

Managing Change and Expectations in a Shared Services Environment



The Department of the Treasury's Administrative Resource Center (ARC) as a Shared Services Provider



Table of contents

Why Shared Services?	1
A Shared Understanding	2
Shared Services Migrations vs. Traditional System Modernizations	2
Four Myths Related to Shared Services	2
Shared Services Value Proposition	3
Focus on Core Mission	3
Leverage Standard Processes and Systems for Improved Results	3
Enhance Collaboration Opportunities	3
ARC Service Offerings	3
Benefits of ARC as a Shared Service Provider	4
Preparing for Migration with ARC	5
Key Success factors	5
Communication of Management Commitment	5
Project Management Expertise & Skilled Implementation Team	5
Effective Governance Structure & Clearly Defined Roles in Decision Making	5
Change Management Plan	6
Understand Your Requirements & Data	6
The ARC Experience	7

The Federal government is moving to a more effective and efficient model for administrative operations, including areas such as financial management, human capital, and acquisition management. This shift to a shared services model for financial management systems and services offers choices that affect not only the Office of the Chief Financial Officer (OCFO), but also your internal and external customers. As your agency embarks on this journey of optimizing the government’s administrative operations, it is critical to understand how this differs from a traditional in-house implementation and how to address questions or concerns expressed by your internal and external stakeholders.

Why Shared Services?

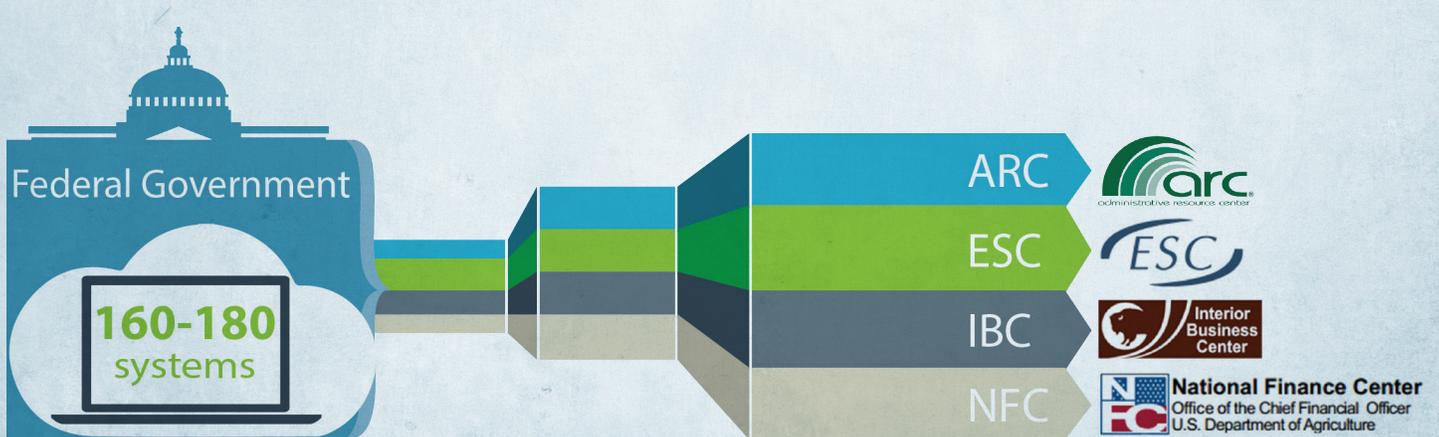
Federal agencies have employed shared services for many years, as exemplified by payroll processing. Following a number of initiatives designed to improve the efficiency of agency financial systems, in March 2013, the Office of Management and Budget (OMB) issued Memorandum M-13-08, Improving Financial Systems Through Shared Services. This memorandum directs Federal agencies, with limited exceptions, to consider a Federal shared services provider (FSSP) when modernizing their financial systems. To date, OMB has designated four Federal entities with the ability to provide proven financial system platforms and associated operational support services to other Cabinet-level agencies.

The Federal government’s goal is to strategically expand high-quality, high-value shared services to improve performance and efficiency throughout government. The consolidation of financial management systems will allow for quicker implementation of government-wide requirements, and ultimately, the material reduction in the footprint and costs associated with managing individual financial management systems on a government-wide basis.

Moving your agency’s administrative financial transactions and processing to a FSSP will help you leverage long-standing, well-documented, multi-tenant core financial systems with a proven support model. You will be able to focus your limited resources on

enhancing mission support activities, better enabling your organization to service internal customers. Utilizing a FSSP will help your agency meet the intent of OMB guidance, while continuing to meet your legislative and regulatory reporting requirements.

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A Shared Understanding

Shared Services Migrations vs. Traditional System Modernizations

Shared services migrations have many similarities with traditional in-house system modernization efforts. Both implementations require strong project management, knowledgeable subject matter experts (SMEs), and a thorough understanding of your agency's business processes and data. Both require that you take the time not only to review your processes and your data, but also to cleanse your data in preparation for implementation.

The primary difference in a shared services migration revolves around requirements definition. With a shared services migration, the process begins with the assumption that standard requirements can be met out-of-the-

box, and that the customer will be able to adopt a configuration that is already in use and demonstrably successful. Leveraging standard requirements and processes already in use at a designated FSSP is a best practice that allows for improved interoperability across systems, as well as greater transparency and auditability. Next, a gap analysis will identify unique agency requirements based on legal, regulatory or programmatic mandates. The FSSP and your team will work collaboratively to identify solutions that are as efficient as possible and to resolve issues timely, thus allowing you to benefit from existing economies of scale anchored in real-world solutions.

Upgrading existing systems have been a concern for many agencies. For shared services providers,

Working Capital Funds or Franchise Funds allow greater financial flexibility in budgeting and deploying system upgrades. Customers share the cost of recurrent upgrades, rather than being borne separately by each individual entity. This cost-sharing approach lowers each customer agency investment for ongoing operations and maintenance (O&M), further increasing the return on investment from shared services at a government-wide level.

Four Myths Related to Shared Services

Many agencies have raised concerns about what will happen to their services when they migrate to a provider. Presented below are the most common myths customers have expressed along with information about what really occurs.



#1. "I will lose control of my financial operations."

Prospective clients worry most that migrating to a FSSP will result in a loss of control. As an agency leader, you will maintain control of your data and mission functions while the FSSP focuses on routine transaction processing and back-end administrative functions. The FSSP will apply standardized processes to provide the reliable data and reports you need to make financial decisions influencing your mission. Your resources will now be able to focus on higher-end activities, such as analyzing financial information to enhance the support you provide to stakeholders. In addition, through the service level agreement (SLA) and an established governance process, FSSPs and the agencies will define responsibilities and expectations, including performance measures to monitor and control services.



#2. "The rigid standardization of shared services will not fit my needs."

FSSPs have standard offerings to reduce cost while improving quality and consistency and that approach has proven to work well for myriad customers. As explained in the Preparing for Migration section, standard offerings will mean changes for many clients as they migrate to shared services. You will however, be able to leverage standardized configurations of the FSSP's solution and benefit from timely transaction processing with improved data quality. Your agency will need to adapt to the provider's systems and adopt practices to match those of the provider. However, the platforms are not rigidly standardized, and there is typically some room for tailored configurations based on your regulatory requirements. There will be change when you migrate to a FSSP, but providers will work towards providing similar outcomes while employing a model that is historically successful and compliant, as evidenced by their successes with many other customers.



#3. "I will reap immediate savings by moving to shared services."

Cost is always a factor when agencies are looking to change their systems. Shared services can offer an increased efficiency and a lesser cost over the long term. However, you should be aware that cost savings will not be realized in the implementation phase, but rather in the ongoing systems operations, maintenance and upgrading due to the cost being spread across all of the FSSP's customers. In addition, a shared services platform will be more cost-effective for the government as a whole, which will ultimately benefit all agencies, as well as taxpayers.



#4. "The parent agency of my provider will always receive first priority in terms of customer service."

Some potential customers are concerned that the department overseeing the FSSP will receive preferential treatment within the shared services model. OMB/Treasury, the CFO Council and FSSPs developed guiding principles to assist in governing the relationship between providers and their customers. These principles state that providers may not unduly favor the FSSP's executive department or one customer over another.

Shared Services Value Proposition

It's worth repeating: the shift to the use of shared services provides your agency the ability to focus on your internal and external customers and core mission. Allowing your agency to migrate financial transaction processes to a proven, secure, and reliable FSSP will also provide the opportunity for your agency to focus on analytic functions. The FSSP will take on the burden of ensuring its systems and processes align to Federal financial regulations and standards, while serving as a consultative resource regarding new directives from OMB/Treasury, GAO and other authoritative sources.

Focus on Core Mission

With a FSSP running your administrative financial systems and overseeing necessary upgrades, agency resources can now focus more on core mission activities. As the provider takes on your transactional systems, your organization will reduce the time and effort expended addressing day-to-day operational issues that tie up resources and divert your attention. As you focus on fulfilling your agency's mission, your resources will now focus on core

financial mission impact activities (e.g., data analytics, program evaluation) to maximize taxpayer return on investment. Analysis of the financial data and improving other processes within your organization will produce efficiencies that will permeate throughout the organization, and provide more value-added services to mission and program offices. This will ultimately lead to the Federal government as a whole becoming more productive and effective.

Leverage Standard Processes and Systems for Improved Results

Designation as a FSSP means that the service provider is capable of delivering reliable financial management services that employ standardized processes and systems. Further, FSSPs have implemented several updates and improvements to ensure they meet the requirements mandated by OMB/Treasury. As a FSSP customer, your agency will benefit from these standardizations, including the peace of mind knowing that FSSP systems, policies, and processes can withstand audit scrutiny and will help your agency obtain and/or sustain a clean audit opinion.

Enhance Collaboration Opportunities

FSSPs have deep Federal financial management knowledge and experience, as well as functional and system expertise associated with such services. They have significant experience with migrating customers, capturing best practices and lessons learned that benefit customers starting on day one. They will assist your organization in transitioning data and improving business systems, which will ultimately allow for a cost-effective and innovative solution for your operations. Further, FSSPs provide the opportunity for your agency to establish relationships with other customer agencies. Open lines of communication enable all agencies to share and apply each other's lessons learned and incorporate those experiences into your own functions.

As the federal government continues to lay the foundation for recognizing the value of consolidated federal financial management processing, ARC has positioned itself to offer all of these benefits through their value proposition, and much more.

ARC Service Offerings

ARC provides services through an integrated Oracle Federal Financials platform, which includes tailored Oracle modules developed to provide additional services. Our service offerings are woven into the fabric of government-wide Federal financial management. We have leveraged capabilities so that ARC can transmit

data to and from central government-wide systems (such as Intragovernmental Payments and Collections (IPAC), Invoice Processing Platform (IPP), Secure Payment System (SPS), and Do Not Pay), all four e-payroll providers, and other government systems (such as System for Award Management (SAM)/Central

Contractor Registration (CCR)).

Our team is constantly looking forward. We continue to leverage our strengths as we prepare to provide additional services to Federal agencies for the future.



Benefits of ARC as a Shared Service Provider

We have taken steps to position our team to fully support CFO Act agencies. In addition to providing excellent customer service, our team brings a unique set of benefits and a proven ability to provide results that meet not only your needs, but also the needs of your customers. Below are the primary reasons that we would be a strong partner for you.



1. Ability to scale up quickly.

In preparation for increased workload and numbers of transactions, ARC has taken strategic measures to ensure scalability. As the only FSSP with an Oracle Managed Cloud Services agreement, our team will quickly and efficiently ramp up to your agency's technology needs. In addition, we have established a partnership with industry to provide experienced resources throughout the on-boarding process.



2. Cost-effective operations.

One of the main drivers of migration to FSSPs has been the economies of scale and cost efficiency that consolidation is designed to produce. Our services will allow your agency to focus on the analysis of the data to meet your mission and customers' needs, while our team invests our time and resources in efforts such as Concur or Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) implementations. Our processes have proven that a consolidated system upgrade reduces costs for each of our customer agencies. As ARC migrated to Oracle Release 12, each of our customer agencies expended an average of only \$300K, versus the full cost of a multi-million-dollar implementation effort.



3. Experienced, well-trained workforce.

Currently ARC has over 300 accounting professionals who are knowledgeable and well-trained. A substantial number of them have advanced degrees and/or certifications in financial management, including Certified Public Accountants, Certified Government Financial Managers, and/or Project Management Professionals. Furthermore, our low turnover rate keeps our knowledgeable workforce engaged so that they are able to build long-term relationships to meet your needs through top-notch customer service.



4. Track record of supporting clean audit opinions.

We have built systems, processes and procedures that our auditors thoroughly review each year so that we can support your achievement of a clean audit opinion. Since becoming a shared service provider, ARC has received 12 consecutive clean audit opinions on our SSAE 16 (formerly SAS 70) Review, while also supporting approximately 250 financial statement audits for our customers, 98% of which received clean opinions. As your agency utilizes ARC's services, you will still have to maintain auditability of the front-end and downstream processes and systems – but you can rely on ARC to continue to improve our systems and maintain a compliant environment.

During your audit, our team will work collaboratively with your management, staff and auditors. We will support your agency by providing financial records, preparing cycle memoranda, and conducting procedural walkthroughs. We can also set up coaching sessions or attend meetings with your team to support audit activities.



5. We are the Treasury.

Given ARC's programmatic mission and organizational proximity, ARC is often called upon to provide advice and guidance on government-wide financial management matters, representing the collective perspectives and interests of our customers. This allows our team to brainstorm and test solutions to complicated accounting scenarios for our customers, mitigating impacts of change and the associated risks. We have the experienced resources that will assist in the interpretation of financial regulations and their implementation. This allows you to stay focused on your mission-critical priorities.

Preparing for Migration with ARC

Preparing for the migration of financial management systems can be an intimidating task with multiple moving parts. Factors to address include assessing your current operations, understanding the outputs of your business systems, and determining and defining what and when these items will be migrated. As ARC has successfully migrated over

30 customers since our inception in 1997, we have the experience and understanding to serve as a knowledgeable and trusted partner to guide your agency through the process.

systems, allowing new customers to experience a successful implementation. To assist you in preparing for migration of financial processing and transactional needs, we have identified key factors that will put your agency on the path for success.

Key Success Factors

We have a compendium of lessons learned from continually maturing our



Communication of Management Commitment

Throughout the migration process, communication of management commitment has been one of the strongest indicators of success. This communication is twofold. First, commitment that the move to ARC is a priority throughout all levels of the organization is essential. As your staff engages with our implementation team, they should feel that they have your support and that this is an important part of meeting your agency's mission. Second, management must communicate to staff that there may be significant changes that occur, including the need to alter or adapt existing systems and practices to comply with standardized processes in place at the FSSP. Managing this change is not an easy task. The first step is to ensure that your staff recognizes change is coming and that management supports the change.

Project Management Expertise & Skilled Implementation Team

One of the most vital positions required to implement the migration is a skilled project manager who not only understands your business systems, but also knows your agency and where to direct questions. Whether you assign an existing resource, or decide to bring in someone from outside your financial operation, this person must have the ability to build trusted relationships and facilitate timely decision-making. In addition, agencies that assign a dedicated implementation team with sound understanding of their business systems are able to progress more effectively through the migration process. This includes addressing risks or issues as they arise.

Governance Structure & Clearly Defined Roles in Decision Making

As OMB/Treasury has recently established an overall governance process for FSSPs and the CFO community, your agency should establish an empowered and effective governance structure for the implementation process. Your implementation team will require a known and documented process to quickly address key overarching policy decisions or escalating project risks. Decisions must be documented and communicated quickly to your team to avoid revisiting key decisions – a process that only wastes valuable time and increases cost and frustration. In addition, clearly defining roles and responsibilities between the ARC team and your agency implementation team allows both groups to understand who will perform specific tasks and who will make key stakeholder decisions. We will properly document these roles to gain agreement by both our teams to ensure that decisions are coordinated and communicated timely.

Change Management Plan

Moving to a FSSP will be a major culture change for your organization. Setting up a plan that addresses all high-impact areas will allow your agency to navigate successfully through the shift in operations. A change management plan must clearly delineate how your organization will address changes to your policies and procedures, organization, roles and responsibilities, and other relevant areas, as well as how your agency will address human capital concerns. In previous migrations, successful change management plans have positioned agencies to proactively address the changes needed.

Understanding Your Requirements & Data

As you align your executive team and agency personnel to prepare for migration, your financial management SMEs should also take the time to review and update information about your financial management systems. This review should include updating existing functional requirements and ensuring that you focus on the system outputs. Your agency SMEs should assist with identifying unique requirements or outputs dictated by laws or regulations. Having this understanding will greatly assist with tailoring the standard requirements to best fit your agency's needs.

Understanding and taking the time to clean up your data prior to migration has also been a key success factor for ARC's previous customers. While our team takes on responsibility for entering the actual transactions and maintaining the system infrastructure, you will remain the owner of the data. Therefore, ensuring that your data meets standards and is complete will ensure we produce the necessary outputs.

Change Management Plan

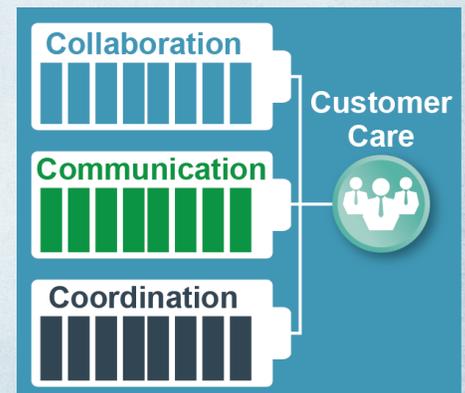


The ARC Experience

Our team has the people, processes, and technologies in place to provide you with the results you need. Our team has put successful processes in place that will help you achieve maximum success, leveraging our skilled and knowledgeable staff to walk the customer through the Assessment and Discovery phases. As we work together, our team will:

- Assign a dedicated customer care representative who will serve as your single point of contact;

- Walk you through the details of our service level agreement during negotiations;
- Make sure you are educated about the solution you are getting through our Conference Room Pilot (CRP) process;
- Collaborate with your organization's project manager to jointly develop the Integrated Master Schedule;
- Work with your team to identify solutions for gaps; and
- Jointly establish a service level agreement that delineates the performance measures you should expect.



As you migrate to our services, we employ a graduated process of learning and acceptance that will assist your organization in managing the change that it will undergo. Through the Discovery Phase, change management focuses on assessing your preparedness to undertake a major system transformation, including accounting for risk factors such as organizational readiness, workforce

planning, communications, and training. Our team will conduct a CRP, where we will set up system demonstrations utilizing a clone of the ARC production instance and realistic business scenarios with a small amount of representative data. This will give you the opportunity to gain familiarity with our systems and ask any relevant questions. Once the Implementation Phase

begins, we will conduct subsequent CRPs to identify gaps and confirm solutions for mitigating the gaps, to maintain communications, to improve knowledge and understanding of the solution, and to continually provide additional customer-specific functionality and integration.



CRP 1
Discovery Phase

Occurs prior to Implementation, as part of Discovery

The purpose of CRP 1 is to provide a demonstration of ARC standard offerings. It is designed as the customer's first introduction to the system.



CRP 2
Implementation Phase

Occurs near the end of the first third of Implementation

The purpose of CRP 2 is to provide a view of the system during development, including Customizations, Extensions, Modifications, Localizations, and Integrations and reports developed to date, and receive customer feedback on development efforts.



CRP 3
Implementation Phase

Occurs near the end of the second third of Implementation

The purpose of CRP 3 is to provide a view of a near-production ready system and receive customer feedback on the system.

ARC has positioned itself not only to provide you the services you currently require, but also to ensure we are flexible to your future requirements. Through collaboration, communication, and coordination, we will follow through to deliver you the highest standard of customer care.

Our Mission

The Administrative Resource Center works with you to improve your agency's success by delivering responsive, customer-focused, cost-effective administrative support. Our mission is to fully and professionally support *your mission*.

Our Vision

Because we're part of the Treasury Franchise Fund, we have access to the very latest in competitive edge procedures and practices. With the Fund as our base, we can give you the backing you need to succeed. ARC sees opportunities to help you put your insight into action. ARC helps you stay ahead of the competition by working to anticipate your needs. We keep up on private sector trends and take advantage of new technologies as they become available.

Our Values

ARC is a dynamic, values-based business. We practice integrity and respect. We cherish inclusion and information. We work together with our customers to add value to their business processes. We take the word "support" very seriously.