developed by OMB and the General Services Administration (GSA) and discussed with the chief financial officer of every agency.

While the data provided for this benchmarking effort is not perfect due to differences in agency operations, it does provide areas potentially needing improvements. For the upcoming second phase of this benchmarking effort, OMB and GSA will focus on the cost of agency activity. There needs to be a balance of efficiency and effectiveness along with customer satisfaction. The government wants to run more like the private sector with regard to efficiency, but with a focus on the benefit to the citizen rather than overall profits. The succeeding session of the FSS, and the Session 2 section of this report expanded upon the benchmarking initiative.

As shown in **Figure 1**, over 75% of respondents believed that benchmarking leads to tangible performance improvements some or most of the time, and that virtually all respondents believe the benefits are worth the cost.

Mader explained that the government is trying to create a business model focused on buyers and sellers, and benchmarking data will be provided to both. This will allow for the analysis of costs and provide insight as to why agencies are not able to perform at the level of their peers. Lebryk added that

the four FSSPs are very serious about this benchmarking effort, and everyone is aware that the focus needs to be on comparing data intelligently since it will not be perfect. Mader emphasized that he will measure the success of his efforts by whether or not the next administration decides to keep the work that has been done during this current administration. Lebryk and Mader were not sure if the benchmarking results will be publically available at this time.

With the latest migration of the Department of Housing and Urban Development (HUD) to Treasury, Mader and Lebryk both noted that work is continuing and some big successes have been achieved. HUD is beginning to evolve their thinking and has come to the conclusion that if they are going to get a clean audit opinion, they need to turn to shared services. In addition, if they are going to reduce their IT footprint, they need to turn to shared services. HUD hired 1,000 employees last year in 79 days because they are using shared services. They have also migrated to a new travel system.

100% of respondents said benchmarking benefits are worth the cost.

This is the first major agency that has accomplished this kind of migration, and Lebryk noted they are making very good progress.

Treasury's Office of Financial Innovation and Transformation (FIT) has helped drive HUD's framework and governance by making sure HUD knows the FSSP service offerings. FIT has also focused on making sure HUD pays attention to their employees and has focused on providing a forum for their people to be heard and for HUD to receive feedback on their successes so far. FIT has closely analyzed what has worked well during the migration and what has not. So far, the biggest change to manage has been the cultural differences involved in the use of a shared service model.

Session Two: Benchmarking Mission-Support Functions in Federal Government

Session Overview

Session Two allowed for agency leaders to note how the benchmarking initiative discussed in the Session One: *OMB & Treasury Update*, has helped their agencies and how they have used these metrics to improve their processes. The speakers all noted that benchmarking initiatives will provide the data necessary for agencies to find what needs to be improved and how. All of the panelist were confident that this effort was valuable and expect vast improvements as it is rolled out to other agencies.

Speaker Perspectives

The session featured four federal agency leaders working on benchmarking initiatives. **Mr. Doug Glenn**, the Deputy CFO from the Department of the Interior (DOI), **Ms. Renee Wynn**, Acting Chief Information Officer (CIO) for the Environmental Protection Agency (EPA), **Ms. Melinda Morgan**, Director of Finance for the Department of Justice (DOJ), and **Mr. Steve Brockelman**, Director of the Executive Councils for the Executive Office of the President (EOP). The Executive Councils encompasses the federal “CXO” Councils (i.e. CFO,

CIO, CAO, etc.). The panelist spoke to the benchmarking efforts each of their respective agencies are taking on, and how their agencies are using these metrics.

To kick off the session, the moderator, **Stephanie Mango**, Vice President at CGI Federal, asked a few questions to the audience to learn their understand of shared services and understand what they feel are the most important potential benefits of migrating to a shared services provider. The results are shown in **Figure 2**.

Glenn noted that as a result of this effort he is a convert to the benchmarking effort. He has participated in a previous benchmarking effort, but the results from the data were hard to use because they have to spend a lot of time getting an “apples to apples” comparison, otherwise there is no way to know if the results are good or not.

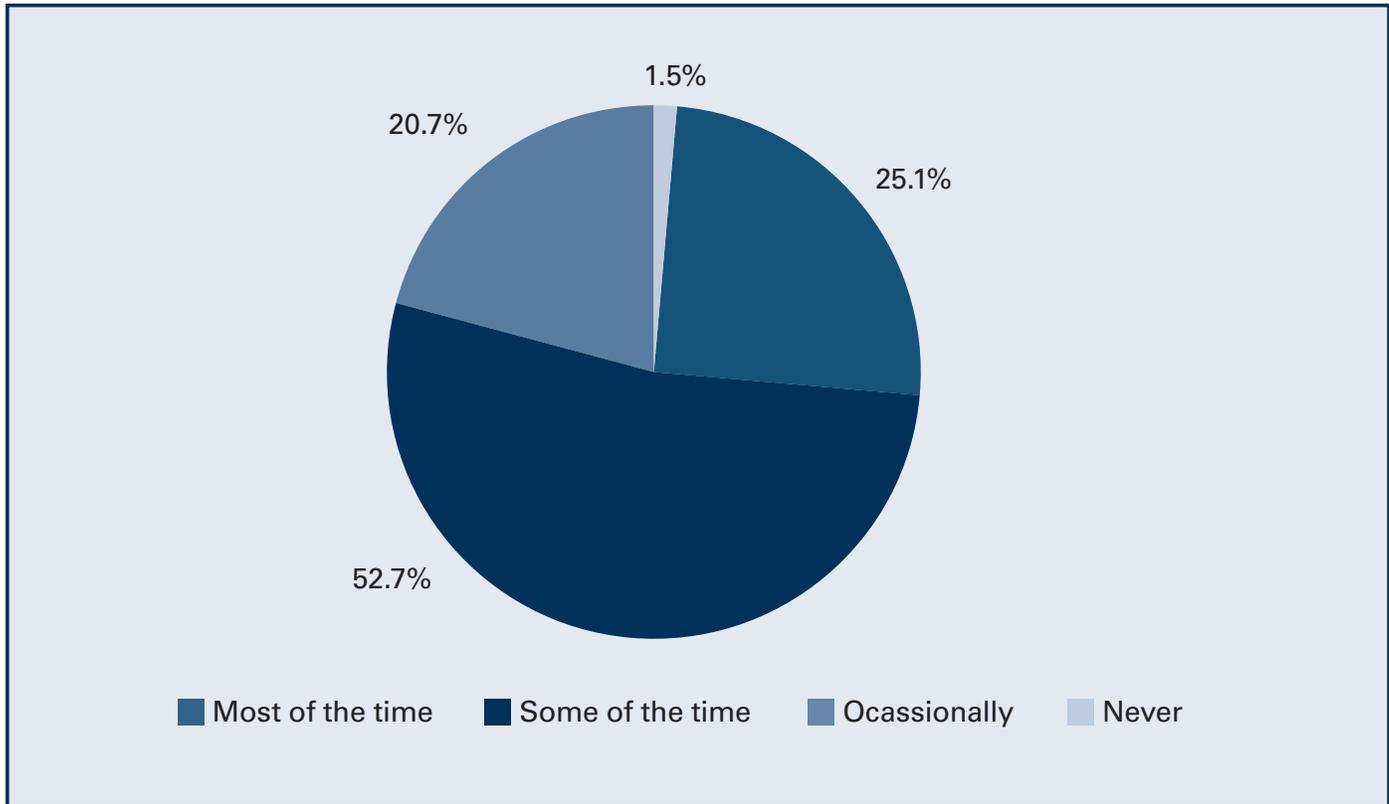
Morgan remarked that benchmarking has been a good conversation starter within her agency. DOJ’s workforce is decentralized, so benchmarking has had a real impact on how they account for data and what they do with that data. DOJ wants to continue to analyze what is actionable.

Brockelman provided an overview of the Executive Council’s support to the various “CXO” Councils, which are perfect mechanisms for coordinating the benchmarking effort. He identified three guiding principles for this project: focusing on the customer, data quality, and leveraging existing processes. His team wants to focus on the customers. They have talked with “CXOs” from the beginning of this effort to understand what data is needed to run their functions and improve performance. The quality and consistency of the data is paramount, but they also did not want perfect to be the enemy of good. Too many benchmarking efforts have been unsuccessful because they focus too much on obtaining perfect data. His team instead want to move forward with the data they have because it will get better the more they have and are able to work with it. Lastly, his team did not want to add to the burden. They leveraged data the agencies are already using to provide an easy way of reporting information.

So far, Brockelman’s group has benchmarked five mission support functions (acquisition, IT management, financial management, human capital, and real property) and created more

Benchmarking Mission-Support Functions

FIGURE 1: HOW OFTEN DO YOU FEEL THAT BENCHMARKING EFFORTS LEAD TO TANGIBLE PERFORMANCE IMPROVEMENTS?



than 40 different metrics. There is a website available to government employees that allows users to view a comparison across agencies. Phase one of this effort was all about cost and efficiency. Phase two completes the picture by assessing the quality of the services being delivered. The team is creating a government wide survey to understand how customers view the quality of the benchmarks.

Wynn commented that she wants to ensure comparison data will provide the right information for making public health decisions for EPA. It is important to have this kind of comparison data, but leadership also has to look at and understand the human side of the agency.

Audience Questions

Audience members submitted questions to the panelists to gain further insight into the benchmarking efforts.

Question One: What are the highest priority processes to measure in the government?

Morgan explained DOJ's environmental factors: DOJ has had a clean audit opinion for eleven years. They have over 200 Treasury Account Symbols (TAS), a decentralized workforce, and are reducing their number of financial systems. DOJ is looking at how they can get employees excited about metrics and start discussions. Morgan originally thought DOJ had fairly standardized processes, but in reality they did not. DOJ is worried not only about the numbers, but also what the numbers are capturing, and how

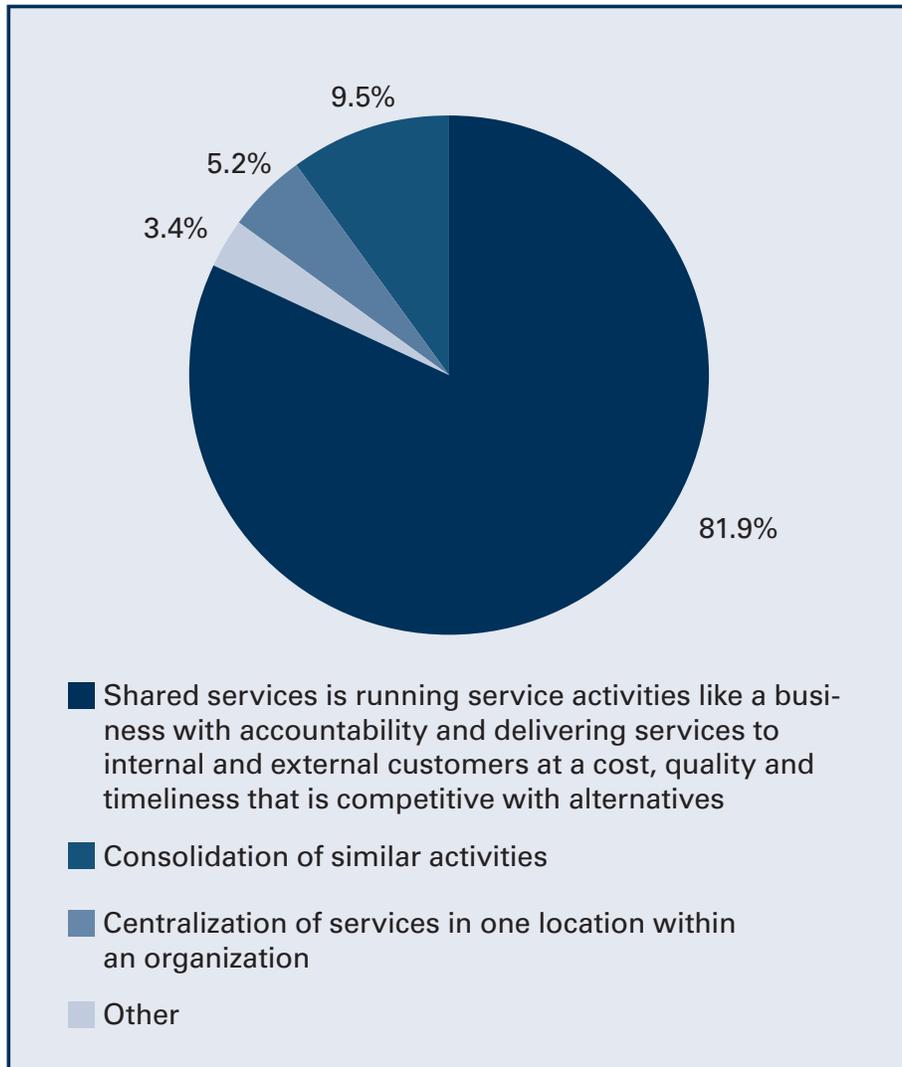
the agency can use this information to influence behavior changes. One of their biggest challenges was simply standardizing the definitions, which they have now accomplished.

Wynn commented that both internal and external processes must be examined for each agency, meaning both the agency's processes as well as the citizens they serve. For the EPA, that means looking at U.S. borders and keeping harmful things out of the country (external), as well as provisioning new devices (internal). Agencies have to look at both kinds of processes, but should pick a few to focus on because they will not be able to address all issues. Prioritization is important or nothing will get done.

Glenn explained that his agency received their first disclaimed audit opinion because they could not quantify

Benchmarking Mission-Support Functions

FIGURE 2: WHAT IS SHARED SERVICE?



how many unfiled customers they had in the prior year. By using a scorecard and various metrics, along with publicizing the information, they were able to get their clean audit opinion back. They were also not doing a good job of monitoring guarantees, but once they put a metric on it and publicized it, they were able to expose the most egregious offenders, and the significant deficiency went away within a year. Glenn explained that what gets measured gets done, especially if it is publicized. In addition, the best metrics are those with comparable populations, without focusing on perfection.

Question Two: Who should have access to the results of the benchmarking efforts, and when?

Morgan commented that the team eventually wants to make the results available to the public, but for now they are focusing on making it available to as many federal employees as possible. The data needs to become real to the employees so they will use it. They must understand the data, socialize it internally, and compute it across government to be able to say what can really be accomplished with shared services as well as what can be done to leverage government and agency processes.

Wynn noted that public access will allow great minds to have access to the data. People specializing in data analytics will be able to interpret the data further than what the government can and better understand how the agency is doing. Intern programs are also a great way to get a new eye on the information. Allowing outside observers to take a look might provide new and better insights.

Glenn countered that he is not sure the data is ready to be published. He is worried that a published report this early without full understanding of the data will create risks of additional audit focus that is not warranted. There are legitimate business reasons for why agencies might have different systems and processes, so the government has to understand these first before passing them along to the public.

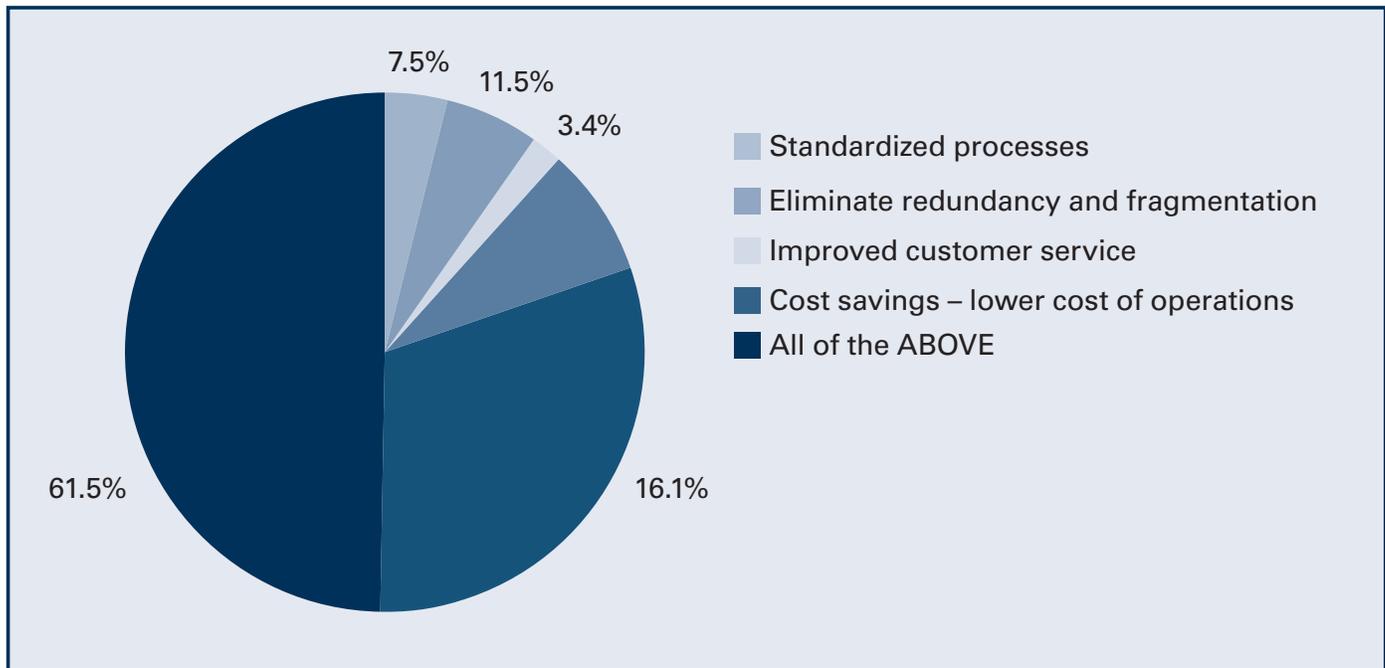
Brockelman agreed, and noted there is a lot of benefit to just making the numbers transparent across the government. Once data results were published, compliance rates across the government climbed much faster than the previous year. He also added that data points can be taken out of context, so the team does not want to provide the data to the public unless they understand what it all means for each agency. Glenn mentioned that the biggest challenge with metrics is there might be underlying reasons that metrics look different across agencies even though they appear to present the same comparisons.

Wynn added that agencies need to understand how risk-averse their people are and come to terms with what risks people are willing to take.

Morgan added that they have to show how financial metrics contribute to helping to address risks and understand where organizations currently stand.

Benchmarking Mission-Support Functions

FIGURE 3: WHAT ARE THE MOST IMPORTANT POTENTIAL BENEFITS OF SHARED SERVICES TO YOU?



Question Three: Are you using data analytics to help with metrics?

Morgan noted that DOJ is using data analytics to clean up some of the data. They are also looking for outside talent to analyze what the data means. DOJ has included their inspector general (IG) in some of the conversations.

Brockelman commented that data analytics is an underleveraged opportunity. There are a lot of interesting analyses to do to find out more information

about how to produce higher quality and more effective processes. The team is encouraging agencies to analyze their data as well as providing them the appropriate tools.

Glenn observed that DOI has taken a standard scorecard and developed a tool allowing them to drill down to find further relevant information. This allows for intelligent conversation with bureaus to discover why something is not working at its highest level of efficiency.

Wynn noted that EPA is about to roll out an analysis on toxic release inventory. This is the first year that they will really push on analytics, meaning more questions will be asked about comparisons and less idle cash will be sitting around.

Session Three: AGA's 2014 CIO Survey: Operating a More Efficient and Less Costly Government through Shared Services

Session Overview

Once again this year, a session was focused on the experience and lessons learned of large agencies as they migrate to shared services. The purpose of this session was to understand about the experiences of a large Federal agency who has migrated services for their department, and agency that is in the process of transitioning to an FSSP, and the perspective of a shared service provider. The moderator for the session, **Mr. Kevin Greer**, Managing Director at Accenture, kicked off the session with a discussion of the results of the AGA's 2014 CIO survey which identified five key topic areas for discussion: shared services return on investment; governance and rules of engagement; IT integration and the cloud; capacity and choices; and people. Each agency representative shared their lessons learned and then addressed each of these five key topic areas.

Highlights

As Greer provided insights from AGA's CIO Survey, the audience provided their perspectives on the five (5) top areas of concern. The Panelist provided insights on their experiences with the shared services model thus far, touching on challenges they have faced, as well as successes achieved. All panelists emphasized that the keys

FIGURE 4: WHAT IS YOUR BIGGEST CONCERN ABOUT SHARED SERVICES TODAY?

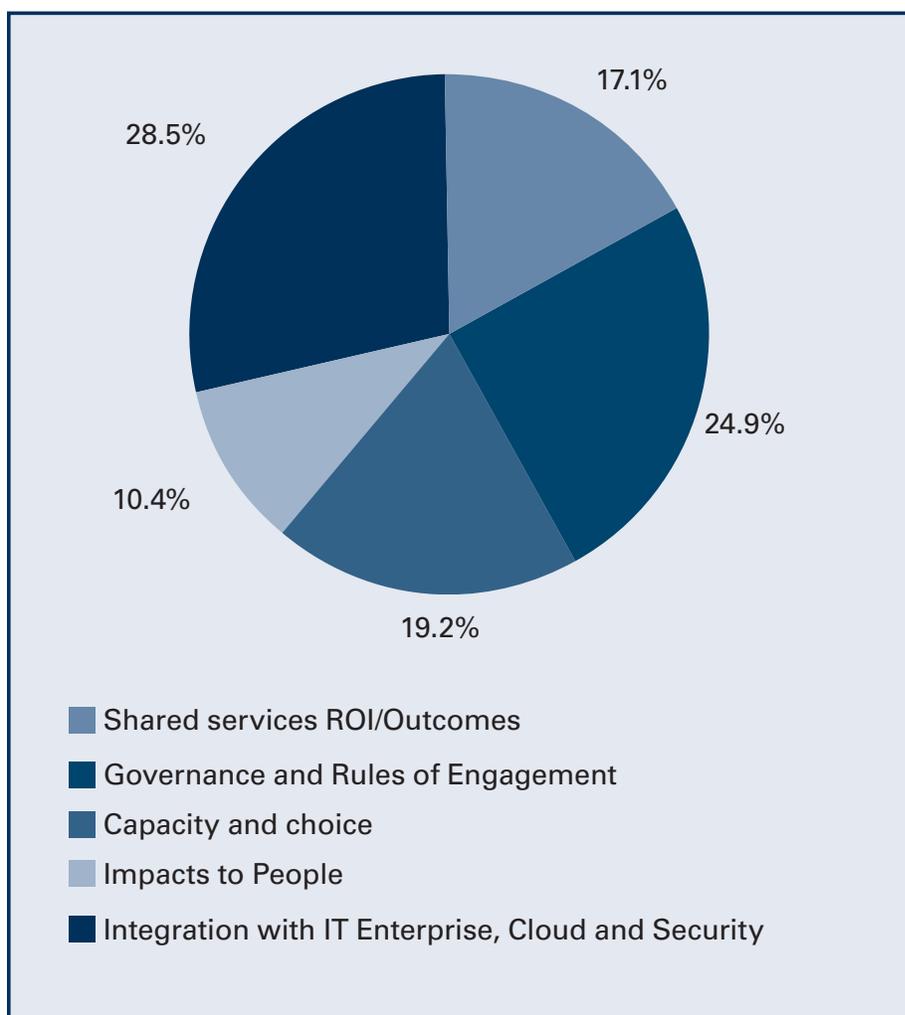
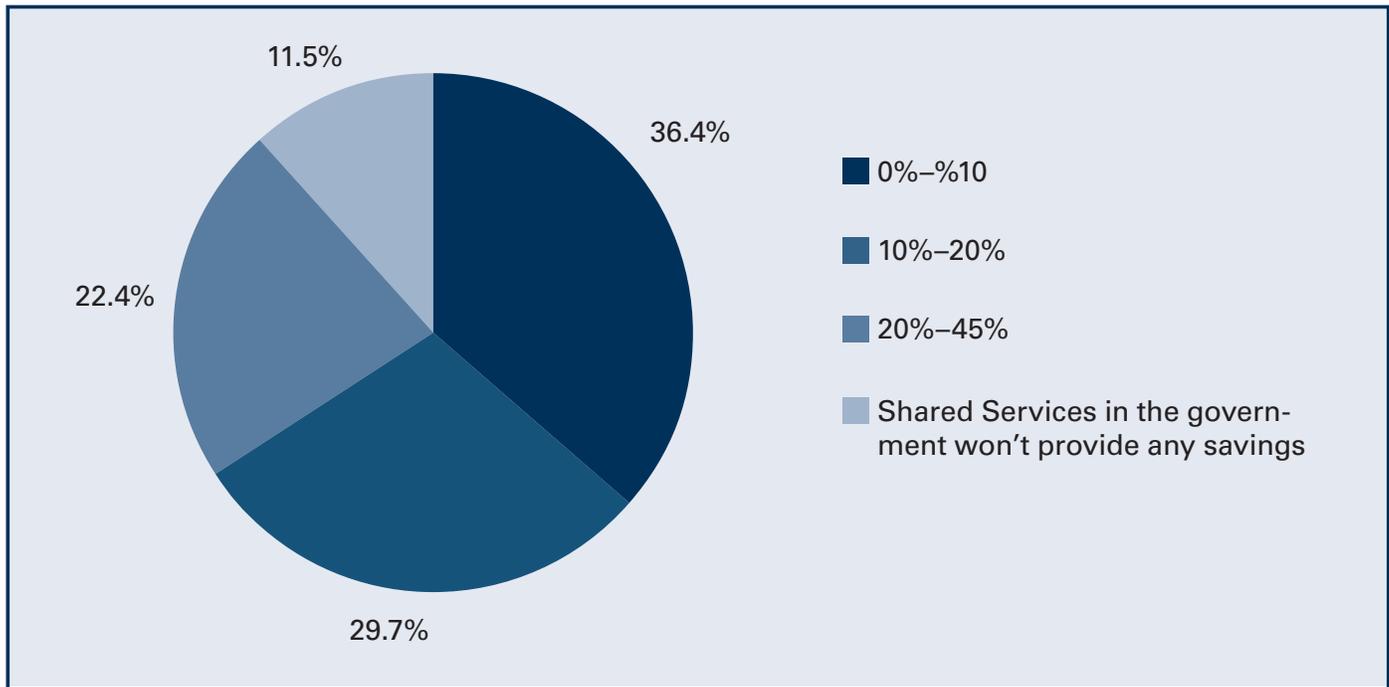


FIGURE 5: WHAT ARE THE TYPICAL ROI'S BEING EXPERIENCED THROUGH PUBLIC SECTOR ADOPTION OF FULL-SERVICE SHARED SERVICES?



to a successful transition include open and continuous communication with both the service provider and internally, as well as a governance model and transparency.

Speaker Perspectives

The session featured three representatives from agencies that have a variety of experiences with shared services: **Mr. Mike Clanton**, Associate CFO for Financial Systems at the U.S. Department of Agriculture (USDA), **Ms. Caryn Kauffman**, Deputy CFO at the U.S. Securities and Exchange Commission (SEC), and **Mr. Thomas Michelli**, Deputy CIO at the U.S. Coast Guard (Coast Guard). The three panelists discussed their experiences with shared services thus far and what they expected to see as they continue to fully utilize this model for their financial management needs.

Greer kickoff the session by asking the conference attendees to identify the biggest concern regarding shared services today. Below are the results.

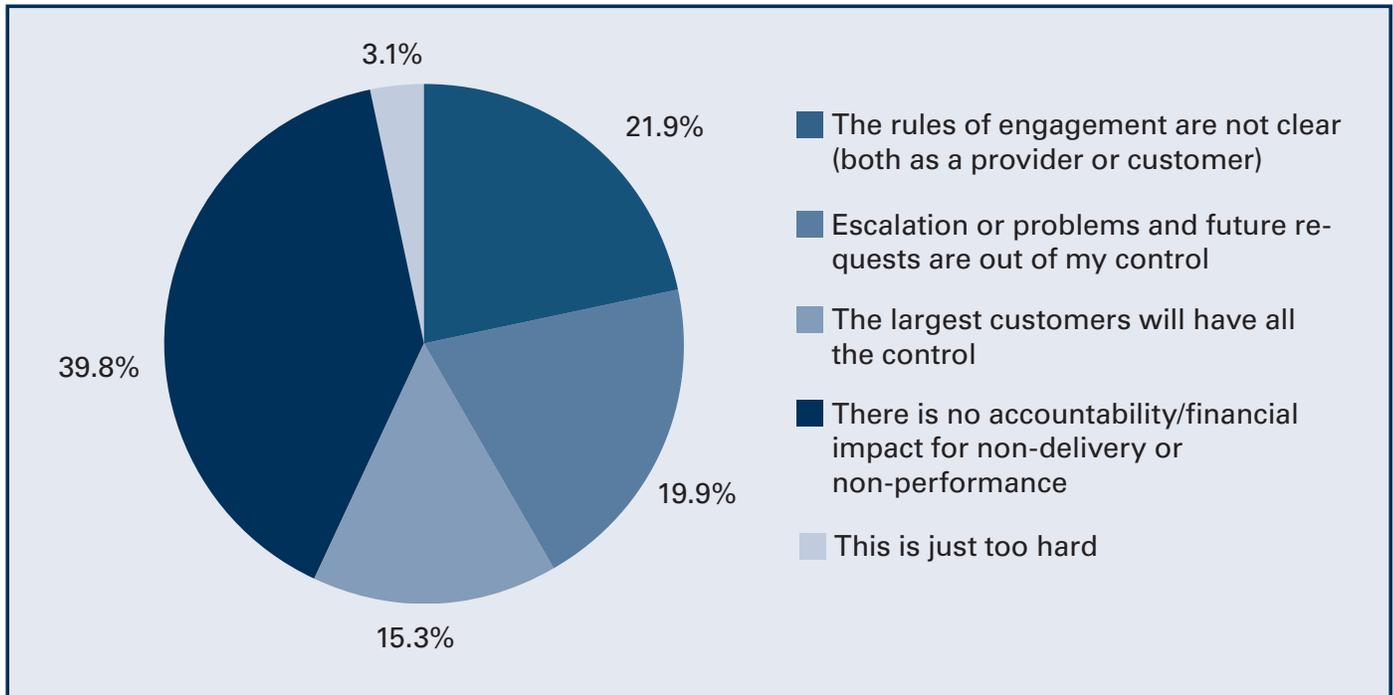
Greer stated that these topics were identified by the AGA CIO Survey participants as the largest areas of concern. The AGA CIO survey reviewed 10 agencies, including FSSPs. The largest concern with governance was no accountability or financial impact for non-delivery or non-performance.

Clanton stated that over 10 years ago, the USDA started to look for a shared service provider, however they were not able to find one that was a good fit for their agency. USDA decided to become its own shared service provider and provide services to customers within USDA. With its designation as one of the four FSSPs, USDA is looking forward to their first external customer. Clanton stated that while USDA is able

to offer both transactional and system support services, traditionally the model used by USDA allows agencies to retain some transactional activity.

Kauffman explained that the SEC migrated to Transportation's FSSP in May 2012, with two material weaknesses. Implementation over 18 months, was improved by assistance from an agency that had already undergone the migration and change management process. As Transportation focused on the transactional support, SEC was able to shift its focus from inputting data to focusing on data analysis, which has been very beneficial. Kauffman went on to say that the shared services model is in the best interest of the taxpayer, especially in areas where there are a lot of similarities. Agencies should note that no FSSP is "one size fits all", so it is important to note where your agency is unique.

FIGURE 6: MY GREATEST CONCERN REGARDING GOVERNANCE IS...



Michelli noted that the Coast Guard was looking for affordability when it went looking for an FSSP. At the time Coast Guard was itself a service provider for two other DHS components. The agency realized that these activities were not part of their core mission, and that costly upgrades and upkeep of the systems were not sustainable. As such, Coast Guard decided that it was best to move towards a shared service provider.

Survey Results & Audience Perspectives

Greer noted that there were five main topic areas identified by participants of the AGA CIO Survey. As he presented each section, he gathered input from the conference participants, and the panelists' thoughts on the results.

Shared Services Return on Investment (ROI)

Greer asked the following question related to the ROI (see **Figure 4**):

According to the CIO Survey results, Greer explained that agencies should expect a 20-45% ROI. There is a high cost of migration that sometimes negates the IT savings, so much of the savings will be realized on the transaction side. Kauffman noted that the benefits are the biggest when your agency no longer has material weaknesses. The SEC achieved this fairly quickly, and they are no longer hosting their own financial system because that is not their core mission or focus. Previously, there was no procurement system that communicated with SEC's financial management system, so the interface was a huge benefit for SEC. There were some new manual processes, but the data analysis focus has been a huge benefit. Michelli stated that Coast Guard took a lot of risk and had a lot of manual labor to keep their system afloat. They are now using a provider whose mission is to keep the system secure and updated, creating a lot less overhead and more of a focus on their mission. Clanton commented that the migration cost is significant, but if

you compare it to the cost of doing your own upgrade and modernization, it does not compare.

Governance and Rules of Engagement

Greer asked the following question related to the governance (see **Figure 4**):

Kauffman commented that the SEC receives the support they need from their provider because they have open lines of communication and that the FSSP has responded to all of their needs. Michelli also noted that the process is changed, not the software. The processes are cleaned up, making the agency more competitive and flexible. Coast Guard has used service level agreements (SLAs) before. They are important, but definitions must be clearly noted. Clanton added that many customers come with similar needs, which creates momentum to address the specific need and fix any issues surrounding it.

IT Integration and the Cloud

Greer asked the following question related to the use of cloud technology

(see **Figure 7**):

Michelli said the Coast Guard is using a public cloud service for their financial systems and a private one for their human resources needs. Agencies should know what they need to ensure they have the support needed from the cloud platform. Be positive with these systems, but skeptical.

Capacity and Choices

Greer asked the following question related to capacity and choices in FSSPs (see **Figure 5**):

As corroborated by the participants' viewpoints, some agencies preferred a public-private partnership model that allows for more diverse shared services

and the ability to move between FSSPs if they were not satisfied. Kauffman explained that agencies must describe their processes. The SEC requested a waiver to only consider government service provider, and narrowed down FSSP's capabilities best fit their needs. She stated that SEC felt a private sector shared service provider would not be able to provide a solution they needed.

People

Greer asked the following two questions related to human factors (see **Figure 4**):

Michelli noted that people are extremely important. Coast Guard created a communication strategy and

a business process re-engineering, and they ensured they had high-level support from leadership. In addition, Coast Guard created a team for the migration that provided open communication to their employees.

Takeaways

As federal agencies migrate to FSSPs, it is key for the FSSPs to understand the needs of the specific federal agency and staff, and be vocal about the timelines for integrating these requirements.

FIGURE 7: WITH REGARDS TO THE CLOUD FIRST DISCUSSION, "THE CLOUD..."

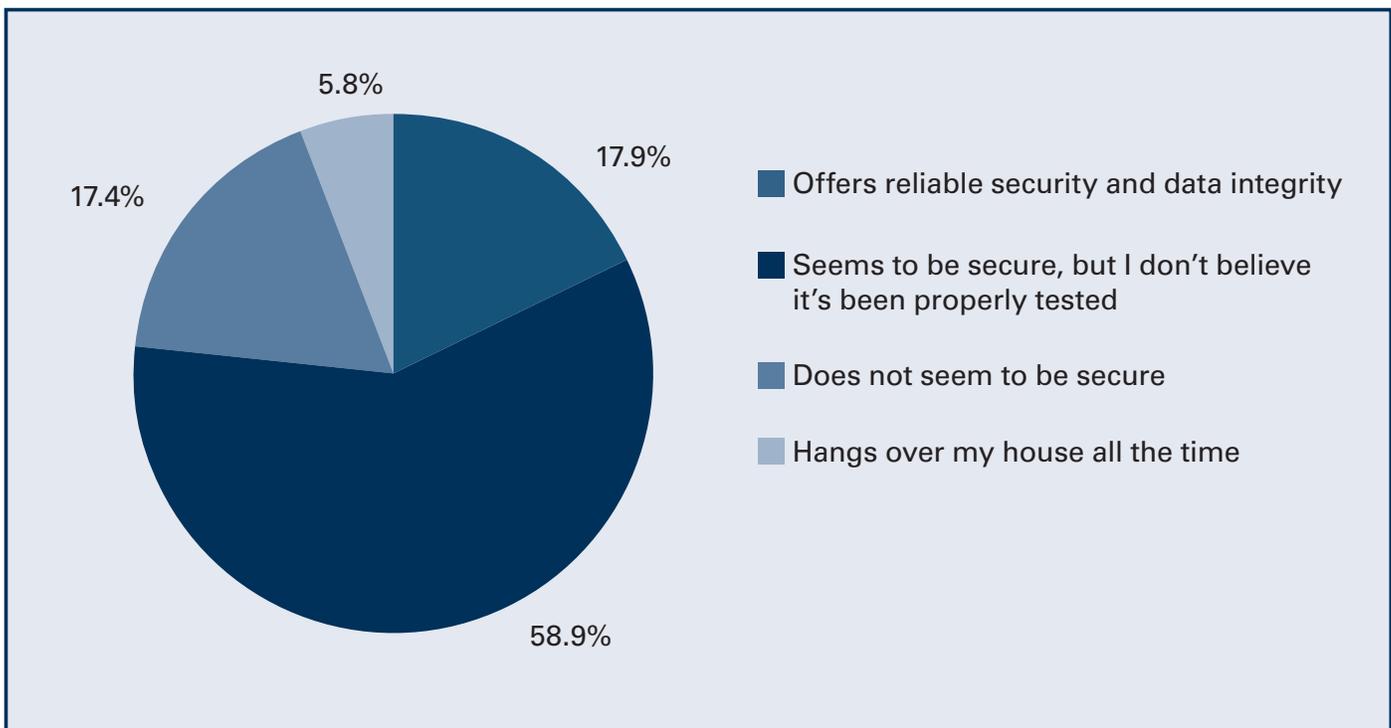


FIGURE 8: WHEN IT COMES TO CHOOSING A SHARED-SERVICE PROVIDER...

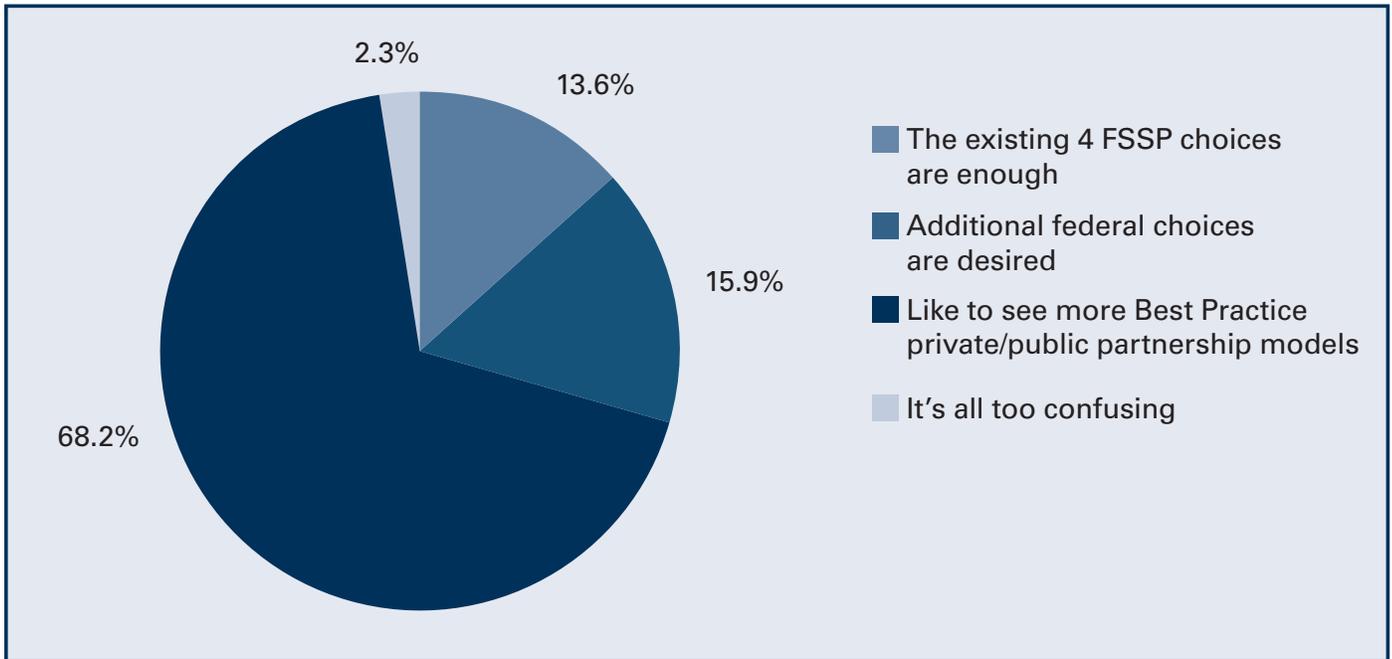


FIGURE 9: IN PLANNING TO MOVE TO A SHARED SERVICE PROVIDER, MY ORGANIZATION...

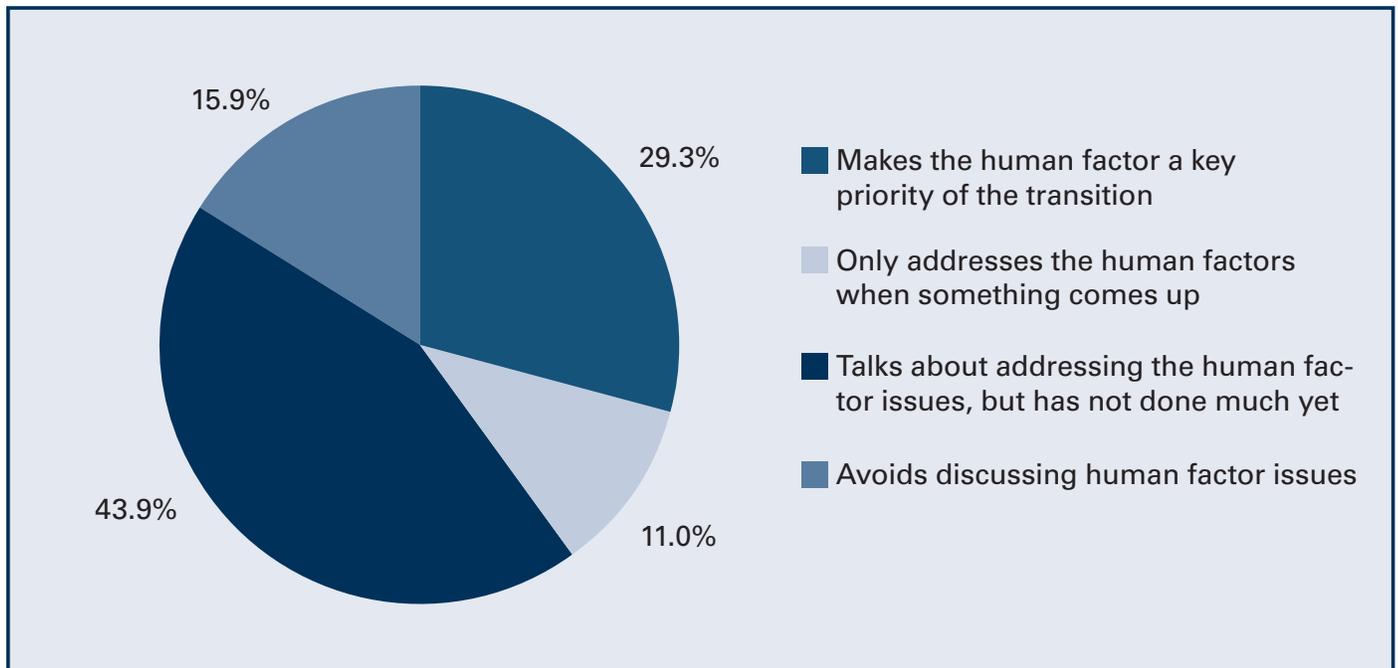
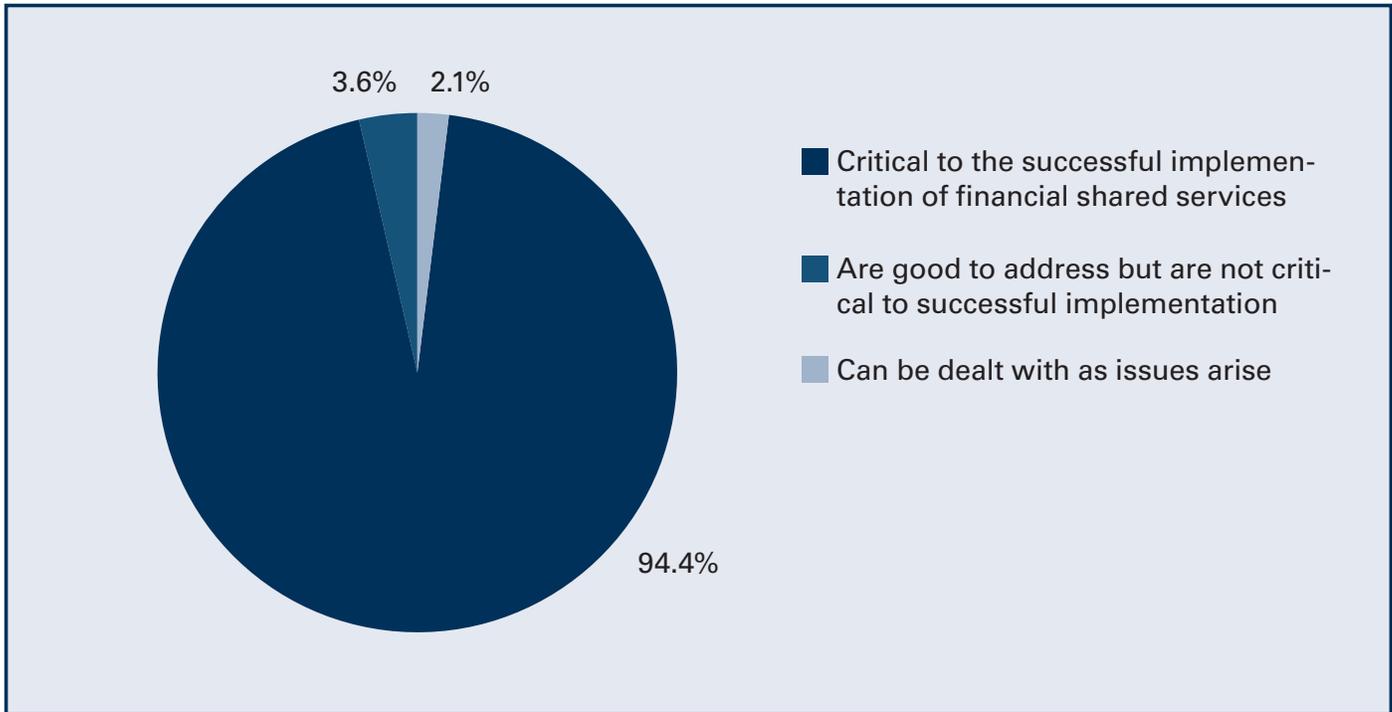


FIGURE 10: HUMAN FACTORS AND CHANGE MANAGEMENT ARE...



Session Four: Workforce Changes in Shared Services Environment — Challenges and Opportunities

Session Overview

This session was moderated by **Ms. Debra Delmar**, Managing Partner at Vanguard Advisors LLC, and aimed to communicate the changes that occur in the workforce as an agency migrates to a shared services environment. During Session 4, **Ms. Sheryl Morrow**, Commissioner of the Bureau of the Fiscal Service (Fiscal Service) at Treasury, **Mr. Dennis Coleman**, CFO of the Office of Personnel Management (OPM), and **Mr. Drew Morgan**, Director of the Business Integration Office at the Department of the Defense (DOD) discussed the changes that took place as their agency migrated to a shared services model. All three agencies represented have had success during their migrations and discussed the factors that led to this success as well as challenges that they faced along the way. After all three speakers described their experience, they responded to audience questions many of which related to the impacts to personnel during a migration to shared services.

Highlights

The speakers provided insights on their experiences with shared services thus far. They touched on challenges they have faced and lessons learned from the process. All panelists

emphasized that the keys to a successful transition include commitment from management as well as a comprehensive communication strategy with personnel to get in front of employees questions and concerns.

Speaker Perspective

Morrow began the session by speaking of her experience from combining two Treasury bureaus; the Bureau of Public Debt and the Financial Management Service into the Fiscal Service. From her experience she noted that there are three major components to change. First is the content of the change. It is important to leverage technology that has already been proven by a FSSP. There is no need to reinvent the wheel when products have already been tested. Utilizing an FSSP allows for more data analytics and the opportunity to engage process re-engineers to help you understand what you do today and how you will change. The second component to change is to understand the people. Articulating a clear vision helps employees see their role in the new organization. Employees will want to know specifically what they will be doing in the future. It helps to be specific about work processes; include how they will change, and what they will change and this message may come across best if conveyed by a peer rather than

a superior. Morrow noted that the third component to change is the process of change. Understand you are hiring a service not buying a system. You need to be able to relinquish control and be ready and willing to demonstrate flexibility during the change. To this end it helps to budget in change management activities into your migration plan for a smoother transition.

Coleman then spoke from his experience at OPM. Before OPM switched to a FSSP, the senior accountants were wasting time tracking transactional and data issues instead of focusing on analytical work. As OPM migrated to an FSSP they made sure to put in place an effective communication plan that would reach all employees. Coleman noted that they didn't want employees to assume they were losing their jobs with the migration so they tackled the topic head on before rumors could spread. In addition, OPM engaged the union early on so there would be a soft landing for all employees during the migration. Coleman described the immediate benefits OPM experienced from using an FSSP and communicating effectively throughout the organization. Prompt payments went from 70% to 98%, outstanding collections reduced by 30% and audit recommendations were able to be addressed.

Morgan closed out the speaker perspectives section of the session

Workforce Changes in Shared Services Environment

FIGURE 11: DO THE INSIGHTS PROVIDED FROM THESE GOVERNMENT FM EXECUTIVES IMPROVE YOUR OUTLOOK OF THE POSITIVE IMPACT OF FEDERAL FINANCIAL MANAGEMENT SHARED SERVICES SHOULD HAVE ON YOUR ORGANIZATION AND YOUR JOB?

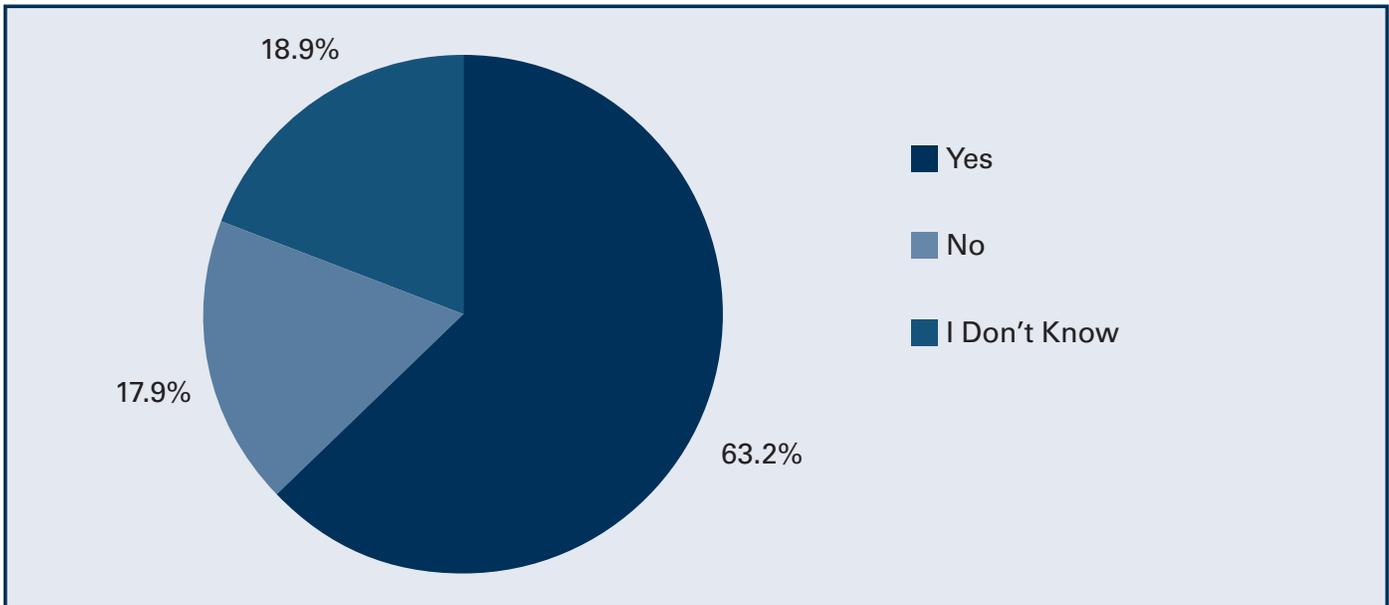
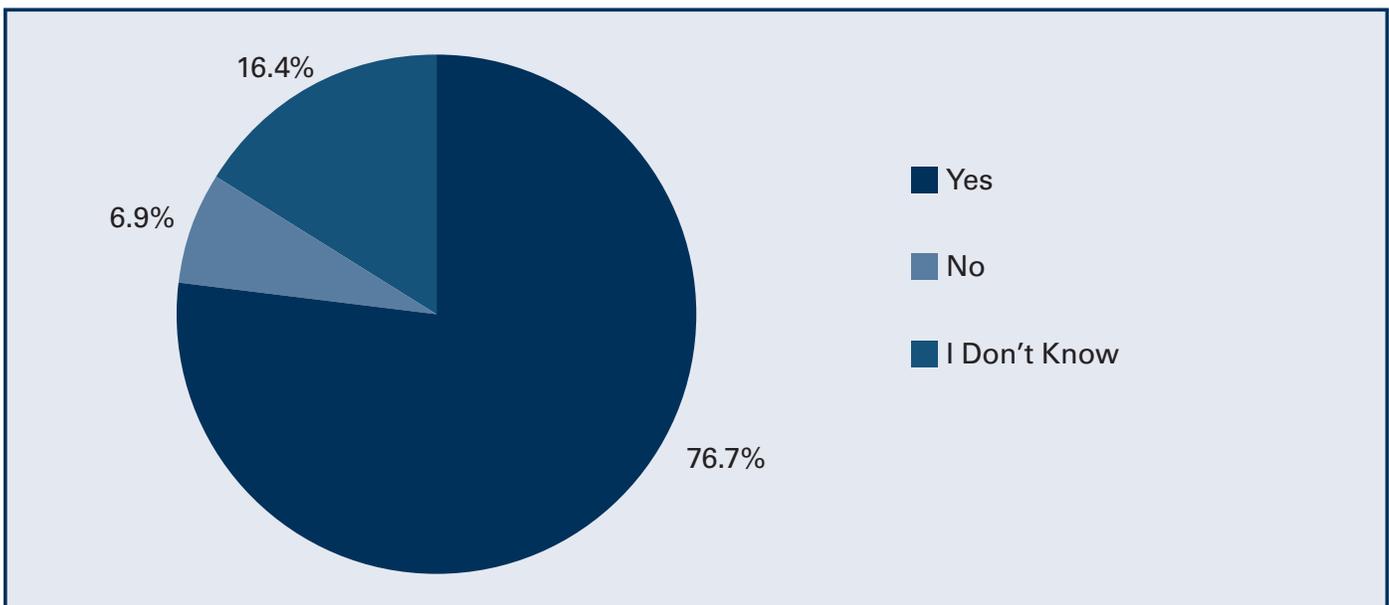


FIGURE 12: SHOULD MOVING TO A FEDERAL FINANCIAL MANAGEMENT SHARED SERVICES ENVIRONMENT HAVE A POSITIVE IMPACT ON YOUR JOB AS A MEMBER OF THE FEDERAL FM WORKFORCE?



Workforce Changes in Shared Services Environment

by speaking about his experience at DOD. DOD is comprised of 26 defense agencies, some of which are larger than cabinet level agencies. DOD is a microcosm of the whole government and even still has had success with shared services. The success is due in part to the commitment from DOD's leadership. Morgan explained how they made it a point to include influential people from each division in shared services planning meetings to get them excited and motivated about the vision moving forward. The "Change Champions" as they were called would take their excitement and momentum back to their divisions and would convey the message to their leadership as well as their peers. This was an effective way of communicating changes and plans with a grassroots feel. In addition, DOD implemented common business practices across the board and used standard hub technology so each system is not uniquely configured. This has helped them analyze data in a standardized way across the department.

Takeaways

This session painted a very real picture of the changes to the workforce that occur when migrating to a FSSP. Without a thorough communications strategy, employees will not feel comfortable with

the change and will fear for their job security. Engaging personnel early in the process of a shared services migration as well as budgeting for training and change management activities will ease these concerns and help facilitate and smooth transition.

Audience Questions:

Audience members submitted questions to the panelists to find out more on challenges and best practices faced when transitioning to an FSSP.

Question One: How can we recognize the ROI on shared services if we are not willing to redeploy or reallocate FTEs?

Coleman: At OPM we were able to redeploy to fill the gaps that we noticed. It is a challenge to have the goal of saving money but still redeploy employees to the right spots.

Morgan: Assigning costs is the hardest part of the transition. At DOD we brought in an outside consulting company to see what costs are going to be lost or gained.

Question Two: Historically on large implementations there hasn't been the necessary allocation for change management. How do you ensure that key funding is in place for the change management?

Morrow: Not everyone is going to be an analytics person, so we need to have some type of strategy. About half of our people were eligible for early retirement and they took the buyouts we offered. Other people we helped find another job. Many of these folks had been in the same job for years so we brought consultants in to help them update their resumes and prepare for interviews. In major change efforts, there was money specifically requested for this purpose. That money is being used to help re-train the employees.

Morgan: I have never seen change management funding, but it is needed so that staff will understand what will happen and how they will be effected.

Question Three: What was the most surprising people-related benefit from the BPD/FMS consolidation?

Morrow: We were able to consolidate administrative functions (budget, IT, etc.) and reduce FTEs. We used those FTEs on My IRA program or DATA Act programs. We did not have the resources available to do this before.

Session Five: Service Organization Reports — What Agencies Need to Know

Session Overview

This session provided the perspectives of an oversight agency, OMB, a FSSP, Treasury as well as that of an independent auditor. The information presented by **Mr. Mike Wetklow**, Branch Chief of the Accountability, Performance, and Reporting Branch at OMB, **Mr. Matt Miller**, Assistant Commissioner at the Fiscal Service at Treasury, and **Ms. Kerrey Olden**, Federal Audit Senior Manager at KPMG, can be used by agencies undergoing a migration to a FSSP as well as those considering audit implications if they do migrate. Several audience questions were directed to Wetklow of OMB to provide the perspective of an oversight agency as it relates to specific standards such as SSAE 16.

Highlights

The speakers provided several helpful insights for agencies to consider as they migrate to a FSSP. Of particular note are the following:

- Agencies should become familiar with updated guidance and standards provided by the Government Accountability Office (GAO) as they migrate to a FSSP.
- Strong internal controls can still be provided across the government in a cost effective manner.

- Agencies should be proactive with their documentation of processes and have a thorough understanding of reports before they begin their financial statement audit.

Speaker Perspectives

Wetklow opened up the session by speaking specifically on updates in policies and standards over the last several months. He noted that GAO published an updated internal controls standards book (Green Book) this past September. In this update, management still has responsibility for user controls and internal controls. In addition SSAE 16 was also updated and now has a rebranding of focus. There are not huge changes between the updated standards, but there will be guidance coming out relating more specifically to FSSPs.

Miller then spoke from his experience representing the viewpoint of a FSSP. Treasury Administrative Resource Center (ARC) has been providing services since 1997 and has seen a growing number of customer agencies. Over time, more and more of the customer agencies performed financial statement audits. Miller noted that currently the main concern has been how to provide customers with internal controls and still maintain costs. He said that SSAE 16 engagements allowed Treasury to do both of these things.

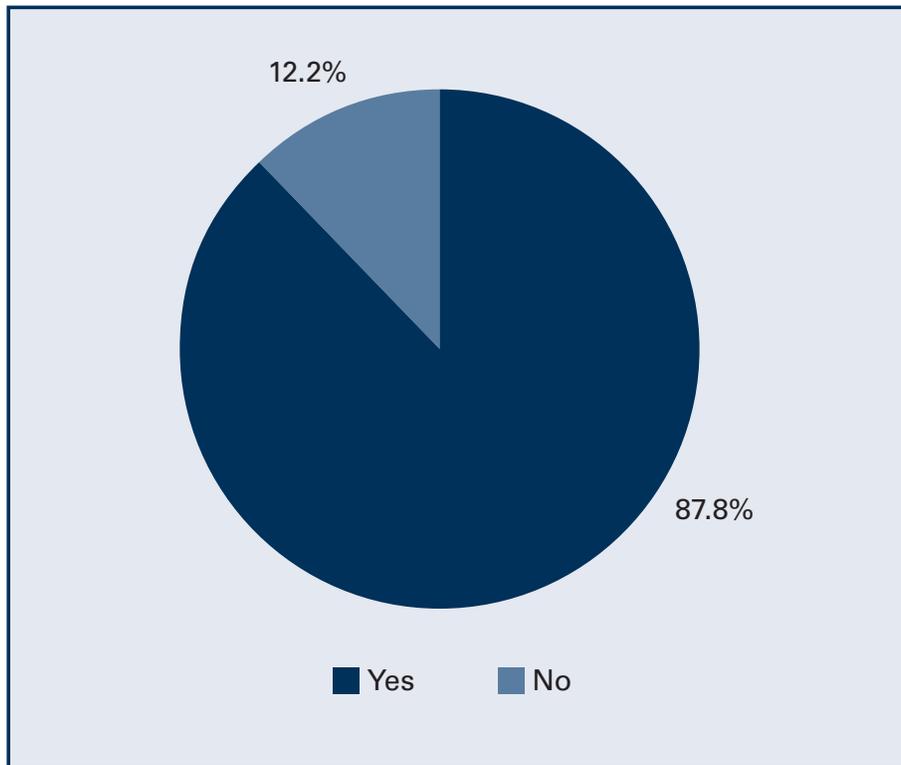
Miller went on to speak of the benefits Treasury has experienced as a service provider. Treasury's internal controls have increased greatly which has given them peace of mind as the organization grows. Becoming a FSSP also sends a message to the workforce that maintaining a clean opinion is a priority. It also helps train the workforce as they prepare very thorough documentation for the external independent audits. The last benefit Miller mentioned was that becoming a FSSP has helped Treasury develop a high level of credibility.

Miller also spoke of the benefits to customers of using a FSSP. Two benefits that he highlighted were the complimentary customer controls in place to help the CFOs who are ultimately responsible for internal controls. He also mentioned that FSSPs are great educational resources and give agencies the ability to help new consumers of shared services.

Lastly, Olden spoke from the perspective of an independent auditor. She mentioned several responsibilities of auditors in compliance with AICPA standards. Auditors must gather the appropriate level of documentation on the subject matter. An auditor must understand the entities operation and vision as well as understand the nature of the shared service- payroll, travel etc. In addition it is the auditor's responsibility to meet with management and

Service Organization Reports

FIGURE 13: WILL MANAGEMENT AND AUDITORS BE ABLE TO WORK TOGETHER TO REALIZE EFFICIENCIES WITH SERVICE ORGANIZATION REPORTS?



IT personnel to understand the whole picture of the agency and what is being audited. It is also the auditor’s responsibility to observe actual controls being performed and understand why there may be exceptions.

Olden also encouraged agencies to adopt best practices as they migrate to a FSSP. She requested that agencies be proactive with their communication with the service provider. This includes asking the right questions as well as understanding reports given by the provider. Olden also encouraged that agencies take the time to map and document their internal control prior to migration.

Takeaways

This session provided an open forum for agencies to hear from the perspectives of OMB, Treasury as well as KPMG on areas they should be mindful of as they migrate to a FSSP. One of the most valuable aspects of this session was that the speakers told the audience how to use the shared services reports from a user’s perspective – what to expect, what to look for, and why.

Audience Questions

Question One: What kind of things can we do to try and eliminate duplicate testing and gain some efficiency? Is there something from an internal control perspective?

A Wetklow: Without the report there is redundancy. All of the auditors we deal with get the report and do use it. Some firms will look at certain aspects more than others, but we do see that the service report provides a lot of reduction of redundancy.

Question Two: What factors would lead to an agency not accepting solely the SAE 16 of its FSSP when providing assurance via the agency’s assurance statement?

A Wetklow: Agencies come to us all the time talking about the burdens of financial statement audits. You have to understand your controls and have a good relationship with service providers. There is an A-123 component of this. It may help lessen the apprehensions agencies have by sitting down with FSSP to understand their platform and the cloud.

Question Three: Should there be standard control certification reports that FSSPS provide to their customers for the annual ICFR-SSAE 16 reports usually just focus on security controls and not applications?

A Wetklow: There are standards and different flavors to each of these reports. Within the standard, there is a total range of options.

Olden: There could be hundreds of applications. I don’t know how to come up with a standard report; typically they focus on security controls and not applications, but every report is different.

Miller: Our main experience is with Type 1 and Type 2 reports. There are some system related controls but also process related controls. The first thing to keep in mind is to ask what we are being audited on.

Session Six: Implementing the DATA Act using a 21st Century Approach: Data-Centric Approach

Session Overview

This sixth and final session focused on the DATA Act and the importance of a data-centric approach. **Ms. Christina Ho**, the Deputy Fiscal Assistant Secretary for Accounting Policy and Financial Transparency at the Treasury, gave an introduction to the DATA Act. **Mr. Hudson Hollister**, Executive Director of the Data Transparency Coalition, also referred to by Ho as the “father of the DATA Act” spoke on the many benefits the DATA Act has to the federal government. **Mr. Tim Soltis**, the Deputy CFO for the Department of Education, and **Mr. Chip Fulgham**, the CFO at DHS, gave the agency perspectives of the Act and how they plan to incorporate the DATA Act into their agency’s operations.

Highlights

The DATA Act allows access to data for anyone who wants to use it. If data that resides in agencies is all formatted in a similar way, agencies will be able to share and compare data across the government. This is the idea behind a data-centric approach. The data-centric approach allows for more time to be spent on data analysis rather than pushing or pulling the data.

Speaker Perspectives

Ho kicked off this session by describing the data centric approach developed

and being implemented as part of the DATA Act. She noted that today common pain points with the various systems across the federal government is that systems are software focused with manual steps, there are duplicative sources and poor quality of data, there is a high cost for custom reporting, and resources are required for maintenance and/or change. She explained that with a data-centric process enhancement, the federal government will realize the following benefits:

- Increased transparency and data quality standardization
- Timeliness, increased efficiencies, and the ability to be more collaborative
- Standardized business rules with validation of data sources
- Ability to drill down and across, pull data rather than push data, and discover the “Source of Truths”

She noted that ultimately, agency systems will be feeder systems with the data maintained in a standardized structure and will be pulled by reporting sources, rather than agencies having to push the data. The first step, Ho explained is the map agency financial systems to the USSGL standard elements. Ho explained that some of this approach is being piloted by the Departments of Education and Homeland Security.

Hollister expressed that the DATA Act was a step in the right direction for the federal government. If the government could adopt and publish consistent data it would benefit in the following three ways:

- Accountability- Data can be accessed more easily by citizens.
- Management- There would be seamless access to the information that is inside the systems allowing management time to analyze data without having to do data calls.
- Automated compliance- If there are consistent standards across the government then there can be more automation.

Soltis commented that the DATA Act is a law and agencies should take it seriously. He stated that in its current form the DATA Act is a transition and in years to come will probably need a follow up mandate that will keep the work moving forward. Soltis also noted three areas encouraged by the DATA Act.

- Driving the cost of delivering services. Data is the common element among all services.
- Mission Accountability. Data will start to bolster the demand for performance.
- Stewardship. The data demonstrates auditability. We have to see how grantees or contractors are using the money.

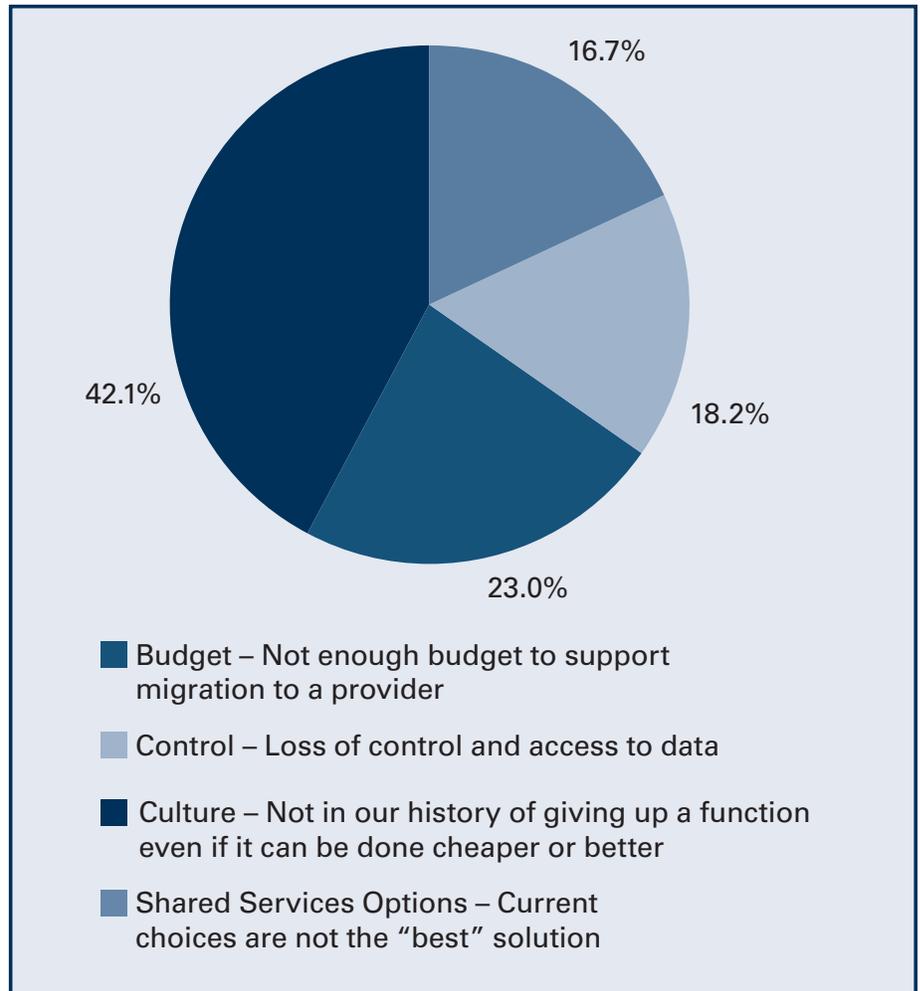
Implementing the DATA Act

Fulghum stated that DHS has been a good agency to use to pilot some of the DATA Act related initiatives, as it is a microcosm of the problem the government has as a whole. The Department has six accounting systems that all look and act differently. There is no common structure and are interested in accounting standardization structure. To this end DHS is also aggressively pursuing a FSSP approach, and look forward to the challenge and plan to be with a FSSP by 2017. Fulghum commented that currently DHS is focused on getting to the point where the data is consistent across the various components, so you can pull it and compare it across the board.

Takeaways

The DATA Act benefits the government as a whole by providing standard data structures across the government which allows for easy comparison between agencies. If agencies adopt a data-centric approach, they will be held accountable for the data, costs over time will go down as there will be more emphasis on stewardship, and management will be able to focus on their agency's mission as opposed to pushing and pulling data.

FIGURE 14: WHAT IS THE GREATEST BARRIER TO ADOPTION OF SHARED SERVICES TO YOU?



Next Steps

At the 2015 FSS, panelists and participants were able to once again share their progress in moving forward, while identifying and providing alternatives for obstacles that may stand in their paths. The audience was asked the following (see **Figure 14**):

As the results indicate, culture will be agencies greatest challenges. In considering DATA Act compliance and the move to a shared service provider, and as some agencies begin

preparations for the migration process, two main ideas stood out as takeaways. First, make sure you provide constant and clear communication both internally and externally to all stakeholders, including your workforce. Second, expect to institute a change management process that will assist you through implementation. These will be a major change in operations.

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