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OFFICE OF MANAGEMENT AND BUDGET
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THE DIRECTOR

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MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Shaun Donovan
Director

SUBJECT: Improving Administrative Functions Through Shared Services

The President, through his Management Agenda, is committed to creating a 21st Century Government that is more effective, efficient, supportive of economic growth, and fosters a culture of excellence in the Federal workforce. To that end, the Administration has launched various efforts to transform the delivery of common administrative services into a shared services model that will reduce duplication and redundancy and enable the government to redeploy funds to agency core mission activities. Focusing government resources on fewer systems and more standardized services will result in a more consistent and secure operating environment, while also improving both the quality and agility of administrative services.

Administrative shared services are comprised of those activities that are common across all agencies and include functional areas such as financial management, human resources, acquisitions, and information technology. Currently, multiple shared service initiatives are managed independently within the Lines of Business (LOB)¹ resulting in inconsistent guidance across functions. While each function operates in a unique environment with specific requirements and challenges, all LOBs would benefit from closer coordination and collaboration, supported by a more robust cross-functional governance model. A consistent enterprise-wide strategy to administrative shared services is a critical step in creating a more effective and efficient government.

This memorandum builds on existing policies including the Federal Cloud Computing Strategy of February 8, 2011 (“Cloud First”), the Shared Services Strategy of May 2, 2012 (“Shared First”), OMB Memorandum M-13-02, *Improving Acquisition through Strategic Sourcing*, OMB Memorandum M-13-08, *Improving Financial Systems Through Shared Services*, the December 4, 2014, OMB Memorandum, *Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings*, and

¹ Formed in 2004, LOBs are cross-agency initiatives to define, design, implement and monitor a set of common solutions for government-wide business functions, processes, or desired capabilities. Each LOB is governed by a Managing Partner who is designated as the lead organization responsible for managing the business requirements of their community.

Building a Foundation for Successful Shared Services

A new shared service governance model will synchronize good government, consumer satisfaction, and provider entrepreneurship and innovation by achieving five strategic goals:

- 1) Improve shared service efficiency, economies of scale, marketplace health and sustainability;
- 2) Increase shared services adoptions and satisfaction among executive agencies;
- 3) Enable service providers to effectively deliver high-quality shared services;
- 4) Provide integrated, consistent, and sustainable management and oversight across shared service functions, the services made available by providers, and how agencies consume those services;
- 5) Enhance the agility of agencies to implement and adhere to current and future government-wide legislation and management reform initiatives.

To help achieve these strategic goals, a Shared Services Policy Officer (SSPO) will be designated within OMB who will have responsibility and authority, in conjunction with OMB offices, to lead the development and implementation of administrative shared services policy across the government. The SSPO will be advised by a cross-agency Shared Services Governance Board (SSGB) to oversee the current and future shared services ecosystem and to determine the enterprise-wide strategy to administrative shared services. The SSPO will also coordinate with OMB offices to address challenges and further administrative shared services goals.

In addition, the Office of Unified Shared Services Management (USSM) was created in the General Services Administration (GSA) to serve as an integration body, collaborating across functions and the provider and customer landscapes to improve shared service delivery, increase agency adoption, and resolve concerns or disagreements between customers and providers.

Existing Government-wide Policy Agencies² (GWPA) will continue to issue government-wide policy and business requirements for their respective administrative functions. The GWPAs will provide input to the SSPO and SSGB during the development of administrative shared service policy. The USSM, working collaboratively with the GWPAs, will provide

² For example, the Office of Personnel Management (OPM) is responsible for overseeing all policy created to support Federal human resources departments and the Department of the Treasury (Treasury) is responsible for the publication of policies, procedures, and instructions concerning financial management in the Federal Government.

implementation direction and guidance to shared service providers and customers on existing and future policy and business requirements (e.g., the HR LOB Business Reference Model).³

The LOB Managing Partners⁴ will continue supporting the LOB initiative by defining the processes and business rules associated with their respective business function; shaping existing or informing future policy by coordinating input from their respective stakeholder community and making recommendations to the appropriate policy authority; and by developing and managing a change management process for commonly used systems and/or services that ensures one Government voice of the user community. The USSM will assume responsibility for strategic management⁵ activities of shared services and will collaborate with respective LOB Managing Partners during the development of shared service implementation guidance. In addition, 120 days after the issuance of this memorandum, the USSM will develop a Concept of Operations (ConOps) for administrative shared services to be presented to the SSGB for approval. The ConOps will define the roles and responsibilities of all stakeholders in the shared service ecosystem.

OMB's Office of Federal Procurement Policy (OFPP) will develop a costing methodology that shall be used by all agencies as one part of a strategic assessment of marketplace alternatives that also include technical capability, past performance and other value factors. Consideration of all relevant costs and benefits in evaluating alternatives will help agencies make better management and investment decisions for administrative functions. Accordingly, OMB, USSM, and GWPAs will work together to review guidance that has previously been issued to support agency development of business cases with the goal of identifying manageable practices that enable meaningful and efficient consideration of alternatives and use of shared service solutions whenever they make sense. In the meantime, agencies should continue to follow any specific government-wide policies currently in effect that have been issued by OMB, USSM, or GWPAs regarding the consideration of shared services, such as OMB Memorandum M-13-08, addressing financial systems, or the HR LOB Exception Business Case.⁶

GSA's Office of Unified Shared Services Management (USSM)

The USSM was established to oversee the current shared service ecosystem and provide a consistent long-term strategy for the expansion of administrative shared services. While each administrative function operates in an environment that offers unique requirements and challenges, there are commonalities that can be leveraged to benefit all LOBs. The USSM works

³ The HR Business Reference Model (BRM) provides an end-to-end depiction of the HR business process that takes place at government agencies.

⁴ LOB Managing Partners include any future agencies designated by OMB to serve that role as well as agencies that were previously designated by OMB and can be found in Appendix B of FY 2017 IT Budget – Capital Planning Guidance.

⁵ Strategic management activities for shared services include activities such as managing the supply and demand in the marketplace, measuring success through common outcome-based performance measures, and ensuring implementation direction and guidance provided to existing or potential consumers align to Federal shared service policies.

⁶ Refer to the May 18, 2007 OMB Memorandum, *Competition Framework for Human Resources Management Line of Business Migrations* for additional information.

across functions to develop an integrated approach to shared services that can be leveraged by the LOB Managing Partners. The USSM will continue to execute the shared services strategy by:

- 1) Establishing an investment review process responsible for reviewing business cases and implementation plans for any significant investments⁷ in financial management, human resources, or acquisitions systems⁸ and/or services that would either provide new or modify existing capabilities to be used government-wide or that would duplicate those already available. To help guide OMB funding determinations, the USSM will provide recommendations to OMB on whether customer and provider strategies⁹ align with the government-wide shared service approach.
- 2) Collaborating with OFPP to develop, in accordance with OMB's category management principles,¹⁰ a government-wide management and acquisition strategy for shared solutions. This strategy will reduce program and administrative costs by reducing duplication in contracts, providing greater transparency to Federal agencies on pricing, and provide greater flexibility for the acquisition workforce to focus on more complex, higher-risk investments.
- 3) Promoting increased accountability for service delivery by managing the new ProviderStat process. Aligned with the GPRA Modernization Act of 2010 and FedStat, ProviderStat is a data driven on-going review process used to assess the maturity of providers' current capabilities in order to promote continuous improvement in customer satisfaction. Similar to PortfolioStat and HRStat, the analysis and decisions resulting from the ProviderStat process will be incorporated into the FedStat process, and ultimately inform agency budget development. All shared service providers¹¹ will participate and make all necessary information available to the USSM in support of this process.
- 4) Assisting agencies during implementation by publishing an implementation playbook that aligns with the FedStat process and Federal Budget cycle, leverages best practices and lessons learned in project management, and incorporates requirements of the Federal Information Technology Acquisition Reform Act (FITARA)¹² and other appropriate OMB guidance. The USSM will monitor implementations to ensure

⁷ The USSM will coordinate with OMB to define thresholds for what constitutes "significant" investments.

⁸ Financial management, human resources, and acquisition systems refers to the systems necessary to support these functions, including automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions. See OMB Circular A-127 for additional information on financial management and the Human Resources Business Reference Model and HR Enterprise Architecture for human resources.

⁹ In addition to agencies' significant investments, the USSM will be responsible for reviewing shared service providers' investment strategies to expand offerings and capabilities to meet current and future customer needs.

¹⁰ https://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-02_0.pdf

¹¹ Shared service providers include agencies previously designated by Treasury's Office of Financial Innovation and Transformation (FIT) or OPM's HR Line of Business (HR LOB) as well as any providers designated by the USSM.

¹² Title VIII, Subtitle D of the National Defense Authorization Act (NDAA) for FY 2015, Pub. L. No 113-291

agencies are following the disciplined processes outlined in this playbook and assess project risk in partnership with OMB.

- 5) Collaborating with Federal agencies to prepare a demand analysis for financial management and human resources, including non-core HR services,¹³ to allow shared service providers to better plan for increased demand.
- 6) Establish requirements, assessment criteria, and a designation process for allowing new entrants into the supply marketplace. USSM will establish this criteria in a way that encourages innovation and the natural evolution of shared services while also defining thresholds that trigger formal evaluation and designation.

Next Steps

Successful implementation of administrative shared services requires both strategic and tactical considerations. While this memorandum outlines the strategic foundation for shared services, detailed implementation guidance may evolve over time through lessons learned. In order to create a structured yet flexible approach to implementation, the USSM will develop details and technical guidance for the policy outlined in this memorandum.

If you have any questions regarding this memorandum, please contact the Office of Federal Financial Management at OMB (202-395-3993).

¹³ Refer to the HR LOB Strategic Framework and Chief Human Capital Officers Council's Future State Vision for HRIT for additional information.