



# TRANSFORMING THE DELIVERY OF SERVICES TO THE FEDERAL GOVERNMENT

RECOMMENDATIONS FOR THE INCOMING ADMINISTRATION

---

## WHY IS SHARED SERVICES IMPORTANT NOW?

The federal government faces many challenges that inhibit its ability to carry out its mission effectively. Civilian agencies spend almost three-quarters of their IT budget to operate and maintain legacy systems<sup>1</sup> and at the same time, cyber threats are becoming the norm—exhibited by the 2015 OPM breach which exposed about 25 million citizen’s personal identifiable information.<sup>2</sup> Along with those issues, lawmakers and civilians are demanding data transparency that requires increased data quality and governance, and funding constraints and shrinking budgets require agencies to do more with less to focus on their core mission.

Faced with issues such as these, the federal government increasingly is turning to shared services: a practice widely used in the private sector. Under this approach, agencies move common mission or administrative operations, such as financial, human resources and information technology, and management of grants, loans and data centers, to one provider that performs those operations for more than one department, agency or agency unit.

<sup>1</sup> Federal News Radio, “As IT budget request inches up, OMB underscores better overall management”, 9 February 2016, <http://bit.ly/2d6SRyq>

<sup>2</sup> Office of Personnel Management, “Cybersecurity Resource Center”, <http://bit.ly/2dtp6aA/>

Shared services allows the government to redirect resources to critical mission activities and strategic priorities and provide shared platforms in areas such as cybersecurity, benefits, law enforcement, financial services and defense.

Using a shared services provider to carry out these functions enables the government to standardize, reduce and cut administrative costs. It can also enhance service quality by improving processes and incorporating secure, innovative technologies across government agencies at the same time.

Shared services can also enable government to achieve enterprise goals by improving its ability to work across agency boundaries and achieve economies of scale.

The next administration has an opportunity to use shared services to improve how government is managed and enhance the administration's ability to carry out policy priorities.

**To speed agency adoption of shared services, the administration should:**

- Design and provide funding flexibilities that can help stabilize pricing, and fund both agencies' migrations and providers' investments in their offerings
- Provide a roadmap and incentives to phase in investment and agency demand across government
- Continue to strengthen and develop new governance and management structures that foster support of the government's mission enterprise-wide

# THE VALUE OF SHARED SERVICES

---

## INCREASED MISSION FOCUS AND IMPROVED CITIZEN OUTCOMES

When agencies do not have to concern themselves with providing time-intensive mission-support services such as human resources or IT, they can redirect attention and critical resources. The workforce and other resources can go toward missions such as keeping our communities safe, our water clean and our population healthy. Shared services can also help remedy fragmented systems in areas such as acquisition, grants, loans and benefits. Such fragmentation makes interactions with the federal government confusing, costly and frustrating, and reduces public trust in government.

---

### IMPROVING THE FREEDOM OF INFORMATION ACT REQUEST PROCESS FOR CITIZENS

The Environmental Protection Agency and the Department of Commerce have partnered with 10 federal agencies to share a Freedom of Information Act request portal. The FOIA portal enables citizens to make FOIA requests to any of the participating agencies, streamlining the process for accessing the information. The agencies, meanwhile, can focus on their mission work.

---

### MISSION FOCUS: PAYROLL

In 2009, the Office of Personnel Management accomplished a major milestone by consolidating federal payroll—reducing 26 government payroll operations to four agency shared services providers and improving service quality. OPM estimates the initiative will save the federal government \$1.1 billion over 10 years.

## BETTER, TIMELIER AND MORE COST-EFFECTIVE SERVICES AND IMPROVED DATA QUALITY

Shared services centers are intended to be predictable and reliable, allowing customers to focus their scarce resources more effectively on their mission. Organizations that provide these services have standardized processes, benefit from economies of scale, are more likely to be in regulatory compliance, use innovative strategies and consolidate purchasing. This generally enables agencies that use them to reduce their costs and improve the quality of their services. In addition, consolidating data from multiple agencies into fewer systems allows for more consistent data and transparency for policymakers and the American public.

---

### HUD IS READY FOR SHARED SERVICES 2.0

The Department of Housing and Urban Development was the first cabinet-level agency to migrate its core financial system records to a federal shared services provider, moving to the Department of the Treasury Administration Resource Center in October 2015. After a period of stabilization following the transition, HUD's data is more streamlined and consistent than before, enabling the agency to create a plan to prevent improper payments and manage risks associated with mission delivery by using standardized data. This will allow the agency to increase regulatory compliance in the financial area and significantly improve its ability to provide timely financial data. Other large agencies such as the Department of Homeland Security are now also transitioning to shared services.<sup>3</sup>

---

### RESOLVING VETERANS AFFAIRS CLAIMS BACKLOGS THROUGH SHARED SERVICES

In fiscal 2013, the Interior Business Center of the Department of the Interior supported the Department of Veterans Affairs in replacing its outdated claims-processing technology. The VA was grappling with a backlog of 611,000 claims for disability coverage, which caused thousands of veterans with serious health problems to wait 125 days or longer for decisions on their claims. To address the issue, IBC partnered with VA to competitively award five contracts that streamlined the claims process and provided personnel to tackle the issue. VA has cleared 88 percent of overdue claims from its caseload as a result.

<sup>3</sup> Mark Rockwell, "DHS plans to expand shared services," Federal Computer Weekly, 22 June 2016 <http://bit.ly/2dfopi5>

## **AGILITY TO RESPOND TO NEW MANDATES AND LEVERAGE NEW TECHNOLOGY AND TOOLS**

In a shared services environment, one organization's adoption of a new technology or mandate can benefit others across the government. For example, growing cyber threats have required agencies to prepare for, respond to and mitigate risks better. Rather than having to develop their own capabilities to do this, agencies can look to shared services providers, who can deploy the technologies that can mitigate the threat. The provider that makes the changes to protect the networks does so for all its customers, enhancing the benefit for government overall by protecting all the agencies that make up its customer base.

The same effect can happen with government-wide mandates and policies. For example, when the federal providers' implement DATA Act mandates, that implementation extends to all their customers and, due to economies of scale, those customers get into compliance sooner and at lower costs than if each agency had done it on their own.<sup>4</sup>

---

4 Performance.Gov, "Shared Services Cross-Agency Priority Goal FY16 Q1 Update," <http://bit.ly/2da4eTM>

## **AGGREGATED BENEFITS ACROSS THE ENTERPRISE**

If shared services were in operation government-wide, the government would be able to function better as an enterprise and achieve large-scale goals that would be impossible for one entity to manage on its own. The government can consolidate buying power and save as much as \$47 billion over 10 years by allowing agencies to spread fixed costs for services across large customer bases, strategically execute workforce planning and extend cutting-edge, scalable technology to the enterprise level.<sup>5</sup>

An enterprise-wide analysis of the federal workforce is especially important as the federal government anticipates additional employment declines and hiring freezes, reduced training budgets and retirements, all within the slow growth budget environment of the Budget Control Act that will continue through at least 2021.

---

### **COST SAVINGS FOR THE UNIVERSITY OF CALIFORNIA**

In 2010, in response to diminishing state funding, the University of California community developed the Working Smarter Initiative as a move toward campus sustainability. The UCPath program, part of the initiative, is focused on implementing a single payroll, benefits, HR and academic personnel solution for all UC employees. The long-term estimated cost and efficiency savings is between \$31 and \$123 million annually.

---

### **MANAGING CYBER RISK**

The DHS Continuous Diagnostics and Mitigation program, which agencies buy through a GSA Blanket Purchase Agreement, provides 23 federal departments and agencies with capabilities and tools to identify cybersecurity risks on an ongoing basis. It prioritizes these risks based upon potential impacts and enables cybersecurity personnel to mitigate the most significant problems first. Automating the security controls and reporting mechanisms that provide a visual and systematic representation of security status has already enabled better risk management decisions.

---

5 Shared Services Roundtable "Building a Shared Services Marketplace" <http://bit.ly/2da2fiF>

This figure is based on spending data compiled by a Shared Services Roundtable working group using publicly available sources. Cost savings and cost avoidance assumptions are taken from Accenture experience from numerous shared services engagement experiences, including the State of Ohio, Yale, Florida, Texas and many others.

# PROGRESS AND OPPORTUNITIES

---

Developments and successes in government shared services are the result of sustained work by federal officials for more than two decades. The Obama administration kick-started the shared services effort across the federal enterprise by making shared services a Cross-Agency Priority goal.<sup>6</sup>

Agencies adopting a shared services model receive ongoing support and guidance from the Unified Shared Services Management organization, residing in the General Services Administration, and the Shared Services Governance Board, which is led by the Office of Management and Budget. OMB Memorandum M-16-11, dated May 4, 2016, designated a shared services policy officer in OMB who has the responsibility and authority to lead the development and implementation of administrative shared services policy across the government.

These governance structures—the shared services management organization, governance board and policy officer—are supported by additional bodies:

- **Customer and provider councils:** advisory groups focused on demand and continuous improvement
- **Lines of business managing partners:** manage cross-government business requirements for a given business line (for example, the managing partner for the financial management line of business is the Department of the Treasury Office of Financial Innovation and Transformation; the managing partner for the human capital line of business is the Office of Personnel Management)

The federal government uses a range of shared services business models. They range from external providers that deliver a targeted set of services for lines of business across government, such as financial management and human resources, to internal shared services providers that deliver services across one large agency.

Despite the benefits of switching to shared services, many agencies have preferred, historically, to manage administrative services in-house, partially due to:

- Concerns about the quality of service, price volatility and loss of control over delivering services to their agency
- Significant upfront costs to transition to shared services and for providers to modernize and invest in serving agency needs
- Lack of a strong shared services marketplace governance structure that optimizes public and private providers, promotes new service offerings and establishes clear roles and responsibilities for both providers and customers

---

<sup>6</sup> Performance.Gov “Cross-Agency Priority Goal: Shared Services”, <http://bit.ly/2dlidTL>

ACTORS IN THE MARKETPLACE



# RECOMMENDED PRIORITIES AND ACTIONS FOR THE NEXT ADMINISTRATION

---

There is an opportunity now to build on the foundation set by previous administrations and realize the value proposition of shared services. We offer the following recommendations for the next administration:

## 1. DESIGN AND PROVIDE FUNDING FLEXIBILITIES THAT CAN HELP STABILIZE PRICING, AND FUND BOTH AGENCIES' MIGRATIONS AND PROVIDERS' INVESTMENTS IN THEIR OFFERINGS

---

### ADDRESS PRICE VOLATILITY THROUGH FUNDING FLEXIBILITIES

A federal provider's customer mix or cost structure may change year to year, which can cause significant cost volatility for customers. These unintended consequences are the result of restrictions in the provider funding authority models largely authorized by the 1932 Economy Act, which permits federal agencies to purchase goods or services from other federal agencies or other major organizational units within the same agency. Providing new funding flexibilities, either through the Economy Act or other means, will allow government providers to invest in increasing, operating and modernizing shared services offerings, and stabilize pricing in an austere budget environment. Left unchanged, the Economy Act reimbursement paradigm is a potential barrier to entry for new customers and federal providers.

---

### ENSURE FUNDING FOR AGENCIES FOR THEIR INITIAL MIGRATION AND FOR PROVIDERS FOR ONGOING MODERNIZATION, TO MOTIVATE AGENCIES TO PURSUE SHARED SERVICES

Initial costs and transition complications can dissuade agencies from switching to shared services, and provider agencies often cannot modernize their operations due to funding constraints. Funding models, such as centralized government-wide funds operated by GSA or public-private partnerships, could offer added flexibility for reinvestment and modernization, and could support customer agencies with initial transition costs as they move to shared services.

## 2. PROVIDE A ROADMAP AND INCENTIVES TO PHASE IN INVESTMENT AND AGENCY DEMAND ACROSS GOVERNMENT

---

### DEVELOP A TRANSITION ROADMAP LINKED TO THE BUDGET CYCLE

Aggregating demand for shared services by developing and publishing a roadmap with a set timeline indicating which agencies plan to transition a line of business and when would be highly useful. A clear view of the demand for shared services would serve both as a catalyst for provider investment in operations and to entice additional public and private entities to become providers. The roadmap should be a two-pronged approach:

1. OMB should issue guidance for the fiscal 2018 budget process to identify two to three areas per agency that could be moved to shared services within a five-year window.
2. OMB should then issue subsequent guidance as part of the fiscal 2019 budget process to prioritize and fund a government-wide shared services transition roadmap that could be presented in the departments' and agencies' fiscal 2019 president's budget request to Congress.

---

## ACCOUNT FOR THE COST OF COORDINATING ACROSS AGENCIES

The costs of communication and coordination across agencies, particularly during a transition, can reduce financial benefits of moving to shared services and delay every stage of the move. To address this risk, the enterprise roadmap budget should account for communication and coordination costs and, to the extent possible, should focus first on customer agencies that coordinate with one another to carry out their mission. The roadmap also could match customers with providers that have a similar mission. To reinforce the case for a government-wide approach for shared services, USSM should collect cost-avoidance data in a central place and coordinate the financial incentives for transitions to shared services. USSM also should manage the savings from those transitions on an enterprise or Cabinet level so as to understand and communicate the total level of savings across the enterprise.

---

## PROVIDE INCENTIVES AND SUPPORT TO CUSTOMERS

To ensure the roadmap's success, the next administration—through OMB—should support and provide incentives to agencies to speed the move to shared services. Such support may include a potential mandate for shared services adoption, financial incentives, organizational change management assistance or a temporary easing of an agency's compliance burden while undergoing a transition. The approach also requires close coordination between the management and the budget sides of OMB.

### **3. CONTINUE TO STRENGTHEN AND DEVELOP NEW GOVERNANCE AND MANAGEMENT STRUCTURES THAT FOSTER SUPPORT OF THE GOVERNMENT'S MISSION ENTERPRISE-WIDE**

---

#### SUPPORT THE CURRENT GOVERNANCE MODEL

To implement the two previous recommendations effectively, the next administration should continue to support and develop the Shared Services Governance Board and the USSM, ensuring that the organizations are appropriately funded to fulfill their missions. As the hub of the marketplace, the USSM and governing board should also:

- Set clear roles and responsibilities for managing partners of each line of business and define the path for new lines of business to get started
- Outline how new federal and commercial providers can enter the shared services arena and define the provider accreditation process
- Ensure the success of agencies such as HUD, DHS and Commerce Department, which now use, or are in the process of moving to shared services

---

#### OPTIMIZE THE GOVERNANCE MODEL FOR THE FUTURE OF SHARED SERVICES

The next administration should define the next phase of enterprise-wide governance, such as a public-private organization, which would strengthen competition and foster increased economies of scale and innovation across the federal shared services marketplace. The organization should make decisions that optimize the overall enterprise, govern federal and commercial providers and provide incentives for providers and customer agencies to take actions that support the overall enterprise and reduce marketplace uncertainty. The optimized model should support expansion of the marketplace through new lines of business or services offerings, providers and customer agencies.

## CONCLUSION

Today there is momentum and cross-sector support for expanding shared services, but we are just scratching the surface of what is possible. The next administration has a great opportunity to continue to advance shared services across the federal government, which would enable each federal agency—and the government as a whole—to improve performance, meet policy priorities more efficiently, follow security protocols more easily and serve the American people better.

---

## HUMAN CAPITAL WORKING GROUP

Kerry Canfield, CACI  
Dan Chenok, SAGE  
Sandy Barsky, General Services Administration  
Judy Douglas, Hewlett Packard Enterprise  
Ray Godleski, CGI Federal  
Jay Hoffman, Consumer Product Safety Commission  
Kathryn Kienast, Booz Allen Hamilton  
Zbynek Krobot, IBM  
Gretchen McCracken, Golden Key Group  
Thomas Muir, Department of Veterans Affairs  
Caroline Romano, Interior Business Center, Department of the Interior  
Chuck Santangelo, Department of Homeland Security  
Michele Singer, Interior Business Center, Department of the Interior  
Jim Taylor, Grant Thornton  
Scott Thatcher, Microsoft

---

## PARTNERSHIP FOR PUBLIC SERVICE

Natalie Martino  
Emily Taylor

---

## SHARED SERVICES ROUNDTABLE

### FEDERAL SHARED SERVICE PROVIDERS

Interior Business Center, Department of Interior  
Administrative Resource Center, Department of the Treasury  
Enterprise Service Center, Federal Aviation Administration  
Program Support Center, Department of Health and Human Services  
Financial Services Center, Department of Veterans Affairs  
Global Financial Services, Department of State  
Human Resources Solutions, Office of Personnel Management  
National Finance Center, Department of Agriculture  
NASA Shared Services Center, National Aeronautics and Space Administration

---

## INDUSTRY

Accenture Federal Services  
Booz Allen Hamilton  
CACI  
CGI Federal  
Deloitte  
Ernst & Young  
Grant Thornton  
Golden Key Group  
Hewlett Packard Enterprise  
IBM  
KPMG  
Microsoft  
MITRE  
VMware

---

## GOVERNMENT STAKEHOLDERS

Office of Management and Budget  
Office of Personnel Management  
General Services Administration  
Office of Financial Innovation and Transformation, Department of the Treasury  
Consumer Product Safety Commission  
Department of Agriculture  
Department of Commerce  
Department of Housing and Urban Development  
Department of Homeland Security  
Department of Veterans Affairs



## PARTNERSHIP FOR PUBLIC SERVICE

1100 New York Avenue NW  
Suite 200 East  
Washington DC 20005

(202) 775-9111  
ourpublicservice.org  
CFC# 12110