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MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Russell T. Vought
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SUBJECT: Centralized Mission Support Capabilities for the Federal Government

Background

The President's Management Agenda[1] (PMA) sets a long-term vision for modernizing the Federal Government in key areas that will improve the ability of agencies to deliver mission outcomes, provide improved services, and effectively steward taxpayer dollars. One of the PMA's primary focus areas centers on the *Sharing Quality Services* Cross Agency Priority Goal (CAP Goal) and improvements to Government mission-support services, enabling the delivery of high-quality outcomes to the American people.[2]

In the past, agencies took steps to consolidate common mission-support functions internally, and in some cases, to leverage common technology or services offered by other agencies. The Government endeavors to utilize lessons from previous successes and failures to provide a new, enhanced strategic blueprint for sharing quality services within the Federal enterprise. In addition to improving service quality and performance, private sector experience suggests the potential for significant productivity gains and cost savings over time. Though there will be some initial costs, the Government, as the private sector did, will potentially realize financial benefits by as much as 5-30 percent.[3]

Despite previous efforts and resource commitments, today's Federal environment still presents incredible challenges in effectively, efficiently, and cost- competitively delivering mission-support functions to agencies. Common mission-support services such as processing hiring transactions or managing Federal finances, travel, and payroll costs taxpayers more than $25 billion[4] annually. Today, agencies largely deliver these services, resulting in significant duplicative effort (*e.g.,* contracts, human resources, technology) across hundreds of locations in

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[1] See information on the PMA at: https://www.performance.gov/.
[2] See information on the Sharing Quality Services CAP Goal at:
https://www.performance.gov/CAP/CAP_goal_5.html.
[3] Source: https://www.gartner.com/smarterwithgartner/three-ways-to-show-how-valuable-shared-services-can-be/
[4] Refer to OPM Fedscope (2016), FPDS (2016), and IT Dashboard (2016)

the Government and poor customer satisfaction. 38 percent of Federal leaders report[5] low satisfaction with mission support services and solutions.

This memorandum:

- Describes the process and desired outcomes for shared services;
- Establishes a process for designating agencies as Quality Services Management Offices (QSMOs);
- Establishes the governance and accountability model that will be used to engage customers and enable QSMO performance excellence, including the Shared Services Governance Board (SSGB) and the Business Standards Council (BSC);
- Requests that all CFO Act agencies appoint a Senior Accountable Point of Contact (SAPOC) to coordinate actions across the agency to support adoption of the shared service strategies; and
- Rescinds previous OMB memoranda that are no longer aligned to this strategy.

A New Approach to Shared Services

This memorandum is a strategy based on industry experiences, and lessons learned from other central governments that will reduce duplication, improve accountability, and improve Federal shared services. This updated strategy will enable the delivery of an innovative, flexible, and competitive set of solutions and services.

To oversee implementation of this strategy will require strong government-wide governance. Over-time, the SSGB, QSMOs, and customer agencies will continually refresh the Government's shared services strategy to improve service delivery and performance, enhance customer satisfaction, and reduce costs[6] to agency customers. Immediate implementation of this strategy requires the Government to define and execute an integrated approach to shared services including:

1. Developing inter-agency standards and priorities for shared services;
2. Creating centralized capabilities, shared governance, and performance expectations; and
3. Continuing to expedite the adoption of existing quality services that currently perform well and provide demonstrated value to agency customers.[7]

Creating and Managing Centralized Capabilities

The Government will establish a process to identify mission support functions suitable for sharing based on cross-agency agreement on targeted outcomes and service delivery standards. These assessments will be performed to determine the maturity of agencies' processes with respect to government-wide standards. This assessment also requires input from all CFO Act agencies to establish a factual predicate of the activities and capabilities associated with

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[5] See the Annual Customer Satisfaction Survey for mission-support at: https://www.performance.gov/.

[6] IBM (**"How IBM Saved Billions Through IT Consolidation", IBM Center for the Business of Government, January 2011**), and Procter & Gamble (**"The Secret to Forging Valuable Partnerships", CIO Magazine, October 2011**) were able to save or avoid $9b and $900m, respectively, by integrating support functions, implementing common standards, and using shared support capabilities.

[7] *See* https://www.performance.gov/CAP/CAP_goal_5.html.

various mission support functions and the maturity for establishing centralized or shared capabilities for those functions. OMB and the General Services Administration (GSA) will conduct regular data-driven analyses of the agency feedback to determine if the maturity of the function is such that creating a centralized capability will offer efficiencies to agencies.

Quality Service Management Offices (QSMO)

Agency QSMOs offer solutions that, over time, will standardize processes, reduce the technology footprint, and reduce Government-wide operating costs. Once an opportunity for centralization or sharing is identified, OMB will designate a lead agency as the QSMO to take responsibility for establishing and/or managing such capabilities. A QSMO must be responsive to the customer agencies that will be using the service and must offer premiere capabilities, employing best practices from both the public and private sectors to offer competitive solutions that drive standardization and provide high quality service offerings that are responsive and adaptable to agency business needs. Specifically, QSMOs will have the following responsibilities:

- Offer and manage a marketplace of solutions for common technology, services, or fully managed services to respond to agency needs;
- Guide and govern the long-term sustainability of the services and solutions;
- Work with agencies on alternative strategies to help them build a business case if a marketplace for a particular solution is not yet available;
- Institute a customer engagement and feedback model that allows for continuous improvement and performance management of solutions; and
- Drive the implementation of standards that produce efficiencies in process and scale and that are established through the collaborative governance process. OMB will designate agencies to serve as QSMOs based on criteria established by an interagency governance process with representatives from across the Federal Government and CXO Councils[8] to ensure impartial decision-making. Each agency designated by OMB for a QSMO role will submit a five-year implementation plan for assessment against a standard set of criteria to determine its ability to operate as an effective government-wide QSMO.[9] These plans must include sustainable resource considerations, relevant skill sets, and effective stakeholder engagement necessary to execute the plan throughout the five-year life cycle.[10] OMB and GSA will analyze the QSMO proposed plans and milestones and, if needed, will recommend corrective actions in consultation with the SSGB. Final designation is contingent approval of the five year plan by OMB.[11]

The Government's current shared services model relies on a network of legacy providers (designated or self-selected)[12] to deliver specific shared services. As QSMOs become operational, there may be technology or services that are beneficial for legacy providers to

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[8] The readiness assessments are required for all CFO Act agencies and are optional for small agencies.

[9] See information on QSMO criteria here: https://ussm.gsa.gov.

[10] See information on QSMO designations, in the various designation phases at https://ussm.gsa.gov.

[11] See information regarding the designation process, 5-year plan submission process, and other relevant information regarding the roles, responsibilities, and functions of QSMOs at https://ussm.gsa.gov.

[12] See https://ussm.gsa.gov for a list of legacy providers.

continue offering to agencies for a finite period. As such, legacy providers offering services for which there is a pre-designated or designated[13] QSMO must propose a joint business case with the QSMO to accept any new customers, expand services to existing customers, or make investments in technology or services for these functions.[14] These joint business cases must be approved by OMB, in consultation with the SSGB as needed.

In addition, legacy providers should partner with the new QSMOs, OMB, and GSA to identify a longer term path to modernization and organizational efficiency in a measured, coordinated fashion.[15] Parent agencies of legacy providers will construct workforce and communication plans that allow the Government to retain subject matter expertise and reskill or retrain staff to perform other high-value work.

Some agencies may also have a business need to address legacy system concerns or resource challenges before the QSMOs are fully functional and delivering a suite of solutions and assistance to new customers. Once an agency is pre-designated as a QSMO for a particular set of mission support functions, agencies shall not issue new solicitations for new or modernized technology or services for these functions unless they have developed a business case,[16] approved by the agency's SAPOC,[17] CIO, QSMO and OMB, to demonstrate that a separate procurement for these services results in better value, considering price, timeline and other appropriate factors.[18]

Governance, Accountability, and Transparency

The success of this strategy will require strong, collaborative governance and an operating model that responds to varying levels of maturity within agencies, continuous engagement of agency operational teams, establishment and adherence to common business standards, and assessment of QSMO performance (including the investments made over time to improve QSMO quality and effectiveness). This memorandum retains the OMB governance structure established to support shared services as outlined below. GSA will continue to support the governance process and perform the program management functions of all processes outlined in this memorandum.

The detailed roles and responsibilities are as follows:

- **The SSGB** is a cross functional steering committee co-chaired by GSA and a co-chair selected by the voting membership that will rotate annually. The SSGB is comprised of representatives from the CXO councils and is responsible for making recommendations to OMB on potential sharing opportunities and advice on the implementation of designated activities. The SSGB will also serve as the escalation

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[13] QSMOs are either designated, where OMB has officially assigned them the role or pre-designated where the agency must first complete an assessment of an implementation plan prior to being formally designated.

[14] Priority will be given to critical operational, security, and maintenance patches to sustain critical operations.

[15] OMB will provide exceptions to this guidance to support any appropriations language that directs specific agencies to provide services to others.

16 See more information on business case processes at https://ussm.gsa.gov

[17] See information on the SAPOC later in this Memorandum.

[18] The pre-designated or designated QSMO will determine the threshold for review for their functional area.

point for the BSC to resolve inconsistencies in the creation of business and data standards or suggest resolution for OMB policy officials.

- **The BSC** is the cross-government working group comprised of OMB-designated functional leads that will work together to design an integrated, end-to-end future state of mission support activities, in collaboration with each CXO Council and authoritative governance bodies over business processes or standards. The standards will follow the Federal Integrated Business Framework (FIBF)[19] to identify a common set of capabilities for designated mission-support functions.

- **GSA's Office of Government-wide Policy** will serve as the central coordination point for managing the governance process and also conduct the initial assessments of QSMO implementation plans, the ongoing assessment of the QSMOs, and make available information and best practices[20] to support adoption of a shared solution for agencies. GSA will provide OMB with assessments and information needed to maintain high quality capabilities Federal-wide.

- **Various authoritative bodies** support the BSC/SSGB. The data standards and elements established for purposes of business management in various areas remain under the governance of those respective policy offices and/or Federal-wide communities of expertise.[21] These authoritative governance bodies support the BSC/SSGB. In addition to the BSC/SSGB, the QSMO will work with those authoritative governance bodies respective to their line of business/work.

Additionally, within 30 days of the issuance of this Memorandum all agencies will designate a Senior Accountable Point of Contact (SAPOC) to coordinate across agency mission support functions and with program offices to support adoption of the shared service strategies and other related actions to drive operational efficiency and effectiveness consistent with the goals of the PMA. The SAPOC will drive agency participation in the development of standards, serve as the recipient for inbound communications and appropriately disseminate messaging across the agency, and coordinate the agency strategy for adoption of centralized services.

Workforce and Human Capital Planning

In accordance with the PMA's *Workforce of the 21st Century* and *Shifting from Low-Value to High-Value Work* CAP goals, we must enhance alignment of the workforce to mission. This Memorandum requires agencies to begin planning the new approach for delivery of mission support services by shifting resources to higher value work and reducing duplication across agencies. Parent agencies of those providing impacted services should conduct human capital planning activities for implementation in the next 24-36 months. OPM will establish a framework and standards to provide support to agencies in the planning and assessment effort. Parent agencies of legacy providers will be responsible for working internally and with QSMO agencies to identify employees that may have their roles impacted based on new, changed, or decreasing responsibilities. Some of the available options could range from the opportunity to

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[19] See information on the FIBF at https://ussm.gsa.gov.

[20] See information on planning and migration support at https://ussm.gsa.gov.

[21] The SSGB will leverage work done by the DATA Act Executive Steering Committee per their role in oversight of DATA Act Standards for display

transition resources to new QSMO marketplaces at the appropriate time, opportunity for the consideration for other roles in the region or area, or the opportunity to take part in training programs for new and evolving roles within their parent agencies. Parent agencies will be responsible for connecting impacted employees to the available options and supporting employee decision making regarding the path forward. If agencies have questions as QSMOs, agencies, and employees review and evaluate their workforce strategy and options, please contact OPM at Workforce@opm.gov with any workforce planning questions.

Rescission of Previous OMB Policies

This memorandum hereby rescinds the following previously issued guidance:

1) OMB M-13-08 *Improving Financial Systems through Shared Services* dated March 25, 2013*;*
2) OMB M-16-11 *Improving Administrative Functions through Shared Services* dated May 4, 2016*;*
3) OMB Memorandum *Designation of the Department of Homeland Security as the Managing Agency for the Information Systems Security Line of Business* dated June 7, 2006 (unnumbered); and
4) OMB Memorandum *Designation of Certification and Accreditation Shared Service Centers Under the Information Systems Security Line of Business* dated January 15, 2009 (unnumbered).

Conclusion

The Government strives to identify opportunities to improve stewardship of taxpayer dollars, to create high-performing, centralized capabilities for mission-support functions and to make more resources available for agency mission-specific work. In tandem, improving the overall administrative support for the Federal workforce is also a key goal of this effort. OMB will continue to engage with agencies to ensure that this strategy is driving standardized processes, creating efficiencies, and bringing enabling technologies to the government to improve mission work. For all supporting documentation mentioned in this memo, please visit http://ussm.gsa.gov.