



Commentary on “Streamlining Government” Report (GAO-19-94)

The Government Accountability Office (GAO) has provided a thoughtful and timely assessment of the government’s shared services initiatives. The report provides a clear snapshot of the state of implementation at the time the study was conducted (2017 to early 2019). GAO’s recommendations draw helpful attention to oversight requirements for the Administration’s new approach to shared services modernization through Software-as-a-Service (SaaS) introduced in late 2018. Other observations about the report are summarized below.

1. Shared services transformation is an idea whose time has come and has potential to realize billions of dollars in savings and numerous other modernization benefits.

GAO provides a solid endorsement of the potential for shared services to substantially improve government efficiency and effectiveness:

“The federal government can reduce duplicative efforts and free up resources for mission-critical services that multiple agencies need – such as payroll or travel – within a smaller number of providers to they can be shared among agencies. Over the past 15 years, the federal government has undertaken efforts that have saved money and increased efficiency through shared services solutions. The federal government could potentially save billions more and reduce overlap and duplication by migrating additional services to shared services solutions.¹”

The report concludes: “When properly implemented, a shared services model for HR and financial management activities has the potential to help the federal government cut costs and modernize aging IT systems.²”

SSLC appreciates GAO’s validation of the shared services value proposition and would push its conclusion further: in our view, shared services should be defined as a fundamental architectural principle and building block of government modernization. In addition to the direct benefits described in the report, shared services can be a force multiplier for realization of other government reform and modernization objectives, including:

- Accelerated IT modernization and cyber security protections by concentrating scarce investment funds on a smaller number of shared higher-performing, higher-scale platforms, rather than scattering investments across a far-flung landscape of agency-specific platforms.
- Accelerated HR modernization to increase speed-to-hire in filling mission critical jobs and eliminating chronic workforce vacancies.
- Enhanced career opportunities for administrative professionals by: (1) establishing a shared services career path, and (2) creating opportunities to transition from tedious, low value transactional work to higher value analytical and managerial job roles.
- Greater standardization of processes across government decreases risk, complements enterprise risk management (ERM) requirements, and indirectly saves financial resources.
- Enhanced analytics for transparency, performance and accountability reporting purposes, as a result of standardizing data and technology platforms.
- Enablement of several of the Administration’s Cross-Agency Priority (CAP) Goal initiatives, including: CAP Goal #1: Modernize IT to Increase Productivity and Security; CAP Goal #2:

¹ Transmittal letter to Congress, Page 1.

² Conclusions, Page 28.



Leveraging Data as a Strategic Asset; CAP Goal #3: Developing a Workforce for the 21st Century; CAP Goal #4: Improving Customer Experience with Federal Services; and CAP Goal #6: Shifting from Low Value to High Value Work.

2. The full potential of shared services has not been realized because of limitations inherent in the legacy paradigm of government-to-government shared services delivery.

Federal shared services began in the 1980s as “agency cross-servicing” – a model in which agencies with distinctive competencies provided services to other agencies with the same or similar requirements. As this model evolved, administrative service components of large departments were designated as “Federal Shared Service Providers” (FSSPs) for particular services and encouraged to solicit customers from other “customer” agencies. The governance and marketplace challenges identified in the GAO report are direct results of the limitations of this government-to-government service model. To these challenges SSLC would add a third: human capital challenges, particularly critical skill gaps in large-scale transformation management and related disciplines of technology-enabled modernization.

The mixed results in government-to-government migrations stem from a variety of causes. FSSPs have not had access to investment capital necessary to modernize and scale their platforms to accommodate large numbers of new customers. Customer agencies and FSSPs have not always been resourced with the technical skills and staffing levels necessary to manage large scale modernization and customer migrations. FSSPs have not offered sufficiently attractive products and services to attract willing customers. Potential customer agencies have lacked motivation to migrate for a variety of reasons, including lack of trust and reluctance to surrender control of service delivery to external providers, and a lack of confidence in their own abilities to achieve successful outcomes. These persistent problems indicate a need for different approaches.

3. NASA and Commerce have successfully demonstrated a new paradigm that leverages commercial delivery models and industry-leading practices and points the way forward for Federal shared services.

GAO appears to have focused primarily on recent experience in the legacy paradigm of government-to-government shared services and could benefit from considering commercial delivery models that have produced impressive results at NASA and the Department of Commerce. The NASA Shared Services Center (NSSC) is the most mature and most successful shared service story in the Federal environment. Created in the early 2000’s through an innovative public-private partnership among NASA, the State of Mississippi and Computer Sciences Corporation (now General Dynamics Information Technology), NSSC performs over 60 business activities for NASA centers in financial management, human resources, information technology, procurement and business support services. Results to date include \$100 Million saved in the first 10 years, steady-state savings in excess of \$20M/year, and customer service ratings in excess of 93% annually³.

In 2015 Commerce established the Office of Enterprise Services (ES) to implement multi-functional, department-wide shared services. ES has leveraged industry leading practices including cloud-based applications and business process outsourcing services in the delivery of human capital management, acquisition services and some information technology services to a dozen customer bureaus and achieved government-leading business results. Early measures of success have included 98% of Personnel Action

³ Source: NASA Shared Service Center



Requests meeting or exceeding timeliness targets; nearly \$50 million in cost avoidances through strategic sourcing; an average requisition-to-order time of 19.5 days; and 98% of customers rating ES acquisition services as “Superior” or “Good.”⁴ Numerous agencies are following the Commerce example by establishing internal shared service capabilities and leveraging such industry leading practices as cloud-based services.

4. NewPay is an important step in the right direction towards the fully modernized future state of Federal shared services: multi-functional business process transaction services.

OMB and GSA deserve credit for creating a new modernization paradigm through the NewPay payroll modernization initiative. A commercial SaaS model can provide significant benefits of cost savings and service improvements, while shifting responsibility for ongoing technology refresh from government to commercial technology providers and eliminating the need to fight for scarce government funds for modernization investments. SSLC supports this important step forward while noting that NewPay could have realized a significantly greater transformation opportunity had its scope been defined to encompass the entire payroll business process, rather than just technology. Private sector experience demonstrates that labor and process cost savings typically exceed technology savings by a factor of about three to one⁵. Excluding process and labor from the modernized payroll shared service reduces the opportunity available for private sector innovation to continuously improve the entire business process and produce increasingly greater benefits to government customers, taxpayers and employees.

5. In addition to improved oversight and monitoring approaches recommended by GAO, agency implementation capabilities need strengthening for NewPay and future shared service modernization to be successful.

The Administration’s shift to SaaS was initiated after the GAO study began in 2017, and the report was delivered before implementation plans were fully developed and publicized. This timing gap probably explains some of the shortcomings GAO observed in OMB’s and GSA’s implementation plans. GAO favorably acknowledges the Administration’s intention to establish a Quality Service Management Office (QSMO) to lead each shared service business line. GAO’s recommendations to develop a more robust oversight and monitoring approach for the NewPay rollout presumably will be addressed by the NewPay QSMO that is in the process of standing up. OMB Memorandum M-19-16 issued April 26, 2019 provides further guidance to the QSMOs regarding management of shared services business lines.

As directed by the study’s Congressional sponsors, GAO’s assessment focused primarily on OMB and GSA planning and oversight responsibilities, and only to a lesser extent on agency implementation capabilities. As discussed above, SSLC believes greater attention must be placed on strengthening capabilities in agencies where the hardest, hands-on tactical tasks of migration and change management must be performed in challenging and often reluctant customer environments. Several decades of mixed results in shared services implementation are largely a product of agencies lacking capabilities and confidence to manage complex transformations. In our interactions with agency-level implementers, we have observed an unmet need and significant interest in more tactical support and knowledge sharing than has previously been available. We look forward to working with the Administration and agency shared services leaders to provide necessary assistance in these areas in the months ahead.

⁴ Source: Office of Enterprise Services, Department of Commerce.

⁵ *Building a Shared Services Marketplace*, Partnership for Public Service, Shared Services Roundtable, March 2015.