March 2019

STREAMLINING GOVERNMENT

OMB and GSA Could Strengthen Their Approach to Implementing a New Shared Services Plan

GAO Highlights

STREAMLINING GOVERNMENT

OMB and GSA Could Strengthen Their Approach to Implementing a New Shared Services Plan

Why GAO Did This Study

The federal government can reduce duplicative efforts and free up resources for mission-critical activities by consolidating mission-support services that multiple agencies need—such as payroll or travel—within a smaller number of providers so they can be shared among agencies. However, migrating to a shared services provider has not consistently increased cost savings, efficiencies, or customer satisfaction, according to OMB and others who have observed these migrations.

GAO was asked to review previous shared services initiatives. This report: (1) identifies the progress and challenges associated with federal shared services initiatives for selected HR and financial management activities and (2) assesses OMB and GSA's actions to address those challenges. GAO analyzed planning and performance documents and interviewed officials from selected customer and provider agencies and from agencies involved with shared services policy and guidance. GAO also interviewed subject-matter experts familiar with shared services. GAO reviewed steps OMB and GSA are taking to identify and address challenges from past migrations to improve shared services performance.

What GAO Recommends

GAO is making four recommendations to OMB including to work with GSA to finalize a plan for monitoring the implementation of NewPay, among other actions. OMB staff did not comment on GAO's recommendations, but noted that OMB may update its shared services policy in the future.

What GAO Found

Efforts to promote greater use of shared services for human resources (HR) and financial management activities resulted in some cost savings and efficiency gains, but challenges impeded more widespread adoption. For example, the Office of Personnel Management estimates that shared services for HR, including payroll resulted in more than $1 billion in government-wide cost-savings and cost avoidance between fiscal years 2002 and 2015. However, challenges include limited oversight, demand uncertainty among providers, and limited choices for customers. To address these challenges, the Office of Management and Budget (OMB) and the General Services Administration (GSA), as the shared services initiative leaders, introduced a new marketplace model in 2018 meant to better meet the needs of customers and service providers by offering more choices for purchasing shared services (see figure). They are also working on plans to create Service Management Offices and Task Order Review Boards to work with agencies to adopt standards for common management activities.

OMB and GSA's Proposed New Marketplace Model

Source: GAO analysis of Office of Management and Budget (OMB) and General Services Administration (GSA) planning documents. I GAO- 19-94

GAO found that OMB and GSA were following some key change management practices such as improving interagency collaboration in their design of the marketplace model. However, implementation weaknesses may limit their success. For example, OMB and GSA do not have a plan to monitor the implementation of NewPay, a 2018 payroll shared services initiative designed to determine how well the new model works. A monitoring plan which includes performance goals and milestones could help OMB and GSA avoid gaps in service or costly delays as agencies transition to the new model for obtaining shared services.

United States Government Accountability Office

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Abbreviations

AGA	Association of Government Accountants
ARC	Administrative Resource Center
CAP	Cross-Agency Priority
CFO	Chief Financial Officer
DHS	Department of Homeland Security
Education	Department of Education
ESC	Enterprise Service Center
FIT	Office of Financial Innovation and Transformation
FSIO	Financial Systems Integration Office
FSSP	federal shared services provider
GSA	General Services Administration
HR	human resources
HUD	Department of Housing and Urban Development
IBC	Interior Business Center
IT	information technology
Justice	Department of Justice
MGT	Modernizing Government Technology Act
NFC	National Finance Center
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SMO	Service Management Offices
Treasury	Department of the Treasury
USDA	U.S. Department of Agriculture
USSM	Unified Shared Services Management

March 7, 2019

Congressional Requesters

The federal government can reduce duplicative efforts and free up resources for mission-critical activities by consolidating mission-support services that multiple agencies need—such as payroll or travel—within a smaller number of providers so they can be shared among agencies.[1] 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.[2]

The Office of Management and Budget (OMB) and the General Services Administration (GSA) are responsible for overseeing a strategic, government-wide framework for improving the effectiveness and efficiency of shared services. To date, the federal government has made significant efforts to promote shared services in several areas such as human resources (HR) and financial management. However, according to OMB and others who have observed shared services migrations, migrating these services from individual agencies to a shared services provider has not consistently resulted in cost savings, greater efficiencies, or improved customer satisfaction.

You asked us to review previous shared services initiatives for HR and financial management activities. This report: (1) identifies the progress and challenges associated with federal shared services initiatives for selected HR and financial management activities, and (2) assesses OMB and GSA's actions to address those challenges.

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[1]GAO, *Revolving Funds: Additional Pricing and Performance Information for FAA and Treasury Funds Could Enhance Agency Decisions on Shared Services*, GAO-16-477 (Washington, D.C.: May 10, 2016).

[2]We publish a body of work on opportunities to reduce fragmentation, overlap, and duplication in federal programs. Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. Duplication occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries. See GAO, *2018 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-18-371SP (Washington, D.C.: Apr. 26, 2018).

To address our objectives, we conducted a literature review of GAO's work and other relevant publications from the past 15 years on HR and financial management shared services, such as reports by the Partnership for Public Service and the Association of Government Accountants (AGA).[3] We also reviewed our reports that focused on specific agency migrations.[4] We reviewed planning and performance documents and interviewed officials from (1) OMB and GSA—the agencies that currently oversee shared services policy and guidance—and (2) the Office of Personnel Management (OPM) and the Office of Financial Innovation and Transformation (FIT) within the Department of the Treasury (Treasury), both of which oversaw past shared services initiatives and continue to play a key role developing government-wide HR and financial management shared services policy.

Further, we reviewed guidance, planning, and performance documents and interviewed agency officials at four agencies engaged in the shared services process. We selected two federal shared services providers (FSSPs), federal agencies that provide shared services to other agencies: the National Finance Center (NFC) housed within the U.S. Department of Agriculture (USDA) and the Administrative Resource Center (ARC) housed within Treasury. We also selected two customer agencies: the Departments of Justice (Justice) and Education (Education) involved in different phases of shared services migrations. We made our selection based on a number of factors. To capture a range of experiences and perspectives, we selected a mix of customer and provider agencies. We selected one HR and one financial management systems migration to review, as well as one migration in an earlier phase and one in a later phase. To capture an in-depth perspective of a migration, we selected one customer and provider working together on a migration. To capture perspectives on OMB and GSA's efforts to address shared services challenges and improve outcomes, we selected provider and customer

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[3]The Partnership for Public Service is a nonprofit organization that conducts research and advocates for practices intended to make the federal government more effective. The Association of Government Accountants is a member organization for government financial management professionals.

[4]GAO, *DHS Financial Management: Better Use of Best Practices Could Help Manage System Modernization Project Risks*, GAO-17-799 (Washington, D.C.: Sept. 26, 2017); *Financial Management Systems: HUD Needs to Address Management and Governance Weaknesses That Jeopardize Its Modernization Efforts*, GAO-16-656 (Washington, D.C.: July 28, 2016) and *Financial Management Systems: Experience with Prior Migration and Modernization Efforts Provides Lessons Learned for New Approach*, GAO-10-808 (Washington, D.C.: Sept. 8, 2010).

agencies that were meeting regularly with GSA in 2016 or 2017 on their shared services migration. Our selection of agencies is non-generalizable and their experiences and outcomes may not reflect all migrations. We also interviewed subject-matter experts who were involved in public and private shared services migrations as customers, providers, or consultants.

To address the second objective, we reviewed OMB and GSA's efforts to identify and address challenges and lessons learned from past migrations, including the new shared services action plan OMB released in spring 2018.[5] We assessed the extent to which OMB and GSA's plan and guidance are designed to facilitate better shared services outcomes using criteria such as standards for internal control in the federal government, principles identified in our previous work related to addressing major management challenges, and the AGA criteria for effective marketplaces.[6] Additional details on our objectives, scope, and methodology are in appendix I.

We conducted this performance audit from June 2017 to March 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

According to OMB, the federal government spends more than $25 billion annually for core mission support services, such as HR and financial

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[5]General Services Administration and the Office of Management and Budget, *Sharing Quality Services: Improving Efficiency and Effectiveness of Administrative Services across Government,* President's Management Agenda and Cross Agency Priority (CAP) Goal Action Plan, accessed March 22, 2018. https://www.performance.gov/CAP/CAP_goal_5.html.

[6]GAO, *Government Reorganization: Key Questions to Assess Agency Reform Efforts*, GAO-18-427 (Washington, D.C.: June 13, 2018); *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 10, 2014); *Streamlining Government: Questions to Consider When Evaluating Proposals to Consolidate Physical Infrastructure and Management Functions,* GAO-12-542 (Washington, D.C.: May 23, 2012); and Association of Government Accountants, Annual CIO Survey: Study of Shared Services, *The Pursuit of Government Efficiency: Opportunities to Advance Federal Shared Services* (Alexandria, VA: January 2015).

management that are common across agencies.[7] These services are generally supported by a wide range of activities. For example, the HR employee life cycle functions represent hiring to retirement and include activities such as payroll and other compensation and benefits management. The financial management function includes core financial activities such as making and receiving payments for goods or services.[8]

As shown in figure 1, for more than two decades, the federal government has taken actions aimed at increasing agencies' use of shared services. Key congressional actions included new laws to create uniform standards for financial reporting, promote agency use of information technology (IT) to deliver core mission support services, and establish funding mechanisms for agencies to modernize IT systems. Presidential administrations have made it a priority to promote the use of shared services for HR and financial management activities for many years. For example, in 2014 and again in 2018, OMB established a cross-agency priority (CAP) goal of improving the use, quality, and availability of administrative shared services.[9] Complementing the goal, the Digital Accountability and Transparency Act of 2014 is intended to standardize and increase the transparency of agencies' spending data.[10]
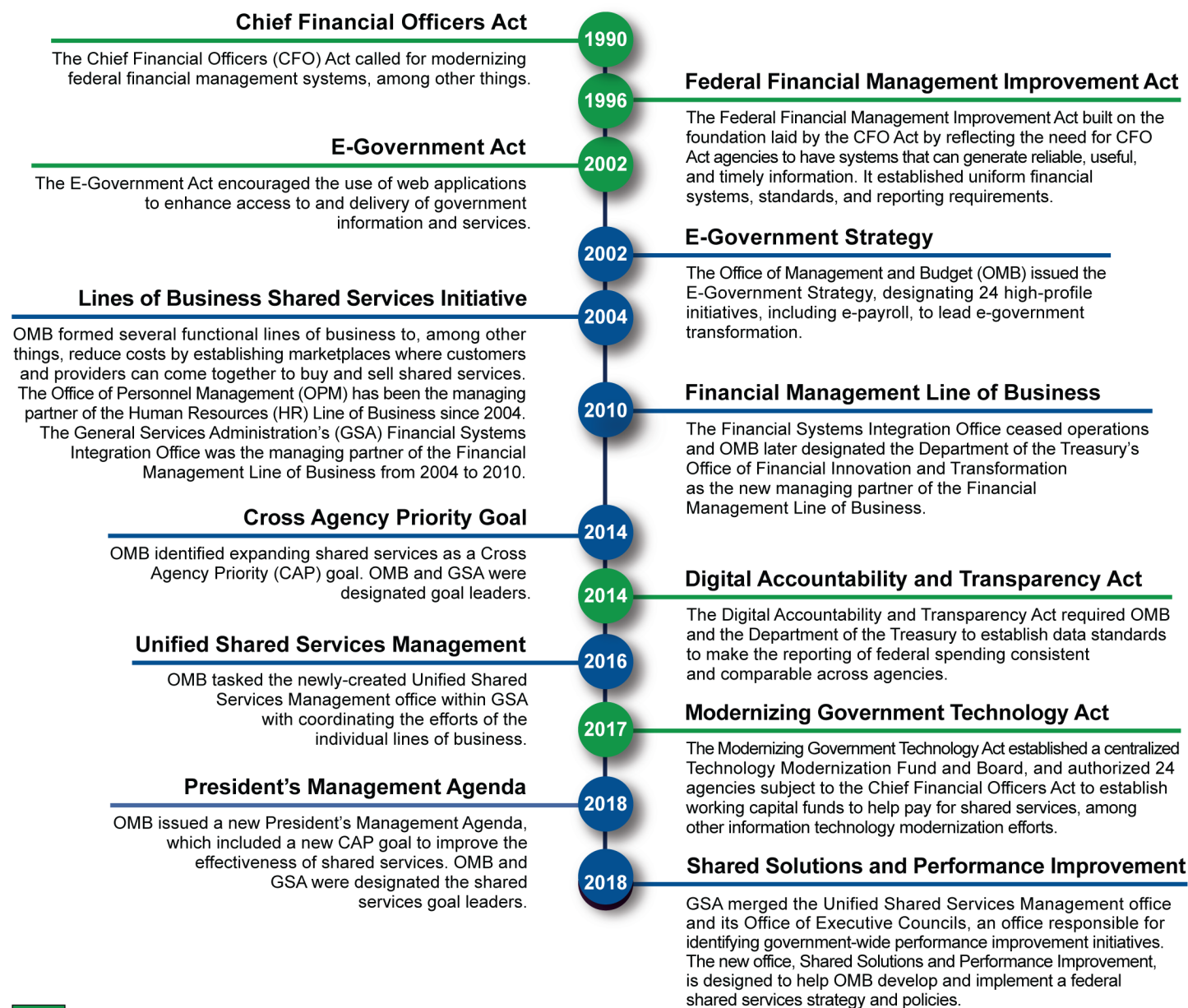
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[7]According to OMB, this estimate includes employee costs, contracts, and information technology. See White House, *President's Management Agenda* (Washington, D.C.: Mar. 19, 2018).

[8]GAO, *Financial Management: Persistent Financial Management Systems Issues Remain for Many CFO Act Agencies*, GAO-08-1018 (Washington, D.C.: Sept. 30, 2008).

[9]The GPRA Modernization Act of 2010 requires OMB to coordinate with agencies to develop CAP goals, which are 4-year outcome-oriented goals covering a number of complex or high-risk management and mission issues.

[10]Pub. L. No. 113-101, 128 Stat. 1146 (May 9, 2014). The Digital Accountability and Transparency Act of 2014 (DATA Act) amended the Federal Funding Accountability and Transparency Act of 2006 (FFATA). Pub. L. No. 109-282, 120 Stat. 1186 (Sept. 26, 2006), *codified at* 31 U.S.C. § 6101 note. Prior to the implementation of the DATA Act, the Fiscal Assistant Secretary of Treasury testified that the use of data standards can reduce costs by facilitating agency movement toward greater use of shared services throughout government. For more information on GAO's findings related to the implementation of the DATA Act, see GAO*, DATA Act: OMB, Treasury, and Agencies Need to Improve Completeness and Accuracy of Spending Data and Disclose Limitations* GAO-18-138 (Washington, D.C.: Nov. 8, 2017).

Figure 1: Timeline of Key Congressional and Executive Actions to Promote Shared Services

Chief Financial Officers Act
1990
The Chief Financial Officers (CFO) Act called for modernizing federal financial management systems, among other things.

Federal Financial Management Improvement Act
1996
The Federal Financial Management Improvement Act built on the foundation laid by the CFO Act by reflecting the need for CFO Act agencies to have systems that can generate reliable, useful, and timely information. It established uniform financial systems, standards, and reporting requirements.

E-Government Act
2002
The E-Government Act encouraged the use of web applications to enhance access to and delivery of government information and services.

E-Government Strategy
2002
The Office of Management and Budget (OMB) issued the E-Government Strategy, designating 24 high-profile initiatives, including e-payroll, to lead e-government transformation.

Lines of Business Shared Services Initiative
2004
OMB formed several functional lines of business to, among other things, reduce costs by establishing marketplaces where customers and providers can come together to buy and sell shared services. The Office of Personnel Management (OPM) has been the managing partner of the Human Resources (HR) Line of Business since 2004. The General Services Administration's (GSA) Financial Systems Integration Office was the managing partner of the Financial Management Line of Business from 2004 to 2010.

Financial Management Line of Business
2010
The Financial Systems Integration Office ceased operations and OMB later designated the Department of the Treasury's Office of Financial Innovation and Transformation as the new managing partner of the Financial Management Line of Business.

Cross Agency Priority Goal
2014
OMB identified expanding shared services as a Cross Agency Priority (CAP) goal. OMB and GSA were designated goal leaders.

Digital Accountability and Transparency Act
2014
The Digital Accountability and Transparency Act required OMB and the Department of the Treasury to establish data standards to make the reporting of federal spending consistent and comparable across agencies.

Unified Shared Services Management
2016
OMB tasked the newly-created Unified Shared Services Management office within GSA with coordinating the efforts of the individual lines of business.

Modernizing Government Technology Act
2017
The Modernizing Government Technology Act established a centralized Technology Modernization Fund and Board, and authorized 24 agencies subject to the Chief Financial Officers Act to establish working capital funds to help pay for shared services, among other information technology modernization efforts.

President's Management Agenda
2018
OMB issued a new President's Management Agenda, which included a new CAP goal to improve the effectiveness of shared services. OMB and GSA were designated the shared services goal leaders.

Shared Solutions and Performance Improvement
2018
GSA merged the Unified Shared Services Management office and its Office of Executive Councils, an office responsible for identifying government-wide performance improvement initiatives. The new office, Shared Solutions and Performance Improvement, is designed to help OMB develop and implement a federal shared services strategy and policies.

◼ Congressional actions
◼ Executive actions

Source: GAO analysis. I GAO-19-94

At present, OMB has responsibility and authority to develop and implement government-wide shared services policy. OMB is working with GSA to develop shared services strategy, policies, and guidance, with OPM and Treasury also having important roles (see table 1). Table 1 also describes the agencies we selected and their roles in the shared services initiatives.

Table 1: Selected Agencies and Their Roles in Shared Services Initiatives

Agency	Role
Agencies overseeing shared services initiatives	
Office of Management and Budget (OMB)	OMB designates the Shared Services Policy Officer, who has responsibility and authority to develop and implement government-wide shared services policy. This officer is within OMB. Since 2014, OMB has also been a co-leader for the cross-agency priority (CAP) goal of expanding shared services.
General Services Administration (GSA)	Different offices within GSA have been involved with shared services initiatives over the years. - The Financial Systems Integration Office (FSIO) oversaw shared services initiatives for financial management activities from 2004 until 2010. In 2010, OMB announced the creation of the Office of Financial Innovation and Transformation (FIT) within Treasury and later designated it as the managing partner of the Financial Management Line of Business. - In 2016, OMB tasked the Unified Shared Services Management (USSM) office with supporting OMB's efforts to develop shared services strategy, policy and guidance. - In 2018, GSA merged USSM with the Office of Executive Councils to form the Shared Solutions and Performance Improvement office. This office will continue work with the Shared Services Policy Officer within OMB to develop government-wide shared services strategy, policies, and guidance. Since 2014, GSA has been a co-leader for the cross-agency priority goal of expanding shared services.
Department of the Treasury (Treasury)	In 2010, FIT succeeded FSIO as the managing partner for the Financial Management Line of Business. As managing partner, FIT oversaw shared services initiatives for financial management activities until 2016. Since 2016, FIT has continued to work on financial management shared services efforts and to collaborate with GSA on developing government-wide guidance.
Office of Personnel Management (OPM)	As managing partner of the Human Resources (HR) Line of Business, OPM oversaw shared services initiatives for HR activities from 2004 to 2016. Since 2016, OPM has continued to work on HR shared services policy and to collaborate with GSA on developing government-wide guidance.
Selected shared services providers	
National Finance Center (NFC)	NFC, within the U.S. Department of Agriculture, has been a federal shared services provider (FSSP) of payroll shared services since 2003. Over the years, NFC has expanded the services it offers to agencies to include additional HR services.
Administrative Resource Center (ARC)	ARC, part of the Department of the Treasury's Bureau of the Fiscal Service, is a shared services provider for financial management, HR, and IT services. OMB designated ARC as an FSSP in 2004. In 2013, ARC re-applied for financial management FSSP designation. OMB and FIT selected ARC as one of four financial management FSSPs.
Selected shared services customers	
Department of Justice (Justice)	Justice is a customer of the NFC for HR shared services.
Department of Education (Education)	Education officials conducted market research to determine the feasibility of migrating selected HR and financial management services to an FSSP, but decided not to migrate these services at present.

Source: GAO analysis of agency documentation. | GAO-19-94

Federal Efforts to Promote Shared Services Resulted in Some Cost Savings and Efficiency Gains, but Challenges Impeded More Widespread Adoption

Efforts to Promote Shared Services for HR Activities Contributed to Cost Savings and Cost Avoidance

OMB's efforts to promote HR shared services resulted in cost savings, cost avoidance, and more consistent service delivery. OMB announced the HR Line of Business in 2004 simultaneously with the Financial Management Line of Business. These shared services initiatives shared similar goals: (1) standardize systems, business processes, and data elements to promote consistency across the federal government; and (2) reduce costs by establishing a marketplace or a system of buying and selling products and services. In this context, the marketplace would allow agencies to acquire IT systems for core mission support services through shared services solutions.

OPM and FIT coordinated with their respective Chief Human Capital Officer and CFO stakeholder communities to develop data elements and business process standards for common HR and financial management activities. Setting consistent standards for data and systems can lead to benefits for shared services customers as well as providers. For example, the ability to meaningfully aggregate or compare data across the federal government increases as more agencies adopt common or standardized data elements or processes. As we have previously reported, the lack of comparable data across agencies can hinder efforts to analyze government-wide trends.[11] Specifically, OPM reported in 2015 that the lack of standardized time and attendance data or required data components limits access to workforce data and hinders efforts to

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[11]GAO, *Data Act: Data Standards Established, but More Complete and Timely Guidance Is Needed to Ensure Effective Implementation*, GAO-16-261 (Washington, D.C.: Jan. 29, 2016).

analyze government-wide trends.[12] In addition, once providers know the standards, they can develop a solution applicable to multiple customer agencies and achieve economies of scale.

OPM oversaw one of the first efforts to create a shared services marketplace in 2001, which focused on payroll. That effort resulted in cost savings, cost avoidance, and greater consistency in the interpretation and application of payroll rules. In the early 2000s, many agencies' payroll systems were nearing the end of their estimated life cycles. As managing partner of the HR Line of Business, OPM worked with OMB to identify payroll providers. They selected 4 of the then 22 federal payroll providers to serve as FSSPs for the 116 executive branch agencies.[13] We previously reported that, according to OPM officials who had overseen the payroll consolidation effort, OMB authorized only the chosen federal payroll providers—not other agencies—to spend money on modernizing payroll systems, thereby encouraging the shift to the selected FSSPs.[14]

OPM designated six more public- and private-sector shared services centers to provide additional HR functions to agencies in between 2005-2008.[15] These functions include core HR services such as personnel action processing and benefits and compensation management, as well as noncore services such as HR strategy and performance management. According to OPM, more than 99 percent of agencies migrated to a payroll provider and more than 88 percent of agencies migrated to an HR shared services center. This resulted in an estimated savings and cost

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[12]United States Office of Personnel Management, *Human Resources Line of Business Strategic Framework* (Washington, D.C.: Apr. 14, 2015).

[13]The FSSPs were: (1) Department of Defense, Defense Finance and Accounting Service; (2) United States Department of Agriculture, National Finance Center; (3) Department of the Interior, Interior Business Center; and (4) General Services Administration, National Payroll Center. Additionally, the Department of State was permitted to continue independent payroll operations to support overseas civilian employees. For more information on the e-payroll project, see GAO-17-127.

[14]GAO-12-542.

[15]In addition to the payroll FSSPs, the other two HR shared services centers are hosted by HHS and Treasury's HR Connect. The private sector HR shared services centers are Accenture National Security Services, Allied Technology Group Inc., Carahsoft Technology Corporation, and International Business Machines (IBM).

avoidance of more than $1 billion between fiscal years 2002 and 2015.[16] The consolidation of payroll providers from 22 to 4 providers also contributed to greater consistency in the way the federal government interprets and applies payroll rules.

Outcome Information on Financial Management Shared Services Efforts Is Limited

The federal government made progress toward establishing standards for selected financial management activities and designating providers to engage in a marketplace. However, information on outcomes is limited because data were not tracked amidst changes in the Financial Management Line of Business leadership and strategy. In 2004, OMB designated GSA's Financial Systems Integration Office (FSIO) as managing partner of the Financial Management Line of Business. OMB also designated four FSSPs to provide financial management services to other agencies. They were: the Department of the Treasury's Administrative Resource Center (ARC), the Department of the Interior's Interior Business Center (IBC), the Department of Transportation's Enterprise Service Center (ESC), and GSA's Federal Integrated Solutions Center.

Under the original Financial Management Line of Business, which was launched in 2004, federal agencies were required to either serve as a shared services provider or leverage a shared services provider when modernizing a financial system. In 2010, OMB changed this strategy.[17] Agencies would no longer be required to adopt shared services for financial systems. In announcing this change in strategy, OMB noted concerns related to the costs and risks—such as projects that did not meet agency needs upon completion—that medium and large agencies had encountered as they pursued shared services for financial management activities. OMB also noted that agency managers were more likely to pursue shared services for less complex operations such as common website hosting, rather than more complex operations, such as financial transactions. Further, OMB announced a change in leadership. FSIO ceased operations and OMB later designated the Department of the

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[16]According to OPM, the cost estimate is based on data from the OMB IT Dashboard and related HR Line of Business information. OPM reported that this analysis is based on limited information and used for selected activities such as determining the feasibility of new projects and evaluating concepts. We reviewed OPM's methodology and found it appropriate for this general estimate.

[17]Office of Management and Budget, *Immediate Review of Financial Systems IT Projects*, OMB, M-10-26 (Washington, D.C.: June 28, 2010).

GAO-19-94 Streamlining Government

Treasury's Office of Financial Innovation and Transformation (FIT) as the new managing partner of the Financial Management Line of Business.

FIT took steps to establish a marketplace for customers seeking shared financial management services and to develop standards for financial management activities. As part of this effort, FIT created a process to analyze the existing financial management FSSPs to identify capability gaps. FIT invited the existing FSSPs and other agencies that wanted to receive FSSP designation to apply. In 2014, FIT selected ARC, IBC, ESC, and USDA Financial Management Services (which is separate from NFC) to provide financial management services to other federal agencies.[18] FIT also worked with the CFO community to develop more than 40 business use cases for financial management activities. Business use cases document how a common activity, such as disbursing payments, is executed, including a sequential description of each step in the process. According to a FIT official, these business use cases foster a common understanding of how to execute specific financial management functions among customers and providers, which can make it easier for customers to transition to shared services.

Further, FIT identified four initiatives to expand shared services for financial transactions. FIT's four shared services initiatives included expanding shared services for accounts payable and accounts receivable, debt collection, and payment processing. FIT officials estimated these projects could contribute to cost savings of around $620 million over 5 years, but they did not track cost savings. FIT officials also did not track the percentage of non-CFO Act agencies that migrated financial systems to a shared services provider.[19] FSSP customer lists show that non-CFO Act agencies and commissions more frequently rely

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[18]GSA did not apply for recertification.

[19]According to FIT officials, there were three CFO Act agencies engaged in the shared services migration process at the time: the Departments of Homeland Security, Housing and Urban Development, and Labor. FIT officials said they were in contact with officials at those agencies. Non-CFO Act agencies are not subject to the CFO Act. The 24 agencies which are subject to the CFO Act account for a large majority of federal government spending. These agencies include: the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; Environmental Protection Agency; National Aeronautics and Space Administration; Agency for International Development; General Services Administration; National Science Foundation; Nuclear Regulatory Commission; Office of Personnel Management; Small Business Administration; and Social Security Administration.

on external providers for core financial shared services than do medium and large agencies.

FIT officials stated that OMB transferred many of FIT's responsibilities, including collecting performance information, to GSA in 2016. In 2018, GSA officials published customer satisfaction data from 2017 and 2018 for administrative functions, including financial management services through the Customer Satisfaction Survey.[20] GSA also plans to track the percentage of selected financial transactions—such as certain types of payments—completed by a shared services provider starting in 2020. However, tracking of cost data continues to be an issue, which we address later in this report.

Governance and Marketplace Challenges Have Impeded Greater Progress toward Cost Savings and Other Performance Goals

Wider adoption of HR and financial management shared services has been impeded by challenges in two areas. First, shared services efforts have faced persistent governance challenges, such as limited interagency collaboration, difficulty reconciling benefits and trade-offs, and limited oversight and technical support for shared services migrations. Second, the efforts have also experienced marketplace challenges, which involve difficulty obtaining funding to invest in shared services, demand uncertainty among providers, and limited choices for customers. These issues hampered efforts to establish effective and efficient shared services marketplaces. As a result, these marketplaces have not been able to consistently support sufficient competition limiting the potential cost sharing efficiencies and improved performance that could be realized with greater usage. OMB and GSA have taken steps to address these challenges, which we assess later in this report.

Limited interagency collaboration. The Lines of Business governance structure limited collaboration across different mission support areas. This made it more difficult for those with expertise in acquisitions, IT, HR, and financial management policy to work together on shared services solutions. For example, although a shared payroll solution should ideally consider how to appropriately implement payroll rules, an area in which the Chief Human Capital Officers community has subject-matter expertise, it also needs the expertise of others. Specifically, the solution

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[20]Survey results published in 2018 show that the majority of employees at CFO Act agencies who responded to the survey were at least somewhat satisfied with the quality and support of solutions received from financial management functions over the past 12 months.

should also be able to integrate with an agency's financial reporting systems, an area in which the CFOs and Chief Information Officers have expertise. Additionally, the solution should ideally leverage the government's purchasing power, an area in which the Chief Acquisition Officers have expertise. The Lines of Business Managing Partners took steps intended to address this issue. For example, the HR Line of Business chartered the Multi-Agency Executive Strategy Committee to facilitate interagency collaboration by bringing together representatives from human capital offices across CFO Act agencies.[21] Later in this report, we describe additional steps OMB and GSA took to promote greater collaboration across the individual Lines of Business.

Difficulty reconciling benefits and trade-offs. We found that agencies have had difficulty reconciling the trade-offs associated with adopting a standardized service. OMB has issued multiple memorandums over the years directing agency officials to consider shared services solutions when researching options for replacing legacy HR or financial management systems.[22] Despite OMB's direction, the benefits for customers to migrate to a standardized solution were not always clear. According to ARC officials, prospective customers were invested in their legacy processes, or did not factor long-term cost savings or cost avoidance into their decision-making process, therefore limiting the full realization of standardized shared services.

These difficulties are illustrated in a recent experience at Education. Education officials debated whether to migrate the department's financial management system to a shared services provider, and spent substantial time and money determining whether it was feasible. Education has

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[21]The Multi-Agency Executive Strategy Committee is the primary governance body of the HR Line of Business and is made up of 24 federal cabinet agencies. The purpose of the committee is to provide advice and recommendations to the HR Line of Business, the Director of OPM, and additional government-wide executive leadership for the implementation of the HR Line of Business's vision, goals, and objectives.

[22]For example, in May 2006, OMB issued its *Competition Framework for FMLOB Migrations* to provide guidance to agencies planning to migrate their financial management systems and services. In May 2012, the Obama Administration issued a strategy for institutionalizing a shared-first culture across the federal government. In March 2013, OMB issued *Improving Financial Systems through Shared Services*, OMB Memorandum M-13-08, directing agencies to consider, as part of their alternatives analysis, the use of a federal shared services provider. More recently in April 2017, OMB issued *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce,* OMB Memorandum M-17-22, directing agencies to look for greater efficiency by leveraging shared services, among other actions.

several systems which are closely integrated and dependent on one another, including financial and grants management. In considering trade-offs, officials were concerned about the costs they would incur and the impact to their grantees if they de-coupled these systems to migrate to a standardized financial system. According to Education officials, they spent about a year meeting with officials from OMB, FIT, and ARC to determine the feasibility of migrating their core accounting system to ARC.

They also reported spending more than $750,000 on a feasibility study. The study noted that the cost of an internal migration would be less expensive than migrating to ARC.[23] Ultimately, in 2016, Education officials decided that instead of migrating they would modernize their legacy system internally. GSA and OMB supported Education's decision to modernize in house and agreed that Education did not need to move to a shared services provider at that time. However, GSA officials working with Education on their financial management modernization efforts noted that Education's decision to pursue a customized solution that paired financial systems and grants contributed to the higher quoted cost of migrating to ARC. GSA officials also recommended that Education consider the costs and benefits of making changes to its financial management systems that would eventually facilitate the transition to a shared services solution. Education officials said they remain committed to reviewing this effort again in the future.

Limited oversight and technical support. Customer and provider agencies experienced issues with project management, which contributed to delayed and costly migrations. For example, we previously reported that two recent financial management migrations—involving the Department of Housing and Urban Development (HUD) migrating to ARC and the Department of Homeland Security (DHS) migrating to IBC, the federal shared services provider within the Department of the Interior— were late, over budget, and only addressed a portion of the original project scope.[24] In 2016, we reported that HUD migrated 4 of 14 planned financial management capabilities to shared service solutions, but ended efforts to migrate the remaining 10 planned capabilities to ARC, in part

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[23] The Department of Education feasibility study concluded that an internal migration would cost approximately 50 percent less than migrating systems to Treasury. According to Treasury officials, actual costs can be significantly lower or higher than the original estimate.

[24]GAO-17-799 and GAO-16-656.

because of weaknesses in implementing key management practices.[25] For example, HUD's senior leaders did not recognize and fully address challenges as they arose, including those identified with scope, schedule, and program costs. As a result, HUD was unable to follow through with its plans to replace a number of its legacy financial management systems and continues to maintain those systems while seeking other new initiatives to address aspects of the remaining capabilities. HUD spent about $58 million over three years before deciding to end the migration and modernization effort in April 2016. ARC officials reported that as of November 2018, it continues to provide financial management services for the capabilities that HUD migrated.

Similarly, in 2017, we reported that to address long-standing deficiencies in DHS's financial management systems, DHS started to migrate three components to a modernized financial management system solution provided by the IBC.[26] However, we found that significant challenges such as project management and communication problems, among others, disrupted the project, raising concerns about the extent to which objectives would be achieved as planned. In May 2016, DHS and IBC determined that the planned implementation dates were not viable. We reported that plans for DHS's path forward on this project were delayed for 2 years.

In both cases, we found that the customer agencies did not consistently follow leading project management practices, such as properly identifying potential risks and developing mitigation plans. We made four recommendations to HUD and two recommendations to DHS intended to address weaknesses in their department's financial management systems modernization efforts. However, as of November 2018, they had not yet implemented them.

OPM took steps to address this issue for the HR Line of Business. OPM officials told us that in 2007 they developed an online guide to assist customer agencies to prepare for and manage a migration of their human resources operations to a shared services center. According to OPM, the guidance contains information regarding different delivery models, the

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[25] GAO-16-656.

[26] The three components were the Domestic Nuclear Detection Office, Transportation Security Administration, and U.S. Coast Guard. See GAO-17-799.

migration process, and roles and responsibilities.[27] Further, OMB and GSA recognized that customers and providers would benefit from additional technical support and oversight. In May 2016 guidance, OMB tasked GSA with assisting agencies during implementation by publishing guidance incorporating best practices and lessons learned in project management.[28] OMB also tasked GSA with monitoring implementations to ensure that agencies are following a disciplined process and properly assessing project risk in partnership with OMB. Later in this report, we describe steps GSA has taken to provide guidance and technical assistance to agencies.

Funding challenges, demand uncertainty, and limited choices. Funding challenges, demand uncertainty among providers, and limited choices for customers are challenges that have limited the effectiveness of shared services marketplaces for HR and financial management services. We have previously reported that agencies consider obtaining the funding required for consolidation and migration efforts to be a challenge. This can affect their ability to realize cost savings and cost avoidance.[29] GSA officials said funding challenges can be a barrier to entry into the marketplace for potential customers. In part because of funding challenges, agencies continue to rely on legacy IT systems for core mission support services. Many of these systems are increasingly at risk of failure because of aging technology and reliance on applications that are no longer supported by vendors. As a result, agencies are limited in their ability to deploy updates or make adjustments to ensure the systems support mission needs.[30] In our 2017 High-Risk report, we found that agencies needed to establish action plans to modernize or replace obsolete IT investments across the federal government.[31]

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[27]According to OPM officials, OPM last updated the guidance in 2015.

[28]OMB, *Improving Administrative Functions Through Shared Services*, OMB M-16-11 (Washington, D.C.: May 4, 2016).

[29]GAO, *Data Center Consolidation: Reporting Can Be Improved to Reflect Substantial Planned Savings*, GAO-14-713 (Washington, D.C.: Sept. 25, 2014).

[30]GAO, *Information Technology: Federal Agencies Need to Address Aging Legacy Systems*, GAO-16-468 (Washington, D.C.: May 25, 2016).

[31]GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, GAO-17-317 (Washington, D.C.: Feb. 15, 2017).

Some FSSPs have also struggled to keep up with the capital investments necessary to modernize. We previously reported that OPM officials involved with the payroll consolidation effort said that funding had not materialized for systems modernization for the four payroll service providers, though it was expected at the outset of the initiative.[32] The officials said this lack of funding was a major problem that put the long-term viability of the effort at risk. According to NFC officials, the HR FSSPs continue to find it difficult to keep up with the capital investments necessary to modernize. GSA officials said that federal investment in HR and financial management systems modernization lags behind the private sector.

According to agency officials and subject-matter experts, federal and commercial shared services providers faced uncertainty related to customer demand, which made it difficult for them to plan and more fully participate in the shared services marketplace. For example, ARC officials said that in determining whether to invest in system improvement, they need to evaluate the impact on current customers as well as the benefits to potential customers. They also pointed out that the costs associated with systems improvements would be borne by the current customer base if potential new customers failed to materialize.

On the customer side, both agency officials and subject-matter experts told us that potential customers often found it difficult to identify providers capable of meeting their needs. Some customers wanted a la carte services and others had needs which surpassed the capacity of available providers. For example, Education's HR officials said it was difficult to find a provider to meet their needs for specific HR services. A lack of up-to-date information about providers' services and costs complicated their search process. Education officials said they reached out to several FSSPs, but either they did not provide the specific services Education wanted, they were not taking on new customers, or the cost was not feasible for Education. We previously found that as more agencies consider transitioning to shared services providers, making pricing and performance information publically available can help agencies determine the most efficient method for obtaining services.[33]

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[32]GAO-12-542.

[33]GAO, *Revolving Funds: Additional Pricing and Performance Information for FAA and Treasury Funds Could Enhance Agency Decisions on Shared Services*, GAO-16-477 (Washington, D.C.: May 10, 2016).

Subject-matter experts said that large agencies also had challenges finding an FSSP capable of meeting their needs. For example, one subject-matter expert who works at a large agency with more than 350,000 employees described the challenges his agency faced identifying a provider capable of providing financial management services. He said one potential FSSP was concerned that adding a large customer would negatively impact its ability to serve other customers. In light of the difficulty in finding a provider with sufficient capacity, the agency decided to modernize its financial system internally.

In light of these challenges, agency adoption of shared services has been slow and uneven. In 2015, the Association of Government Accountants (AGA) surveyed government managers and staff, and found that difficult migration experiences raised doubts among officials at other agencies contemplating shared services. AGA found that respondents considering migrating to a shared services provider were hearing enough concerns that they were not eager to undergo a substantial migration.[34] Consequently, agencies continue to conduct common business activities in an inconsistent manner and maintain unique systems. Therefore, they may be missing opportunities to achieve cost savings offered by greater use of shared services. For example, according to OPM, there are at least 108 different systems that send time and attendance data to FSSPs. There are also an estimated 86 learning management systems across the government.[35] We have consistently reported that duplicative and incompatible agency business systems and data prevent agencies from sharing data, or force them to depend on expensive, custom-developed systems or programs to do so.[36]

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[34]Association of Government Accountants, *User Experiences: Shared Services in Government Financial Management-Part 2* (Alexandria, VA: October 2015).

[35]Office of Personnel Management, *Human Resources Line of Business Strategic Framework* (Washington, D.C.: Apr. 14, 2015).

[36]GAO-16-261 and GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011).

OMB and GSA Have Taken Actions to Address Governance and Marketplace Challenges, but Could Strengthen Their Implementation Approach

OMB and GSA Have Taken Actions to Address Persistent Challenges

Over the past several years, OMB and GSA have taken actions—including creating a new governance structure and redesigning the marketplace—to address the challenges that impeded more widespread adoption of shared services. To bolster interagency collaboration, OMB issued guidance in 2016, which designated a Shared Services Policy Officer within OMB with responsibility and authority to develop and implement government-wide shared services policy. OMB also tasked the new Unified Shared Services Management (USSM) office within GSA to bring together key stakeholders, including the managing partners of the different lines of business, and representatives from customer and provider agencies.[37]

GSA also introduced the Federal Integrated Business Framework to build on ongoing efforts by OPM and FIT to develop standards for HR and financial management data elements and business processes, among other things.[38] As part of this effort, cross-agency working groups

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[37]OMB M-16-11.

[38]According to the GSA website, the Federal Integrated Business Framework includes five components. These are: (1) federal business life cycles, service areas, functions, and activities serve as the basis for a common understanding of what services agencies need and solutions should offer; (2) business capabilities are the outcome-based business needs mapped to federal government authoritative references, forms, and data standards; (3) business use cases are a set of agency "stories" that document the key activities, inputs, outputs, and other lines of business intersections to describe how the federal government operates; (4) standard data elements identify the minimum data fields required to support the inputs and outputs noted in the use cases and capabilities; and (5) performance metrics define how the government measures successful delivery of outcomes based on timeliness, efficiency, and accuracy targets.

identified 11 end-to-end processes for mission support services. Similar to the business use cases FIT developed, these business processes document how a common administrative activity is executed, including a sequential description of each step in the process. According to GSA officials, these business processes serve as the basis for a common understanding of what services agencies need, and what shared services providers should offer. These working groups also bring together those with expertise in acquisitions, IT, HR, and financial management policies.

GSA also developed guidance for selecting and migrating to a shared services provider. The new guidance identified opportunities for GSA to review agency migration materials. GSA developed the Modernization and Migration Management Playbook (M3 Playbook), a compilation of leading project management practices and lessons learned from past systems migrations, and met with agencies contemplating or undertaking migrations.[39] The M3 Playbook divides a typical shared services migration into six phases. For each phase, the M3 Playbook identifies key steps agencies should take before they move on, such as completing a risk mitigation strategy and defining performance and success metrics. At the end of each phase, the M3 Playbook recommends a "tollgate" review to ensure both customer and provider completed the necessary steps and are ready to move to the next phase. GSA is to provide recommendations to OMB on the migrations based on observations of project status and risk from tollgate reviews.

Agency officials involved with HR and financial management migrations we spoke with said they found both the Playbook and GSA's reviews helpful. For example, Justice officials said they started to use the Playbook once it was available midway through their HR system migration to NFC. Prior to each tollgate review, Justice officials said they submitted the required deliverables so that GSA had time to review the documents prior to the meetings. Justice officials said that GSA staff reviewing their materials offered concrete suggestions such as developing and documenting success metrics, strengthening their business case, and developing a risk assessment document. According to Justice officials, these suggestions improved the migration process. Education officials also reported they appreciated the project management expertise provided by GSA staff.

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[39]GSA, *Modernization and Migration Management (M3) Playbook*, accessed Oct. 1, 2018, https://www.ussm.gov/m3/.

OMB and GSA Introduced a New Shared Services Marketplace Model, but Could Strengthen Their Implementation Approach

In fiscal year 2018, OMB and GSA introduced a new marketplace model for shared services that seeks to better meet the needs of customers and providers by offering more choices for purchasing shared services. We examined their approach for the new model and found they were following some key change management practices, but there are weaknesses with the implementation. Specifically, we found OMB and GSA do not have a plan to monitor the implementation of an initiative designed to determine how well the new marketplace model works as intended. Nor have they identified and documented some key roles and responsibilities. The action plan also does not explain how OMB and GSA will provide information to customers about provider services, pricing, and performance. Lastly, OMB and GSA have not implemented a process for collecting and tracking cost-savings data.

OMB and GSA described their plan for the new marketplace in an action plan, released in March 2018, along with the President's Management Agenda.[40] The management agenda issued a new cross-agency priority (CAP) goal to improve the effectiveness of shared services. According to the management agenda, the shared services goal will support CAP goals related to IT modernization, data accountability and transparency, and the workforce of the future. OMB and GSA are the shared services goal leaders and staff said they are coordinating with other CAP goal leaders to achieve their objectives.

To oversee the marketplace and provide greater accountability for migrations, OMB and GSA are implementing a new two–tier governance structure (see figure 2).

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[40]For more information, see the *President's Management Agenda*, accessed Nov. 13, 2018, https://www.whitehouse.gov/omb/management/pma/.

Figure 2: Description of Entities Involved with Developing Shared Services Strategy, Policy, and Standards

**CAP Goal 5
Sharing Quality Services**

Office of Management and Budget (OMB) and General Services Administration (GSA) are the cross-agency priority goal leaders
Responsible for developing an overall strategy

Shared Solutions Governance Board
Members advise OMB and GSA, includes representatives from
Chief Acquisition Officers, Chief Financial Officers, Chief Human Capital Officers, Chief Information Officers, and Performance Improvement Councils

Business Standards Council
Members define and coordinate government-wide standards, comprised of
lines of business managing partners for human resources, financial management, grants, acquisitions, and information technology

Source: GAO analysis of President's Management Agenda, Shared Services Cross-Agency Priority Goal Action Plan. I GAO-19-94

To ensure that agencies are adhering to the standards developed by the Business Standards Council and to provide greater oversight and accountability for shared services migrations, OMB and GSA are working on plans to create Task Order Review Boards (Review Boards) for different types of services, such as payroll or accounting. According to OMB and GSA's action plan, the Review Boards will administer standards and will review all task orders for shared services purchases for compliance with the standards. The Review Boards will need to approve any requested customizations. According to GSA officials, the contracts for the various vendors providing shared technology and transaction processing services will be purchased through and managed by Service Management Offices (SMO). The SMO will be responsible for managing the integration of new commercial suppliers into the marketplace and responding to user concerns. The SMO will also be held accountable for provider performance. OMB staff noted that the details of the Review Boards depend on the shared services solutions that are identified.

Figure 3 describes the different options customers will have for purchasing shared services in the new marketplace. The figure also shows how a Review Board and SMO are intended to interact with customers and providers.

Figure 3: Office of Management and Budget and General Service Administration's New Model for the Shared Services Marketplace

Source: GAO analysis of Office of Management and Budget (OMB) and General Services Administration (GSA) planning documents. I GAO- 19-94

To determine whether the marketplace model functions as intended, OMB and GSA introduced an initiative, NewPay. In September 2018, GSA awarded a 10-year, $2.5 billion NewPay agreement to two commercial teams to provide payroll, and work schedule and leave management services using Software-as-a-Service.[41] Software-as-a-Service—a cloud-based computing model—delivers one or more applications and all the resources—operating system, programming tools, and underlying infrastructure to run them—for use on demand. According to OMB and

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[41]The agreements were awarded to two teams: (1) Team Carahsoft, which includes Carahsoft Technology Corporation, Immix Technology, and Deloitte Consulting LLP; and (2) Team Grant Thornton, which includes Grant Thornton, The Arcanum Group, Inc., and CGI Federal.

GSA staff, Software-as-a Service should help address some of the challenges with demand uncertainty because providers can more easily increase and decrease capacity depending on changes in demand than FSSPs have been able to do with their current technology.

Our prior work on organizational transformations shows that incorporating change management practices—such as setting implementation goals and a timeline to show progress—improves the likelihood of successful reforms.[42] Adopting key change management practices can also help managers recognize and address agency cultural factors that can inhibit reform efforts. As OMB and GSA prepared to implement the new marketplace model, they incorporated some key change management practices. For example, they defined their vision for a shared services marketplace and some of the key activities needed to achieve that future state. GSA also issued a draft statement of objectives for NewPay in December 2017. The statement includes a comprehensive list of tasks related to project management and assigns responsibility for those tasks to the prospective customers, providers, or the government agency that will fulfill the SMO role.

Although OMB and GSA have incorporated some key change management practices, we found some weaknesses in OMB and GSA's implementation of the marketplace.

Monitoring. OMB and GSA do not have a finalized plan to monitor the implementation of NewPay. We have previously identified key questions for agencies that are planning and implementing transformations. In that work, we found that agencies need to monitor and evaluate their efforts to identify areas for improvement. We have also reported that effective monitoring plans should include performance goals and milestones, transparent reporting tools to help manage stakeholder expectations, and

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[42]GAO, *Government Reorganization: Key Questions to Assess Agency Reform Efforts*, GAO-18-427 (Washington, D.C.: June 13, 2018); and *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations,* GAO-03-669 (Washington, D.C.: July 2, 2003).

a process for capturing lessons learned to improve the management of subsequent phases.[43]

OMB and GSA staff said they are working on a plan to help them implement NewPay. However, it is not yet complete and they did not provide us with a draft to review. They said their plans continue to evolve and they anticipate having an implementation plan by spring 2019. The lack of a finalized plan with the elements listed above hinders OMB and GSA's ability to provide sufficient oversight for this transition. Having such a plan would provide various benefits to the NewPay implementation effort. First, a monitoring plan that includes performance goals and milestones would help OMB and GSA track how many and how well customer agencies are transitioning from one provider to another. Similarly, setting performance goals related to continued delivery of services during the transition could help OMB and GSA more quickly identify gaps and make adjustments as needed. Specifically, OMB and GSA could more effectively monitor how the new approach for purchasing payroll, and work schedule and leave management systems integrates with current HR systems.

Additionally, transparent reporting tools, such as web-based reporting on key milestones, could help OMB and GSA demonstrate that they are aware of challenges and are addressing them as they arise. Greater reporting transparency could also help build momentum, show progress, and help justify continuing investments in reforming shared services efforts. Finally, a process for capturing lessons learned based on NewPay could help OMB and GSA improve the process for subsequent initiatives and further minimize disruptions to agency delivery of services during these future transitions.

Without a monitoring plan with performance goals and milestones, transparent reporting tools, and a process for capturing lessons learned, it will be more difficult for OMB and GSA to provide oversight of the transition and its effects on providers and customers, including whether there are interruptions to delivery of services. A monitoring plan could

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[43]GAO-12-542 and GAO-18-427. To develop these questions, GAO reviewed its prior work and leading practices on organizational transformations; collaboration; government streamlining and efficiency; fragmentation, overlap, and duplication; high-risk; and on other agency longstanding management challenges. GAO also identified subject matter specialists knowledgeable about issues related to public management and government reform who reviewed and commented on GAO's key questions for planning and implementing transformations.

help OMB and GSA avoid gaps in service or costly delays as agencies transition to the new model for obtaining payroll and work management services.

Roles and responsibilities. OMB and GSA have also not identified or documented some key roles and responsibilities related to the implementation of NewPay. Identifying a NewPay SMO is a crucial first step, since the SMO is supposed to play a key role driving standards and holding customers and providers accountable for performance. However, OMB and GSA have not announced which agency will serve as the SMO. Further, they have not identified which agencies or officials will serve on the NewPay Review Board. They also have not documented the authority or the resources the SMO and Review Board will have to enforce agency adoption of standards.

OMB and GSA have also not yet documented which agency will be responsible for interpreting payroll rules and regulations. This has been an ongoing issue for the payroll FSSPs. According to GSA and NFC officials, the payroll FSSPs have been interpreting business rules differently, and thus have implemented new regulations inconsistently. According to NFC officials, the payroll FSSPs requested the establishment of a governing body to help standardize the process for implementing new regulations. OPM officials told us in September 2018 that they intend to start providing guidance to support payroll standardization to the extent allowed by law and regulation in the future. However, as of October 2018, OMB and GSA had not documented this decision.

According to federal standards on internal control, management should establish an organizational structure, assign responsibility, and delegate authority to achieve an entity's objectives. When the organizational structure describes overall responsibilities, and when those responsibilities are assigned to discrete units, then organizations can operate more efficiently and effectively.[44] Moreover, in our previous body of work on enhancing interagency collaboration, we identified key practices that can help agencies mitigate challenges when they attempt to

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[44]GAO-14-704G.

work collaboratively.[45] For example, clarifying roles and responsibilities can enhance interagency collaboration.

OMB staff and GSA officials said they are still identifying which agencies or entities will fill key roles and assume key responsibilities. They anticipate that some of this information will be finalized by spring 2019. Identifying and documenting roles and responsibilities would help ensure that key stakeholders are involved in planning and implementation activities. Until OMB and GSA clearly identify, communicate, and document key roles and responsibilities, they run the risk of not achieving their objectives. They also risk repeating past problems, such as the inconsistent implementation and interpretation of standards and migrations that encounter costly delays because agencies do not follow available guidance.

Information on services, pricing, and performance. Although the action plan aims to help additional providers enter the marketplace, it does not explain how OMB and GSA will provide information to customers about provider services, pricing, and performance. According to the Association of Government Accountants, effective marketplaces require market transparency with information on services, pricing, and performance.[46] Also, according to federal standards on internal control, managers should externally communicate the necessary quality information to achieve an entity's objectives.[47]

As we have previously reported, reliable information on the costs of federal programs and activities is crucial for effective management of government operations.[48] OMB staff and GSA officials said that data collection efforts are on hold as they continue to try to determine what performance metrics they will use and share with potential customers. Without up-to-date information on providers—such as the services they

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[45]GAO, *Managing for Results*: *Key Considerations for Implementing Interagency Collaborative Mechanisms*, GAO-12-1022 (Washington, D.C.: Sept. 27, 2012).

[46]Association of Government Accountants, Annual CIO Survey: Study of Shared Services, *The Pursuit of Government Efficiency: Opportunities to Advance Federal Shared Services* (Alexandria, VA: January 2015).

[47]GAO-14-704G.

[48]GAO, *Budget Issues: Electronic Processing of Non-IRS Collections Has Increased but Better Understanding of Cost Structure Is Needed* GAO-10-11 (Washington, D.C.: Nov. 20, 2009).

offer, their level of performance, and their costs—it will be time consuming and difficult for potential customers to compare providers. This lack of information could slow the rate of shared services adoption.

Cost-savings data. In the CAP goal action plan for shared services, OMB and GSA established a cost savings goal of an estimated $2 billion over 10 years based on reforms to the shared services governance structure and marketplace. However, their action plan does not include steps they intend to take to collect and track cost-savings data. Such data would allow them to assess their progress toward their goal. In their action plan, OMB and GSA included performance measures for goals such as customer satisfaction. They also have output measures related to HR and financial management activities. However, they did not include a measure to gauge their progress in achieving cost savings. In our previous work on key questions for agencies that are planning and implementing transformations, we found that agencies need to have processes in place to collect the needed data and evidence to effectively measure goals of reform efforts.[49]

OMB and GSA said they are still finalizing their implementation plan. Including a process to collect and track cost savings data in the final plan would position them to assess how well their reform efforts are contributing to their cost savings goal.[50] Cost savings data would also support oversight efforts, as OMB and GSA could better communicate to Congress and other relevant stakeholders the extent to which their reforms are contributing to cost savings goals. Earlier in this report, we described how difficult it was to determine the progress of the financial management line of business because the managing partners of that effort did not track data on cost savings. Until OMB and GSA finalize a plan for collecting the needed data and evidence to effectively measure cost-savings goals, they risk experiencing a similar challenge.

OMB and GSA's action plan to support the shared services CAP goal does not directly address funding challenges. However, new legislation intended to promote IT modernization efforts may address these challenges. In 2017, Congress enacted the Modernizing Government Technology (MGT) Act as part of the 2018 National Defense

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[49]GAO-18-427.

[50]This cost savings goal is for shared services for HR and financial management activities, among others.

Authorization Act.[51] The MGT Act allows agencies to create working capital funds for modernizing IT systems. Working capital funds are primarily used for business-like activities, such as purchasing consolidated or shared services within and between federal agencies.[52] The MGT Act allows CFO Act agencies to transition legacy systems to cloud computing platforms or other innovative platforms and technologies, among other things. We have previously reported that working capital funds provide agencies with an opportunity to operate more efficiently by consolidating services and creating incentives for customers and managers to exercise cost control and economic restraint.[53]

The MGT Act also established the Technology Modernization Fund and Technology Modernization Board.[54] Agencies can apply to the board for loans for IT modernization projects, including replacing legacy systems with shared services. In February 2018, OMB issued guidance on the initial process agencies should follow to submit proposals to the board.[55] As of February 2019, OMB announced plans to award close to $90 million to various agencies for modernization projects.[56] Two of these awards were for shared services: one award was to GSA for more than $20 million to help fund NewPay and one award was to USDA for $5 million to migrate 10 IT applications to a shared services cloud platform model.

Conclusions

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. Over the past 15

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[51]Pub. L. No. 115-91, 131 Stat. 1283 (Dec. 12, 2017).

[52]GAO, *Intragovernmental Revolving Funds: Commerce Departmental and Census Working Capital Funds Should Better Reflect Key Operating Principles*, GAO-12-56 (Washington, D.C.: Nov. 18, 2011). For more information on working capital funds, see GAO, *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP (Washington, D.C.: Sept. 2005).

[53]GAO-12-56.

[54]Pub. L. No. 115-91. The Consolidated Appropriations Act of 2018 appropriated $100 million for the Technology Modernization Fund to remain available until expended.

[55]Office of Management and Budget, Memorandum for the Heads of Executive Departments and Agencies, *Implementation of the Modernizing Government Technology Act*, M-18-12 (Washington, D.C.: Feb. 27, 2018).

[56]The Departments of Energy and Labor, and HUD, received awards. GSA and USDA received two awards.

years there have been some notable shared services successes: for example, consolidating payroll services resulted in more than $1 billion in cost savings and cost avoidance over 10 years, according to OPM estimates. However, there have also been persistent governance and marketplace challenges that have impeded more widespread adoption of shared services.

OMB and GSA have been involved in shared services reform efforts for decades. Their plan for a new shared services governance structure and marketplace has the potential to address some of the challenges that have previously hindered more widespread adoption of shared services. For example, their proposed marketplace model has the potential to make the marketplace more effective by reducing demand uncertainty among shared services providers and providing more choices for customers. However, several weaknesses in their implementation of NewPay could limit the initiative's success. OMB and GSA do not have a plan to monitor NewPay's implementation. They also have not documented key decision-making roles and responsibilities related to the implementation of NewPay. Until they develop a monitoring plan which includes performance goals and milestones, transparent reporting tools, and a process for capturing lessons learned, and documenting key roles, they risk implementation challenges that could cause gaps in service or costly delays.

OMB and GSA also do not have a process to provide information to customers about provider services, pricing, and performance. Developing such a process would help minimize the challenges of transitioning to shared services on key stakeholders. Finally, OMB and GSA do not have a process for collecting and tracking cost-savings data. Until OMB and GSA finalize their plan for collecting the related data and evidence to measure their cost savings goal of an estimated $2 billion over 10 years, they will not be able to determine and report progress made.

Recommendations for Executive Action

We are making four recommendations to OMB to work with GSA, which is the co-goal leader for the shared services CAP goal.

OMB's Shared Services Policy Officer should work with GSA to finalize a plan for monitoring the implementation of NewPay. The plan should include:

- implementation goals, a timeline, and milestones for agencies to transition from one provider to another;
- transparent reporting mechanisms on key milestones; and
- a process for capturing and communicating lessons learned. (Recommendation 1)

OMB's Shared Services Policy Officer should work with GSA to document key roles and responsibilities, including which agency will be the NewPay SMO, who will be assigned to the NewPay Task Order Review Board, how the SMO, the Review Board, and other key stakeholders will work together, and which agency will be responsible for interpreting payroll rules and regulations. (Recommendation 2)

OMB's Shared Services Policy Officer should work with GSA to update provider information on services offered, pricing, and performance and share that information with prospective customers. (Recommendation 3)

OMB's Shared Services Policy Officer should work with GSA to implement a process for collecting and tracking cost-savings data that would allow them to assess progress toward the shared services cost-savings goal of an estimated $2 billion over 10 years. (Recommendation 4)
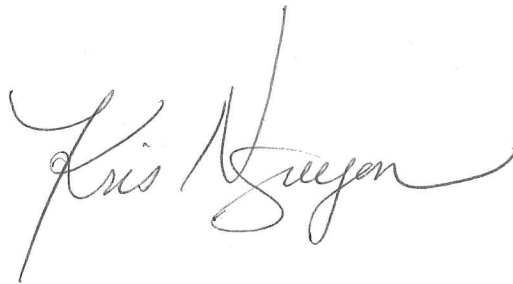
Agency Comments

We provided a draft of this report to the Director of OMB, the Administrator of GSA, the Acting Director of OPM, the Secretary of the Treasury, the Deputy Assistant Inspector General for Audit of the USDA, the Secretary of Education, and the Assistant Attorney General for Administration of Justice for review and comment. OMB staff did not agree or disagree with our recommendations. In comments provided by email, OMB staff stated OMB has been re-evaluating its shared services policies and may provide an updated policy in the future. OMB, GSA, Treasury, OPM, USDA, and the Department of Education provided

technical comments on this report which were incorporated as appropriate. The Department of Justice did not have comments.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Director of the Office of Management and Budget, the Administrator of General Services Administration, the Acting Director of the U.S. Office of Personnel Management, the Secretary of the Treasury, the Deputy Assistant Inspector General for Audit of the U.S. Department of Agriculture, the Secretary of the Department of Education, and the Assistant Attorney General for Administration of the Department of Justice, and other interested parties. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff has any questions about this report, please contact Tranchau (Kris) T. Nguyen at (202) 512-2660 or Nguyentt@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of our report. Key contributors to this report are listed in appendix II.

Tranchau (Kris) T. Nguyen
Acting Director, Strategic Issues

List of Requesters

The Honorable Michael B. Enzi
Chairman
Committee on the Budget
United States Senate

The Honorable Gerald E. Connolly
Chairman
The Honorable Mark Meadows
Ranking Member
Subcommittee on Government Operations
Committee on Oversight and Reform
House of Representatives

The Honorable Will Hurd
House of Representatives

The Honorable Robin L. Kelly
House of Representatives

Appendix I: Objectives, Scope, and Methodology

This report: (1) identifies the progress and challenges associated with federal shared services initiatives for selected human resources (HR) and financial management activities, and (2) assesses the Office of Management and Budget's (OMB) and the General Service Administration's (GSA) actions to address those challenges.

To address both of our objectives, we conducted a literature review of GAO work and other relevant publications on HR and financial management shared services. In addition to GAO reports, we selected reports by think tanks and professional associations from the past 15 years, such as reports by the Partnership for Public Service and the Association of Government Accountants (AGA).[1] We reviewed reports that described past HR and financial management federal shared services initiatives or specific shared services migrations involving HR or financial management services.[2] These reports assessed the outcomes, challenges, or summarized lessons learned associated with those initiatives or migrations.

We reviewed planning and performance documents and we interviewed officials from (1) OMB and GSA, the agencies that oversee shared services policy and guidance, and (2) the Office of Personnel Management (OPM) and the Office of Financial Innovation and Transformation (FIT) within the Department of the Treasury (Treasury), agencies that oversaw past shared services initiatives and continue to play a key role developing government-wide policy for HR and financial management shared services. Key documents we reviewed included: OMB memorandums announcing federal shared services initiatives; the Modernization and Migration Management (M3) Playbook, guidance that GSA developed and provides to agencies considering or implementing shared services migrations; strategic or operational plans for earlier shared services initiatives, such as the Human Resources and Financial Management Lines of Business; and strategic or operational plans for

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[1]The Partnership for Public Service is a nonprofit organization that conducts research and advocates for practices intended to make the federal government more effective. The Association of Government Accountants is a member organization for government financial management professionals.

[2]GAO, *DHS Financial Management: Better Use of Best Practices Could Help Manage System Modernization Project Risks*, GAO-17-799 (Washington, D.C.: Sept. 26, 2017); *Financial Management Systems: HUD Needs to Address Management and Governance Weaknesses that Jeopardize its Modernization Efforts*, GAO-16-656 (Washington, D.C.: July 28, 2016); and GAO-10-808.

ongoing shared services initiatives such as the Federal Integrated
Business Framework, a model GSA developed with the lines of business
managing partners for moving agencies toward common, cloud-based
solutions for management functions.

To illustrate examples of outcomes and challenges, we selected two
federal shared services providers (FSSPs), federal agencies that provide
shared services to other agencies: the National Finance Center (NFC)
within the U.S. Department of Agriculture (USDA) and the Administrative
Resource Center (ARC) within Treasury. We also selected two customer
agencies: the Departments of Justice (Justice) and Education
(Education), which are experiencing different phases of shared services
migrations.

We made our selection based on a number of factors. To capture a range
of experience and perspectives, we selected a mix of customer and
provider agencies. We selected one HR and one financial management
systems migration to review, as well as one migration in an earlier phase
and one in a later phase. To capture an in-depth perspective of a
migration, we selected one customer and provider working together on a
migration. To capture perspectives on OMB and GSA's efforts to address
shared services challenges and improve outcomes, we selected provider
and customer agencies that were meeting regularly with GSA in 2016 or
2017 on their shared services migration. Our selection of agencies is non-
generalizable and their experiences and outcomes may not be reflective
of all migrations.

We reviewed guidance, planning, and performance documents at the four
selected agencies. Specifically, we reviewed planning documents that
describe shared services migration purpose and goals, the composition
and responsibilities of the project management team, and estimated costs
and savings; documented results of market research and analyses of
alternatives; risk management strategies; service level agreements and
performance metrics; communication plans for stakeholders; and reports
that capture lessons learned.

For each of the illustrative example agencies, we interviewed agency
officials involved with shared services migrations. At Justice, we
interviewed the project management team overseeing the HR migration to
the NFC. At Education, we interviewed the officials who reviewed the
Department's HR and financial management shared services options. At
the two FSSPs, we interviewed officials knowledgeable about the

outcomes and challenges associated with past and ongoing federal
shared services initiatives.

We also interviewed subject-matter experts who were involved in public
and private shared services migrations as customers, providers, or
consultants. We met with members of the Shared Services Leadership
Coalition, an interest group promoting shared services solutions involving
commercial vendors. The members who participated in the group
interview discussed shared services benefits, challenges, and lessons
learned.[3] We also met with members of the nonprofit Partnership for
Public Service Shared Services Roundtable.[4] The roundtable members
who participated in the group interview are federal employees involved
with shared services operations. They represented a mix of small and
large agencies.

To further address the second objective, we reviewed OMB and GSA's
efforts to identify and address challenges and lessons learned from past
migrations, including the new shared services action plan OMB released
in March 2018. We assessed the extent to which OMB and GSA's plan
and guidance are designed to facilitate better shared services outcomes
using criteria such as standards for internal control in the federal
government, principles identified in our previous work related to
addressing major management challenges, and the Association of
Government Accountants criteria for effective marketplaces.[5] During our
interviews with customer and provider agency officials and subject-matter
experts, we asked for their perspectives on these efforts and the likely
effect they will have on ongoing and future shared services migrations.

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[3]Two of the members we spoke with in January 2018 work for companies that later won
the first NewPay contracts.

[4]In 2013, the Partnership established the Shared Services Roundtable, a joint community
of federal and private shared service providers, customers, policymakers, and other
agency officials. The Roundtable has issued several reports and met with OMB and GSA
officials to help shape the government-wide shared services strategy with the ultimate
goal of creating a public-private shared services marketplace.

[5]GAO, *Government Reorganization: Key Questions to Assess Agency Reform Efforts*,
GAO-18-427 (Washington, D.C.: June 13, 2018); *Standards for Internal Control in the
Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 10, 2014); *Streamlining
Government: Questions to Consider when Evaluating Proposals to Consolidate Physical
Infrastructure and Management Functions,* GAO-12-542 (Washington, D.C.: May 23,
2012); and Association of Government Accountants, Annual CIO Survey: Study of Shared
Services, *The Pursuit of Government Efficiency: Opportunities to Advance Federal Shared
Services* (Alexandria, VA: Jan. 2015).

We conducted this performance audit from June 2017 to March 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: GAO Contact and Staff Acknowledgments

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