Initial Policy Recommendations for the Transformation to Effective Shared Services Across the Federal Government

SHARED SERVICES LEADERSHIP COALITION

Core Financial Management	Human Resources	Procurement
Grants Management	FOIA	Regulation Management
Travel & Expenses	Cyber Security Services	Real Property Management
Records Management	Mail Operations	Equal Opportunity
Fleet Management	Security Clearances	Shared SCIFs
Data Support	Improper Payments Management	Cybersecurity

February 2024

serves customers · cost less · consistently performs · modernized · data driven

Introduction

The purpose of this document is to recommend initial policy actions within the legislative and executive branches designed to result in the **transition of government to a modern and effective way of implementing common agency services** under a shared services business model. This is necessary so that definitive policies can be established and implemented, and the federal government can support its agencies with a business model that provides consistent, efficient, and lower cost mission-support services in a modern and effective way.

> **Shared Services**
>
> The delivery of the necessary core common services through standardized, and scalable, capabilities, that are less costly, more efficient and effective, consistently implemented, and with a reduced footprint.

In April 2019 the Office of Management and Budget (OMB) issued **Memorandum M-19-16** (which was also codified in Circular A-11[1] and supported by A-123[2]) mandating a new approach to shared services, creating and managing a centralized mission-support capability, establishing the Quality Service Management Offices (QSMOs), and strengthening governance. The goals are to:

1. Improved on mission outcomes.
2. Provide improved services.
3. Steward taxpayer dollars.
4. Improve mission-support functions.

These goals are supported by the following objectives:

1. Provide an enhanced strategic <u>blueprint</u> for shared quality services.
2. Realize significant productivity gains and cost <u>savings</u> over time.
3. Reduce <u>duplication</u> and improve <u>accountability</u>.
4. Provide innovative, flexible, and competitive <u>solutions</u>.
5. Develop inter-agency <u>standards</u> and priorities.
6. Create <u>centralized</u> capabilities and performance expectations.
7. Expedite <u>adoption</u>.
8. Identify services suitable for <u>sharing</u>.

To support these objectives, the Shared Services Leadership Coalition (SSLC)[3] makes four policy recommendations designed to begin the process of moving to full operational capability of shared services. By implementing these recommendations, it will begin the government's journey to more

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[1] OMB Circular A-11 (2023), Preparation, Submission, and Execution of the Budget, Section 220.
[2] OMB Circular A-123 (2016), Management's Responsibility for Enterprise Risk Management and Internal Controls.
[3] SSLC is dedicated to advancing the implementation of shared services business model for government to improve efficiency and effectiveness for all agencies. We support shared services as the default delivery model, provide transformative roadmaps and thought leadership, and support commercial investments that deliver value to the government.

> **It's Time to Act**
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> For well over 20 years the government has been debating the shared services need, taking some tangential action, spending lots of money, and watching other governments achieve benefits. **Now it is time to act boldly** to realize true benefit and not waste taxpayer money. Clear policy action is needed.

effective government mission-support functions, enhanced mission-delivery, ensure effective leadership, and reduce current inefficiencies and waste. The government must be willing to **take bold action** to appoint accountable leadership and invest for a measured return. We stand ready to work with government policy makers to help make this a reality. We believe the policy recommendations contained herein are needed to **begin** the transformational process toward more effective mission-support functions critical to government success.

Justification

In consideration of M-19-16 being established 5-years ago, it is SSLC's assessment that stronger definitive action is needed to achieve the stated objectives and make progress toward government efficiency and effectiveness in mission-support services for a number of reasons.

#1

Current activity to realize the benefit of shared services is less than effective. During the past 5-years since the establishment of M-19-16, QSMOs and a governance structure have been established, and basic standards are being developed. However, they are not yet effective, nor complete, **none of the goals or objectives have been realized**, and many of the role accountabilities required have not been implemented (see Attachment 1 for a summary of the Memorandum requirements and associated accountabilities).

#2

Some of the existing Shared Service Centers (SSCs) are struggling. As reported by some of the existing SSCs themselves and they are **starved for resources, operating legacy systems** (some reported to be on the verge of collapse), **and most don't have the resources to invest in modernization.** In January of 2024 SSCs reported a need for better funding streams, the ability to reduce transactional costs, desire to provide more consistent services to customers, a need for modern and fully integrated systems, ability to provide full turnkey services, and a need for more guidance and direction from oversight agencies. The current required way of funding SSC operations is not able to provide appropriate resources for investment and modernization.

In the recent National Academy of Public Administration (NAPA) Report on the National Finance Center[4], it states that NFC "has not received the attention and support it needs to successfully fulfill its vital role". It further states that its "effectiveness has been compromised by inadequate investment in its people, technology, physical facilities, and financial support" and that **many of the findings of this report are applicable to other SSCs**. By way of example, they state that the NFC platform used to process over 650,000 federal employee payroll transactions is on the brink of failure and that inefficient processes have

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[4] Stabilizing and Modernizing the National Finance Center's Operations in Service to the Federal Workforce and the Nation, NAPA, August 2023.

degraded customer service, impeded efficiency, increased error rates, and create a rising risk for a cyber event.

#3

Mandates for SSCs do not have the desired impact. SSCs across the government currently exist as originally established. Mandates required through Memorandum M-19-16 could be easily changed or rescinded, their attention can be strengthened or diminished based on any one Administration's focus, and little financial and other resources have been provided. For example, Agencies and Parent Agencies roles as established in the Memorandum have not been executed. Without stronger mandates and proper oversight this will continue to be an issue. It is necessary to define and execute the most effective business model to provide mission-support services government-wide.

#4

Required investment in shared services is scarce at best. Congress approves funding for functions and systems for agencies in a **stove piped fashion** and since SSCs are not established legislatively, they **receive little to no attention** and cross-government improvements are rarely considered. Current federal SSCs work on a cost reimbursement basis and do not generate the financial resources necessary to fund modernization or to invest in growth. Parent Agencies typically provide little to no support. The Technology Modernization Fund (TMF), established 7-years, ago expressly identifies funding opportunity for shared services but has not acted on it to date and the rules are too difficult for SSCs to meet. Therefore, the current opportunities for funding are lacking, making it difficult for SSCs to maintain their capacities, grow, or modernize.

Cost savings have been realized by commercial and other government shared services. One commercial company documented a 55% reduction in costs[7]. Previous Presidential Management Agenda's (PMA's) have called for shared services citing the potential for over $2B in savings. The Technology CEO Council has reported the possibility of over $1T in savings[5]. Through our own research we have seen where processing an invoice in the federal government costs $100s of dollars while it is less than $2 in other sectors. The cost to hire an employee is typically over $10k per person in government and approximately $4k per person in the private sector[6].

#5

Strong foundational analysis and business case (Strategic Blueprint) development is needed. Across government, as cited by many GAO and congressional reports, technology is duplicative, inconsistent, costly, does not communicate well within and with oversight agencies, and **no one knows the extent of the size, scope, and cost of mission-support services currently being provided**. The full impact and contribution of the current SSCs is not fully known and comparative analysis has not been conducted or benchmarked. Many provide only surge or augmentation support to agencies. The cost of shared service operations at the center or transaction levels have not been fully captured or compared to provide justifications from a cost standpoint. Further, federal and commercial providers are often held to different performance, security, and other standards.

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[5] Recommendations for Transitioning Shared Services to Full Operational Capability Across the Federal Government. SSLC, May 2022.
[6] Measuring the Business Value of Shared Services, SSLC, July 2023.

Since there is no Strategic Blueprint there are **opportunities being lost** to define the Most Effective Organizational (MCO) model and dramatically improve the performance of mission-support functions across government through new business models, methods, providers, and technologies to increase efficiency and effectiveness and reduce operating costs. In addition, having the Blueprint and resources to innovate, reduce legacy and stove piped systems, manage to performance and outcome metrics[7], and fully engaging industry is critical to this success.

#6
Innovative methods and technologies exist but the federal government is way behind. Countries such as Australia, Canada, the United Kingdom, Singapore, and others have realized **significant reduction in cost and improved delivery** through shared and centralized services. The second largest employer in the country, Walmart (in addition to many other large corporations), has centralized all its mission-support functions such as purchasing, human resources, and much more. A few examples in the federal government such as NASA have proven there is **real opportunity for tremendous reform** through its mission-support operations. IBM is currently consolidating its common services to a single centralized service center with the objective of a single technology platform. Secure advanced technologies already exist to change the way services are provided.

It's time for the federal government to take bold steps to realize significant benefits to modernize government operations, address the budget deficit, and better meet the needs of agencies. Under a new shared services business model, as required by M-19-16, there can be reduced technology platform footprints, reduced operating costs, improved policy and process, consistency of performance, and reduced facility footprints. Government policy makers will also have integrated and real-time **cross-government data and reporting for effective decision-making**. Engaging industry with the latest technology and/or shared risk and fees under an outsourcing or other partnership model could open real opportunity for the government's ability to focus on mission-centric delivery to the American people, while improving service and reducing cost.

Policy Recommendations

A multi-year process must be implemented consistent with SSLCs May 2022 *Recommendations for Transitioning Shared Services to Full Operational Capability Across the Federal Government*. Therefore, **SSLC recommends immediate legislative and executive actions** be taken to implement four initial policy recommendations designed to develop the business model and be ready for implementation.
Policy Recommendation #1
Immediately establish shared services as the mandated business model for government operations.

> **Four Recommendations
> to Get Things Moving**
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> 1. Mandate shared services as the required business blueprint.
> 2. Create effective governance.
> 3. Assess current operations and design the business model.
> 4. Migrate agencies to the new model.

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[7] Measuring the Business Value of Shared Services, SSLC, July 2023.

1. Using legislation supported by an Executive Order as appropriate, immediately **establish a mandate** by which shared service operations is the **model that will be implemented** for the federal government's mission-support services, that a business case be developed, and appropriate analysis and business model prepared and approved for government-wide mission-support function execution. Require Congressional oversight for regular reporting on the state of shared services performance and outcomes.

2. Fully **state the purpose**, role, functions, and structure of shared services. Profile shared (moved to an SSC) vs retained (remain with agency) services. Establish general criteria/guidance for lines of business to be designated as a shared service, allowing for federal and commercial providers to support the government and clearly profile the shared services business model to be transition to and modernized.

Policy Recommendation #2
Create effective governance and streamlined operations oversight.

1. In the FY25 budget, appoint a **Senate confirmed Commissioner of Government Operations** to oversee the modernization and operations of federal mission-support services, incorporating the existing OSSPI. This role will have the responsibility, accountability, and authority to achieve effective government operations through shared services and make other operational improvements. We recommend this be led in the General Services Administration (GSA) through a Commissioner for Government Operations, with policy authority at OMB resting with the Deputy Director for Management (DDM). This GSA role should initially be an 8-10-year Senate confirmed term appointment to ensure appropriate and consistent attention on a multiyear modernization effort. The authority and accountability would be to conduct analysis, make structural changes, implement policy, report to Congress and the Administration, and design and maintain the Blueprint of the future of shared services for government.

2. Through legislative or executive action, provide the Deputy Administrator of Government Operations full access to assess current mission-support operations across government (at agencies, SSCs, and industry providers). **Develop a full profile** of the number, LOBs, strengths and challenges of the existing mission-support services landscape. Later, the number, structure, alignment, and functional responsibility of mission-support provider solutions will be determined based on need, scope, capacity, and risk as designed under Policy Recommendation #3.

3. In FY25, remold the Shared Services Governance Board (SSGB) to include the operational leaders (COOs/CMOs) of each CFO agency and representatives from small and independent agencies. Rename it the **Shared Services Advisory Board (SSAB)**. The SSAB will serve in an advisory capacity to the GSA Commissioner.

Policy Recommendation #3
Assess, fund, and design a new efficient and effective federal mission-support services business model which engages the latest methods and technologies.

1. Over 2 years (FY25-27), **fund and conduct a cross-government analysis of existing mission-support and shared service** capacities, budgets, costs, transactional costs, performance, resources, technology profiles, customer experience, staffing ratios, workloads, percentages of work delegated to shared services, and other factors. Compare this to existing agency operations and benchmark against other mature shared service operations in commercial and other government operations. Identify areas for possible reduction in existing agency mission-support functional footprints with improved effectiveness and leverage existing capacity. Do this through non-conflicted experts with appropriate funding. Leverage existing and introduced legislation such as H.R.1695 and S.931- Strengthening Agency Management and Oversight of Software Assets Act and S.666- Identifying and Eliminating Wasteful Programs Act. Also leverage the Evidence Act, Government Performance and Results Modernization Act, etc.

2. In FY26, based on the outcome of the analysis in #1 above, **design the optimum government-wide business Blueprint** for mission-support and provider delivery along with a supporting business case **justification** to dramatically improve operations, streamline policy, modernize systems, improved services to government agencies and the American people. At a minimum, this business Blueprint should include:

   - ✔ Definition, role, and functions of shared services in government to also include in-house and outsourced/ partnership models.
   - ✔ Clear and justified benefits to government.
   - ✔ The structure under which mission-support will function to support government-wide requirements.
   - ✔ A clear government model and authorities and accountabilities.
   - ✔ Organizational alignment and roles of Agencies, Oversight Agencies, and Parent Agencies.
   - ✔ Identification of how OSSPI, QSMOs, LOBs, and other entities, will be leveraged.
   - ✔ The anticipated use of demonstration projects and proofs of concepts.
   - ✔ Employment of turnkey operations.
   - ✔ Target performance and outcome metrics.
   - ✔ Anticipate leveraging of existing methods, technologies, or policy.
   - ✔ A plan to engage modern methods and technologies.
   - ✔ Required investment and resources for modernization and transition over a defined period.
   - ✔ Systemic funding mechanisms for operations and modernization.
   - ✔ Identification of anticipated future growth needs.
   - ✔ Anticipated ROI/E.
   - ✔ Additional policy requirements (Executive or Legislative).
   - ✔ Identification of how mission-support providers will be certified for operations.
   - ✔ Financial operating and future investment model and use of retained earnings.
   - ✔ A clear transition roadmap and timeline.
   - ✔ Identification of initial Lines of Business (LOBs) and how "onboarding" will take place.

   - ▪ Provide a clear and **detailed plan** on transitioning to full operational capability – what, when, how, and performance and outcome measures. Include the capabilities and innovations of industry.

- Allow for **funding of future growth and modernization** through requested appropriations and reinvestment of retained earnings from customer fees. Provide an incentive model for innovation, efficiency, and effective use of industry engagement.

3. In FY26, **leverage existing functions** and the good work already accomplished by OSSPI, Lines of Business (LOBs), and QSMOs, reshaping them to support the new model and eliminate any ineffective or duplicative practices.

> **Shared Services**
> **Will More Than Pay for Itself**
>
> Investments should realize downstream savings through improved process and resource efficiency and reduction in operational footprints, engagement of industry, SAS, and advanced technologies.

4. In FY26-27 **fund an investment as defined to achieve efficient, effective, and credible mission-support shared services planning**. Funding can be cost neutral either through appropriations, the use of the Technology Modernization Fund (TMF), agency support, or a combination of methods. Support the funding through reduced budget investments in agencies mission-support modernizations to operational sustainment while this is achieved. If necessary, suspend certain TMF rules to partially accomplish this investment through the TMF.

Policy Recommendation #4

Migrate to the new business model Blueprint and realize efficient, effective, and credible government operations.

1. In FY26, **seek and receive all legislative and administrative authority** to enact the plan created under recommendation #3. Fund the modernization through appropriations, reduced investments in associated agency functions, and possible use of TMF. Funding will be over a multiyear period.

2. Within 4-5 years, **modernize, transition, and demonstrate the effectiveness of this model** through performance and outcome established during the planning and execution. Include investment in the retraining of staff and placement where appropriate. Allow for the use of "demonstration projects" as proof points to the designed business model.

3. In FY31 and beyond, begin **conducting a scheduled and planned migration of agency operations** to mission-support service providers and demonstrated improvement in the performance and outcomes of government mission-support operations.

Next Steps

SSLC desires to support the government in establishing definitive policy to transition to full shared services operational capability. To do so SSLC will engage both the legislative and executive branch in codifying specific policies based on those recommended above, refining what is needed, and creating a go forward plan. Please contact: Steve Goodrich sgoodrich@center4oe.com or John Marshal johnmarshall@sharedservicesnow.org.

Attachment 1

Profile of M-19-16
Centralized Mission-Support Capabilities for the Federal Government

Requirement was established by OMB Under M-19-16 on April 26, 2019.

Area	Requirement	Notable Text from Memorandum
Goals	1. Improved on mission outcomes. 2. Provide improved services. 3. Steward taxpayer dollars. 4. Improve mission-support functions.	
Objectives	1. Provide an enhanced strategic blueprint for shared quality services. 2. Realize significant productivity gains and cost savings over time. 3. Reduce duplication and improve accountability. 4. Innovative, flexible, and competitive solutions. 5. Develop inter-agency standards and priorities. 6. Create centralized capabilities and performance expectations. 7. Expedite adoption. 8. Identify services suitable for sharing.	− Recognizes the need for "initial costs". − Realize financial benefits as much as 5-30%. − Current incredible challenges to effectively, efficiently, and cost-competitively deliver mission-support functions. − Currently duplication of effort across 100's of locations. − Poor customer satisfaction reported by 38% of federal leaders. − Provide demonstrated value to the customer. − Cross-agency agreement on target outcomes. − Assessments to be performed to determine the maturity of agencies' processes in government-wide (CFO Act agencies) standards.

Governance/ Authority/Roles	▪ Shared/Collaborative governance.
	▪ Role of the **QSMO**:
	  ▪ Manage a marketplace to offer technology, services, or managed services.
	  ▪ Standardize processes.
	  ▪ Reduce technology footprint.
	  ▪ Must offer premier capabilities.
	  ▪ Employ best practices from government and private sector.
	  ▪ Offer competitive solutions.
	  ▪ Be responsive and adapt to agency business needs.
	  ▪ Govern sustainability of solutions.
	  ▪ Help agencies build a business case and alternatives.
		− Government-wide governance.
		− Government shared service strategy continually updated to enhance satisfaction, reduce cost, improve performance.
		− QSMOs serve based on criteria of an interagency governance process and the CX Councils.
		− QSMOs must submit a 5-year plan.
		− Current SSCs rely on a network of legacy providers.
		− Agencies must demonstrate that separate procurements result in better value.
		− The Business Standards Council (BSC) and the Shared Services Governance

Area	Requirement	Notable Text from Memorandum

	▪ Institute a customer engagement and feedback model.
	▪ Implement standards.
	▪ **OMB** approves joint business case in consultation with SSGB.
	▪ **OMB/GSA** will conduct regular data-driven analysis of agency feedback to determine maturity of the function is such that creating centralized capability will offer efficiencies.
	▪ **SSCs** partner with QSMO, OMB, and GSA to identify long term path for modernization and organizational efficiency.
	▪ Role of **Parent Agencies:**
	  ▪ Construct workforce communication plans and retain or reskill staff.
	  ▪ Conduct human capital planning activities for implementation within 24-36 months.
	  ▪ Work with QSMOs to identify impacted employees.
	  ▪ Connect employees with available options.
	▪ Role of **Agencies:**
	  ▪ Shall not issue new solicitations for now or modernized technology services unless they have developed a business case approved by the SAPOC, CIO, QSMO, and OMB.
	  ▪ Must begin planning for new approaches to delivering mission-support by shifting resources to higher value work and reducing duplication across the agency.
	  ▪ [Agencies] must propose a business case to accept new customers, add new services, invest in technology.
	▪ Role of the **SSGB**:
	  ▪ Co-chaired by GSA.
	  ▪ Representatives of CX Councils
	  ▪ Make recommendations to OMB.
		Board (SSGB) have a role in approving data and business standards.
		– Standards must follow the federal Integrated Business Framework (FIBF).
		– Parent Agency planning to be completed by April 2021 or April 2022.

Area	Requirement	Notable Text from Memorandum
	▪ Is the escalating point for BSC to resolve inconsistencies in business and data standards. ▪ Role of the **SBC**: ▪ Cross government working group – OMB designated functional leads ▪ Design and integrate future state end-to-end future state mission-support activities. ▪ Collaboration with CX Councils and "authoritative" government bodies. ▪ Role of **GSA**: ▪ Central coordinating point for managing governance process. ▪ Conduct initial assessment of QSMO plans. ▪ Make available information and best practices. ▪ Support adoption of shared solutions by agencies. ▪ Provide OMB with information to maintain high quality SS capability. ▪ Role of the **SAPOCS**: ▪ Coordinate across agency mission-support functions. ▪ Support adoption of shared services strategy. ▪ Drive operational efficiency and effectiveness. ▪ Drive agency participation in development of standards. ▪ Receive inbound communications and disseminate messages across the agency. ▪ Coordinate agency adoption of centralized services.	