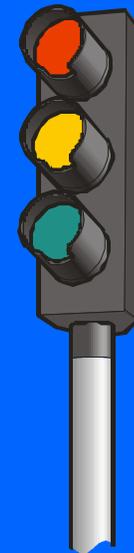




# Future Directions for Federal Financial Systems



Karen Cleary Alderman  
Executive Director, JFMIP

July 21, 1999

# Outline

- What is JFMIP
- Private Sector Trends
- Federal Financial System Environment
- Major Federal Sector Systems Strategies
- Federal Use of COTS and Commercial Transaction Services--Challenges and Opportunities
- Reengineering the Federal Financial System Software Process
  - Requirements
  - Qualification Process
  - Knowledgebase
- Change Management
- Prognosis

# What is JFMIP?

- Joint undertaking of the Department of the Treasury, the Office of Management and Budget, the General Accounting Office, and the Office of Personnel Management, working together with each other and program agencies in the executive branch to improve financial management policies and practices.
- Serves as a catalyst to stimulate action, mobilize resources and coordinate efforts to accomplish this objective.

# JFMIP Statutory Role and Regulatory Role

- Established by Budget and Accounting Procedures Act of 1950
- OMB Circular A-127: Financial Management Systems, July 1993
- Federal Financial Management Improvement Act of 1996
- OMB, Implementation Guidance for the Federal Financial Management Improvement Act (FFMIA) of 1996, September 9, 1997

# Vision for Federal Financial Software Systems

- Build private sector partnerships
- Provide market information that encourages private sector “partners” to furnish products
- Make it easy for (qualified) vendors to get on the “schedule”
- Maintain up-to-date financial standards
- Re-engineer procurement vehicles-easy to use, flexible, wide selection of products
- Provide incentives that encourage private sector update products “on their nickel”

*Attributed to G. Edward DeSeve, 1998 JFMIP Conference*

# 1999 CFOs Five Year Plan

## Establish Financial Management Systems with

- Standardized Information
- Electronic Data Interchange
- Commercially Provided Software and Transaction Processing Services
- Ability to Provide Executive Information

# Private Sector Trends

- Technology
- Performance Focus
- Expanding Availability

# Major Trends in Financial Management Technology

## Technology and Reporting Medium

1970's

1980's

1990's

2000's

*Mainframe*

*Mainframe Dial-In*

*Client/Servers/GUI*  
*Web Server/HTML*

*Data Warehouse & Data Marts*

Paper reports

Interactive sessions

On-line reporting

Integrated Data Warehouse

Microfilm

Selective Reporting

Data access

Data Retrieved to Desktop

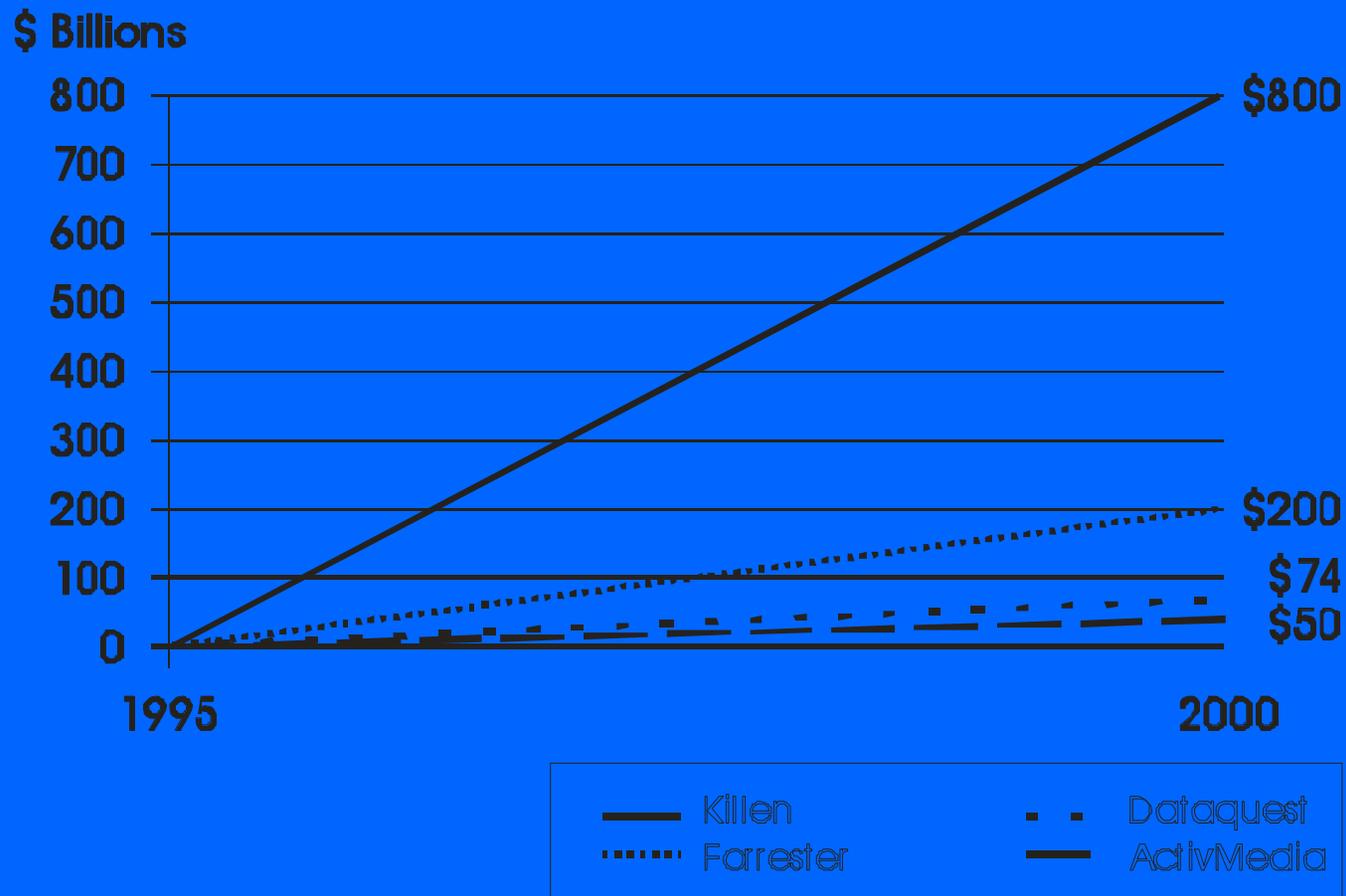
Microfiche

Combined data

Web Reporting

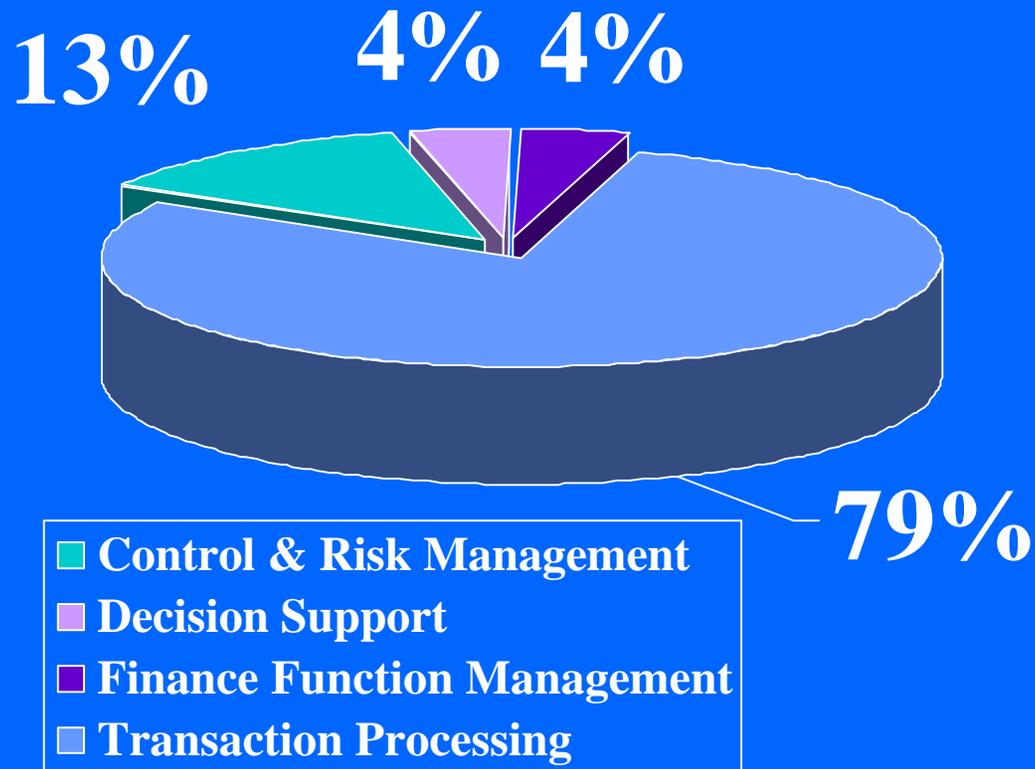
On-Line Analytical Processing (OLAP)

# Technology is Connecting Business Through E-Commerce



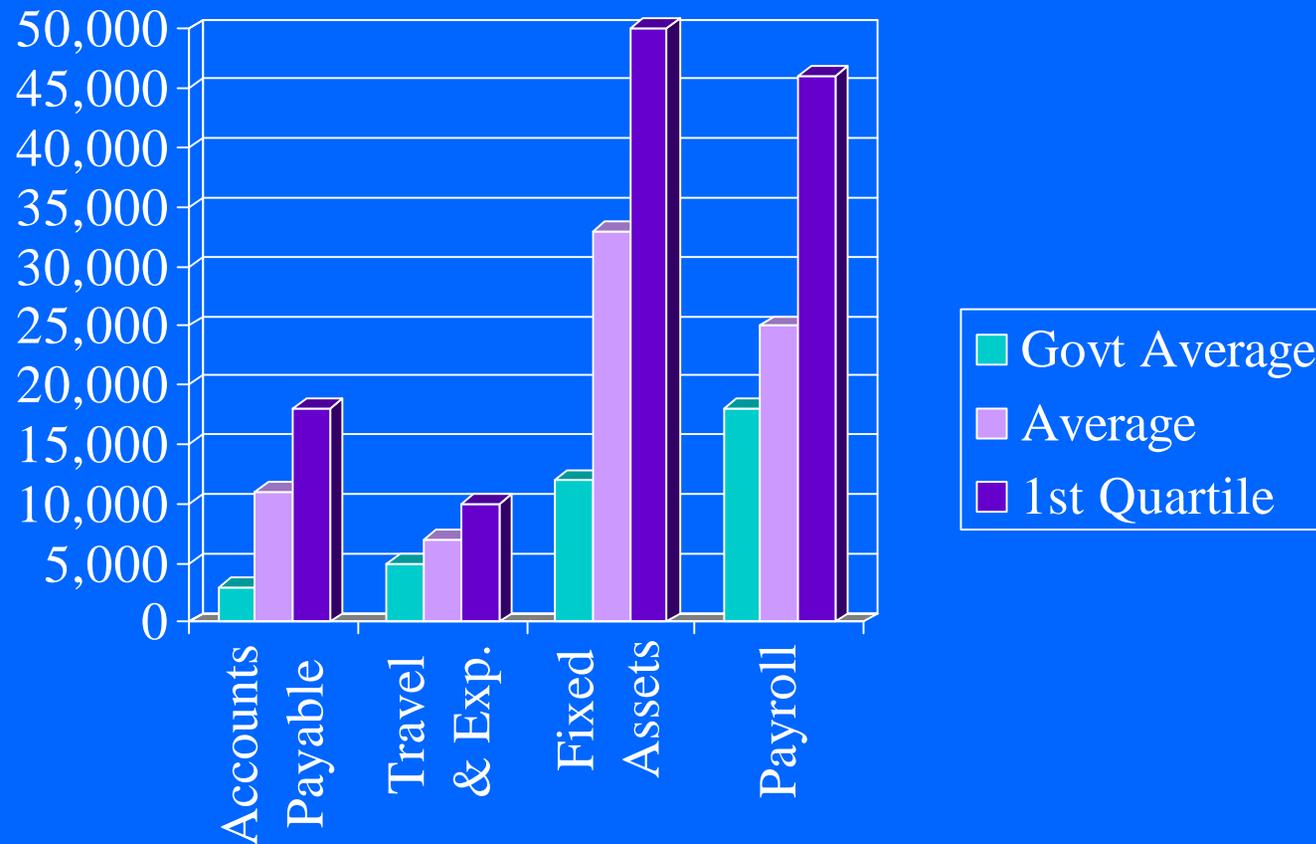
# Federal Staff Spend 79 Percent of their Time on Transaction Processing

*Finance Staff Time Allocation*



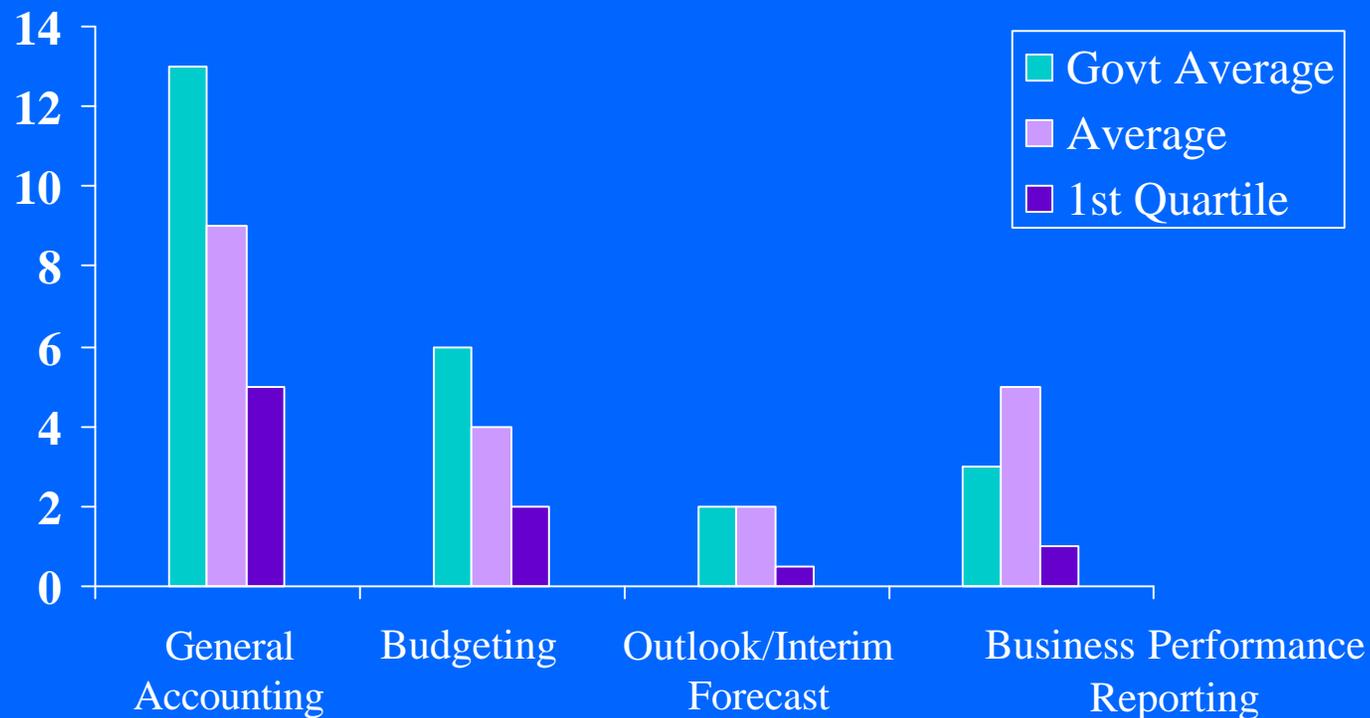
# Overall Federal Processes are Lower than First Quartile

*Transactions per FTE*



# Information Processes have Staff Levels Higher than First Quartile

*FTEs per \$ Billion of Revenue*



# Best Practices Combine Process Streamlining and Technology

## Accounts Payable

POs Via EDI

Pay-on-Receipt

Card Usage

On-line Receipt of Goods

## Travel and Expense

Card Usage

Electronic Filing

Management Approval

Exception Based

Direct Reimbursements

## Fixed Assets

Scanning Inventories

Single System Used

Automatic Posting

Cap. Project Auto Set-up

## Payroll

Employee Database

Standard Cycles

Direct Deposit

Court Order Module

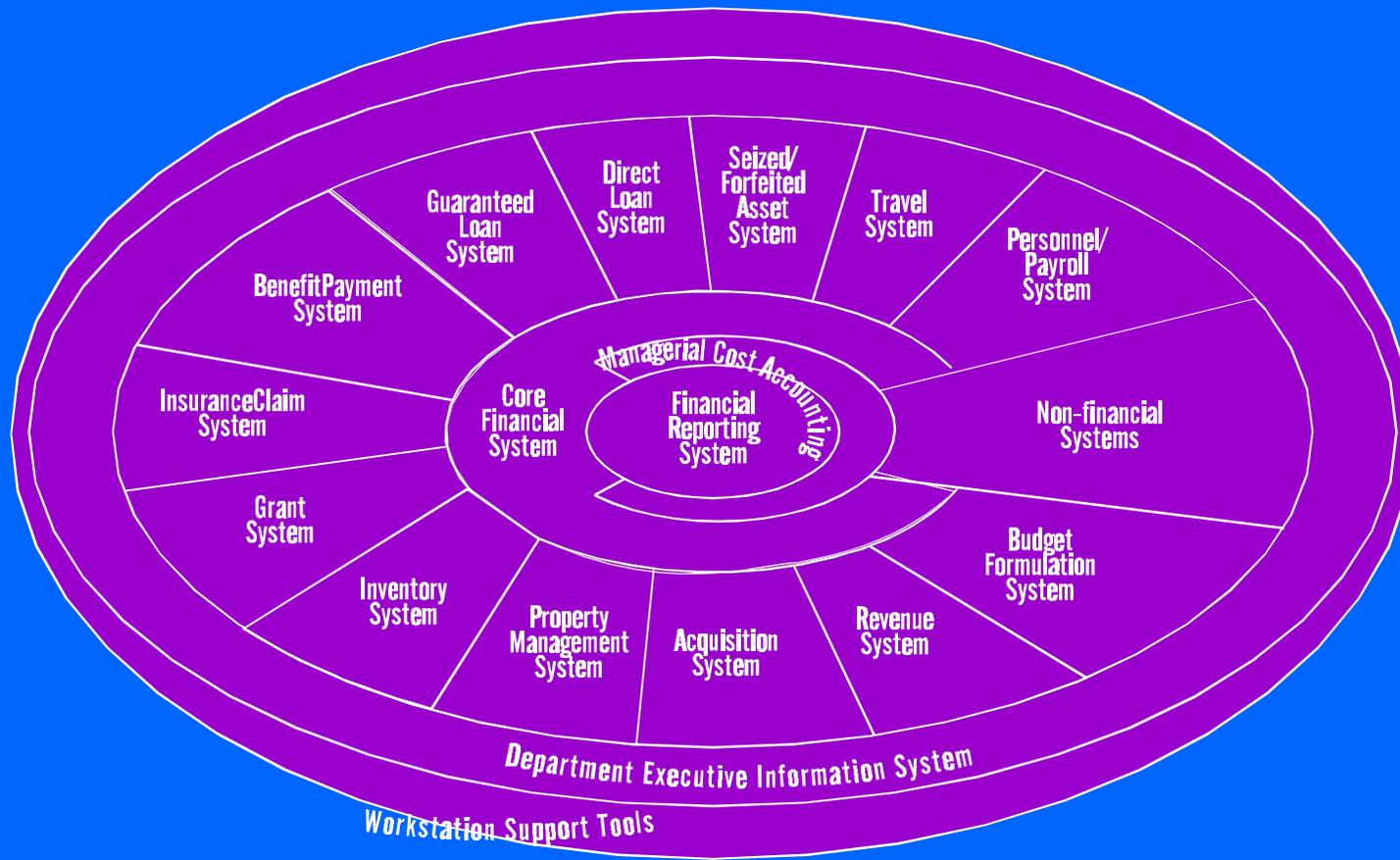
- In Short, Consolidate, Standardize, Automate
- Automation Includes Internal and Outsourced Processes

# Dynamic Business Forces Reshaping Financial Systems and Services

- Information Technology Companies Continue to Transform in Number, Value, and Offerings
- Infrastructure Is Becoming Ubiquitous
- The Business Case Can Be Extremely Favorable
- The “Kid” Factor

# The Federal Financial System Environment

# Systems Architecture for Federal Financial Systems



# Recent Legislation Impacts Federal Financial Management Policy and Requirements

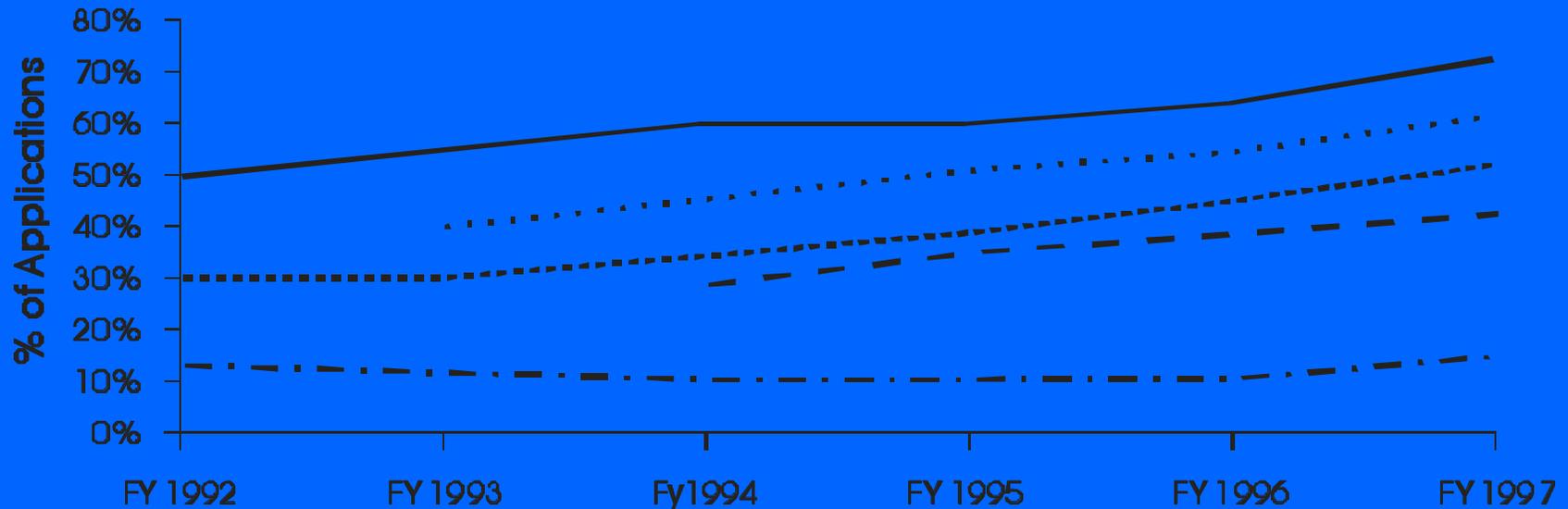
<u>Act</u>	<u>Requirement</u>	<u>Outcome</u>
CFO Act	<ul style="list-style-type: none"> <li>• Integrate financial and mixed systems</li> </ul>	<ul style="list-style-type: none"> <li>• New compliance activities</li> <li>• Doing more with less</li> </ul>
GPRA	<ul style="list-style-type: none"> <li>• Define clear agency missions</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing redundancy and modernizing financial systems and processes</li> </ul>
GMRA	<ul style="list-style-type: none"> <li>• Set results-oriented goals and measure progress</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing reporting capabilities for reliable information</li> </ul>
FMFIA	<ul style="list-style-type: none"> <li>• Establish links from budget to results</li> </ul>	<ul style="list-style-type: none"> <li>• Assessing various technologies</li> </ul>
FFMIA	<ul style="list-style-type: none"> <li>• Use financial information to support decision making, strengthen accountability</li> </ul>	
ITMRA		

# FY 1997 Financial Systems Snapshot

- 24 CFO Agencies
- 751 Financial Systems
- 1170 Applications
- \$1.6 Billion Annual Expenditure
- 49% Applications are JFMIP Compliant
- 13% Are COTS
- 71% Planned for Upgrade or Replacement  
By 2003

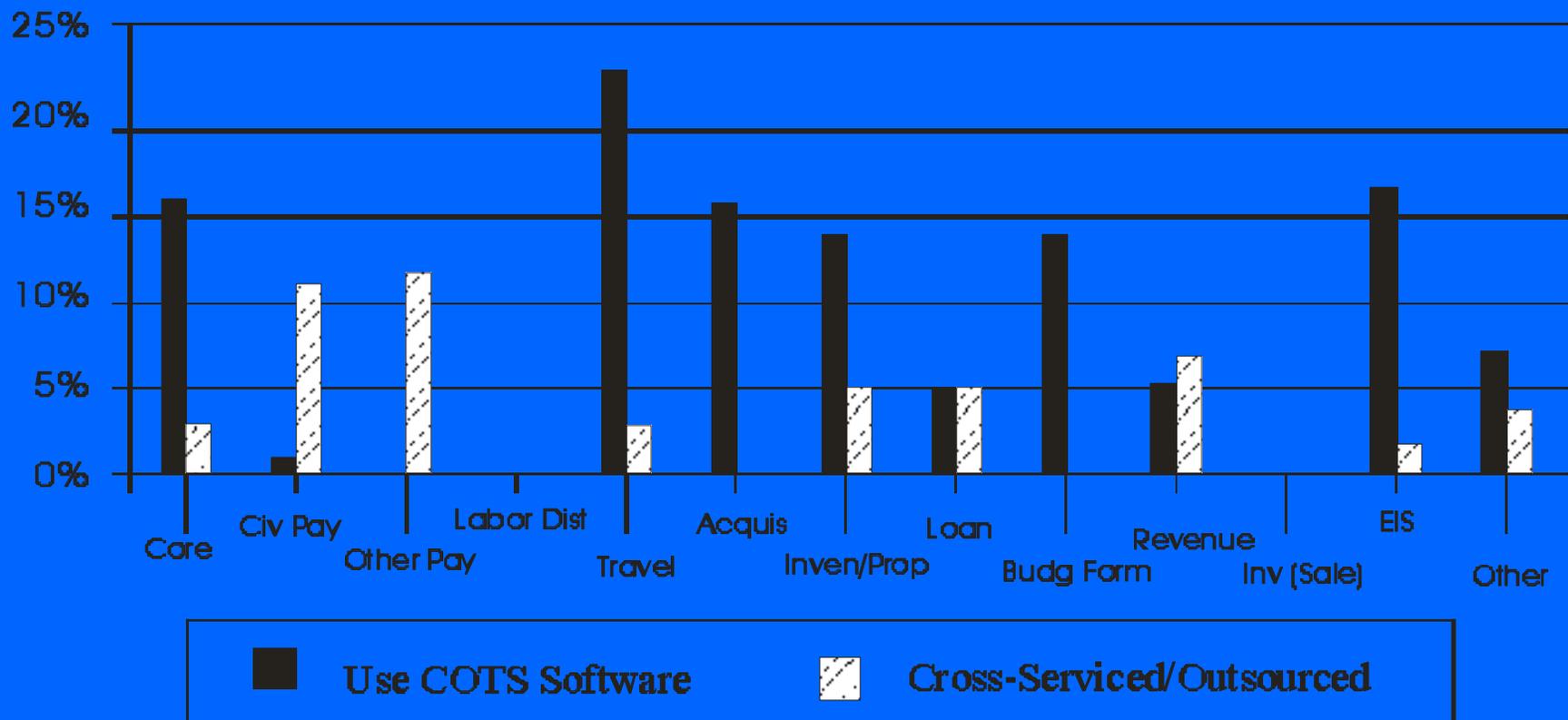
Source: Status Report on Federal Financial Management Systems  
CFO Council Systems Committee & OMB/OFFM

# Compliance Trends are Improving

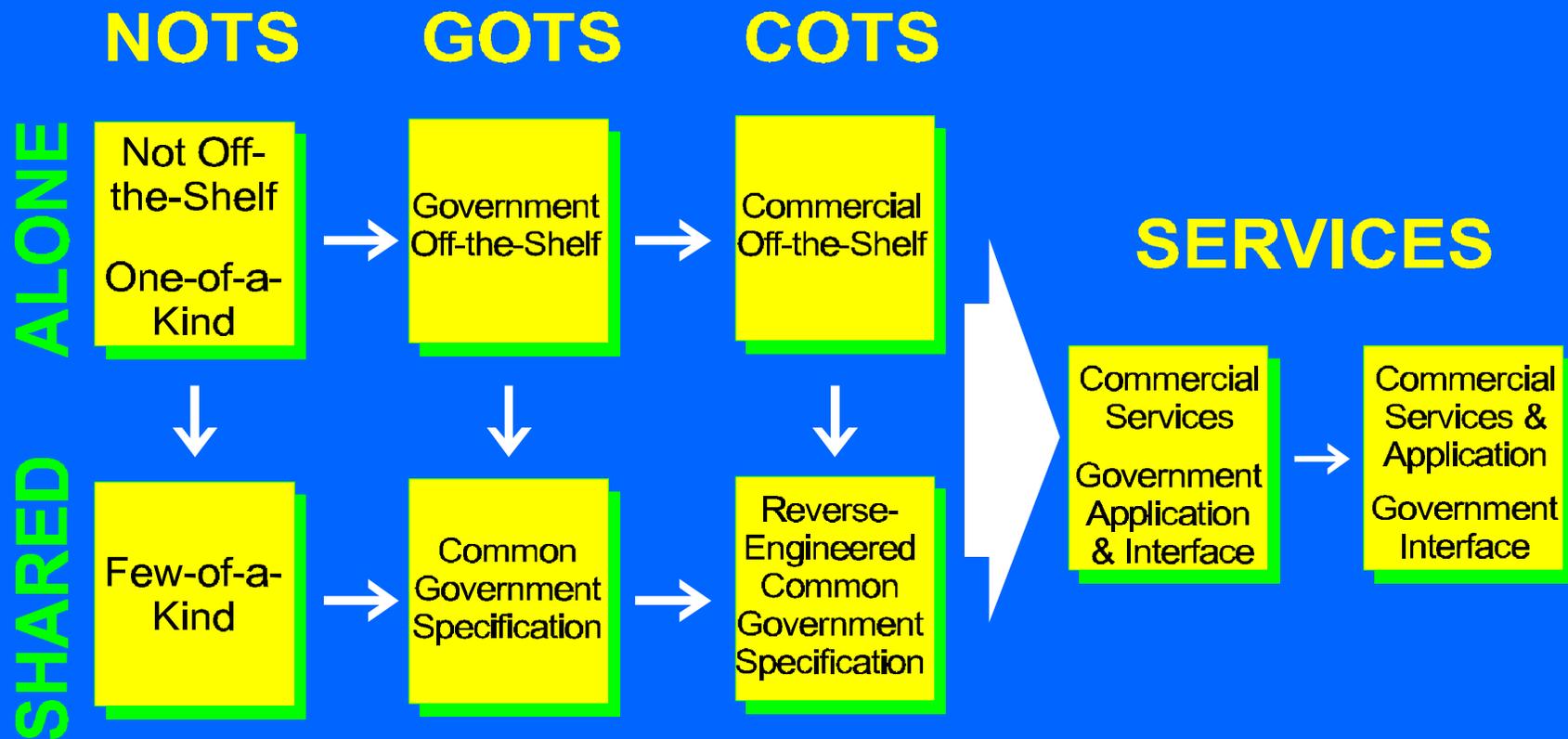


- Planned to be Replaced or Upgraded Within 5 Years
- .....** Meets Agency Financial Data Standards
- Fully Implemented the SGL
- - -** Part of Single, Integrated Financial Management System
- . - .** Uses Commercial Off-the-Shelf Software

# Lots of Opportunities Still for COTS Software, Cross-Servicing, and Outsourcing



# Stages of Commercial Financial IT Use

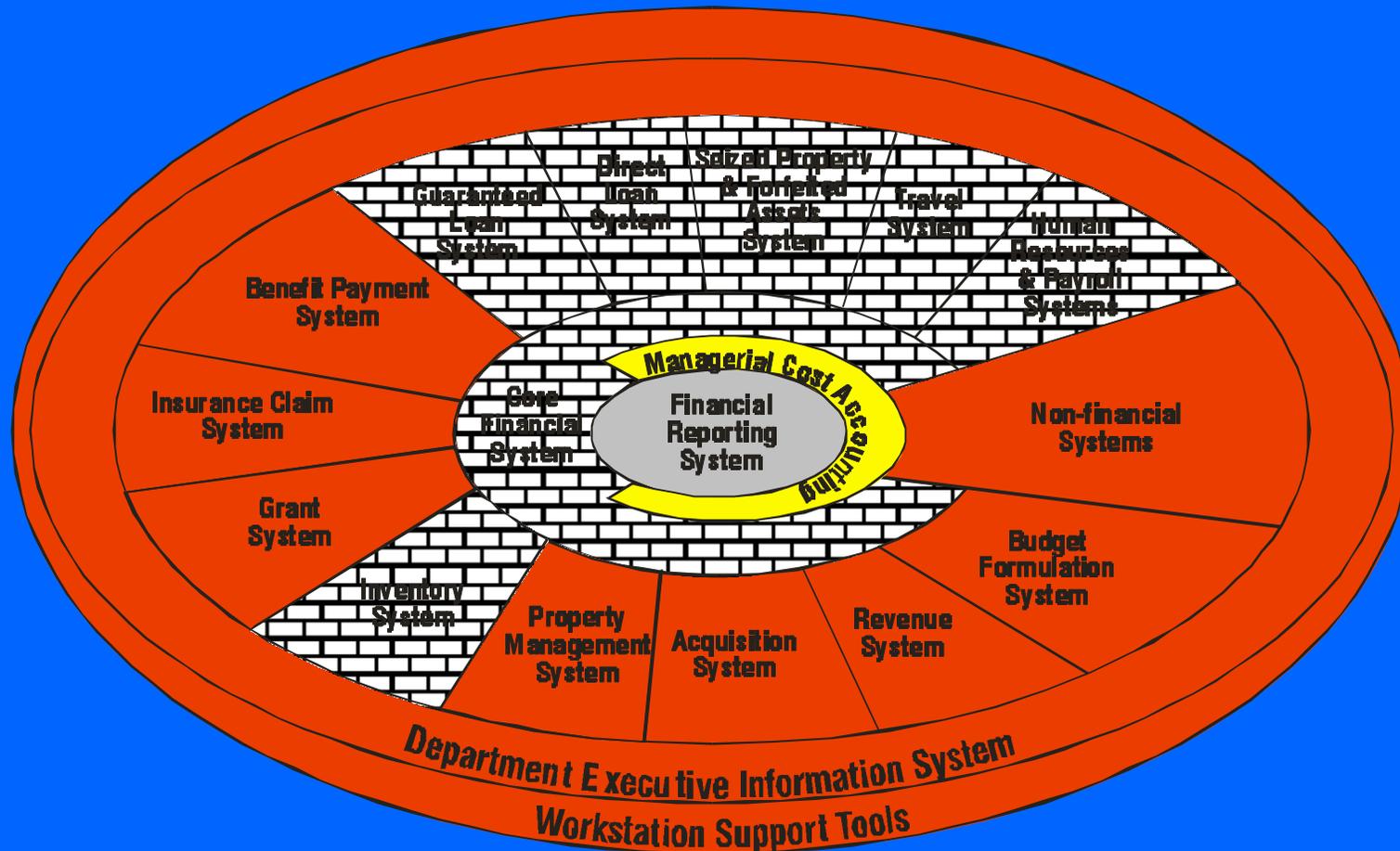


Less Commercial

More Commercial

# Status of JFMIP System Requirements

January 1998



■ Issued/ Updated Since 1998



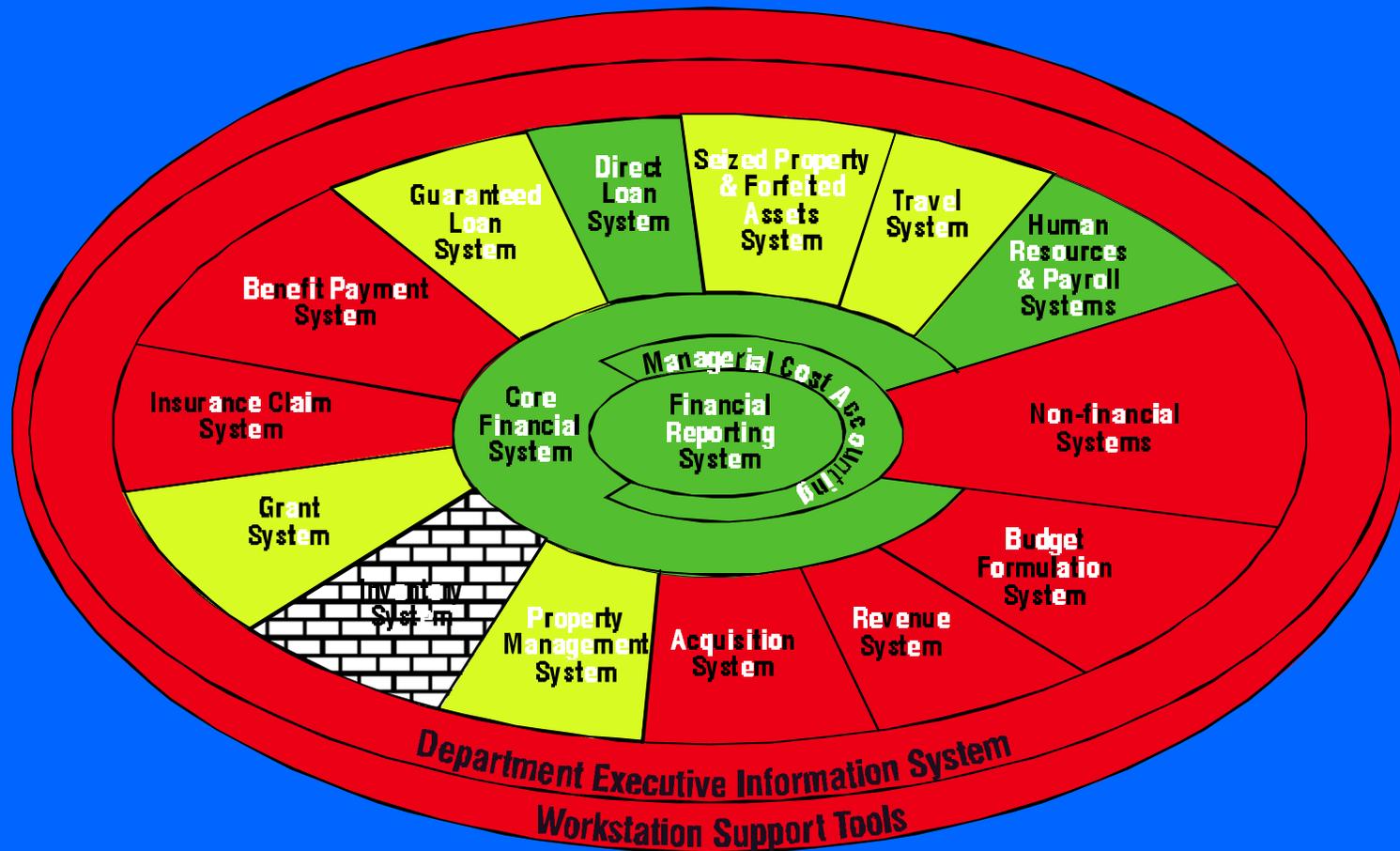
■ Issued

■ Update in Process

■ Never Issued

# Status of JFMIP System Requirements

May 1999



Issued/ Updated Since 1998
  Issued
  Update in Process
  Never Issued

# Federal Financial Management System Review Guide

## What is it?

A tool to assist agencies in performing FMS reviews to assess whether their FMS' comply with FMFIA, FFMIA and other Federal requirements:

- Determine if a system is a FMS;
- Decide if their FMS is compliant with requirements;
- Provide guidance to program managers and reviewers on conducting periodic reviews to ensure their systems stay compliant;
- Assist auditors who must conduct reviews under FFMIA understand how program managers evaluate systems.

**Status:** A draft document is under development. JFMIP and the CFO Council will jointly issue Exposure Draft for comment in the near future.

# Federal Financial Management System Review Guide

## Why Develop FMS Guide?

- The CFO Council 5-year plan identified need
- Multiple Federal requirements cover FMS reviews:
  - FMFIA (section 4)
  - FFMIA of 1996
  - OMB Circulars A-123, A-127, A-130
  - OMB Bulletin 98-08
- No governmentwide recommended procedures/  
instructions exist
- Current assessment methods vary

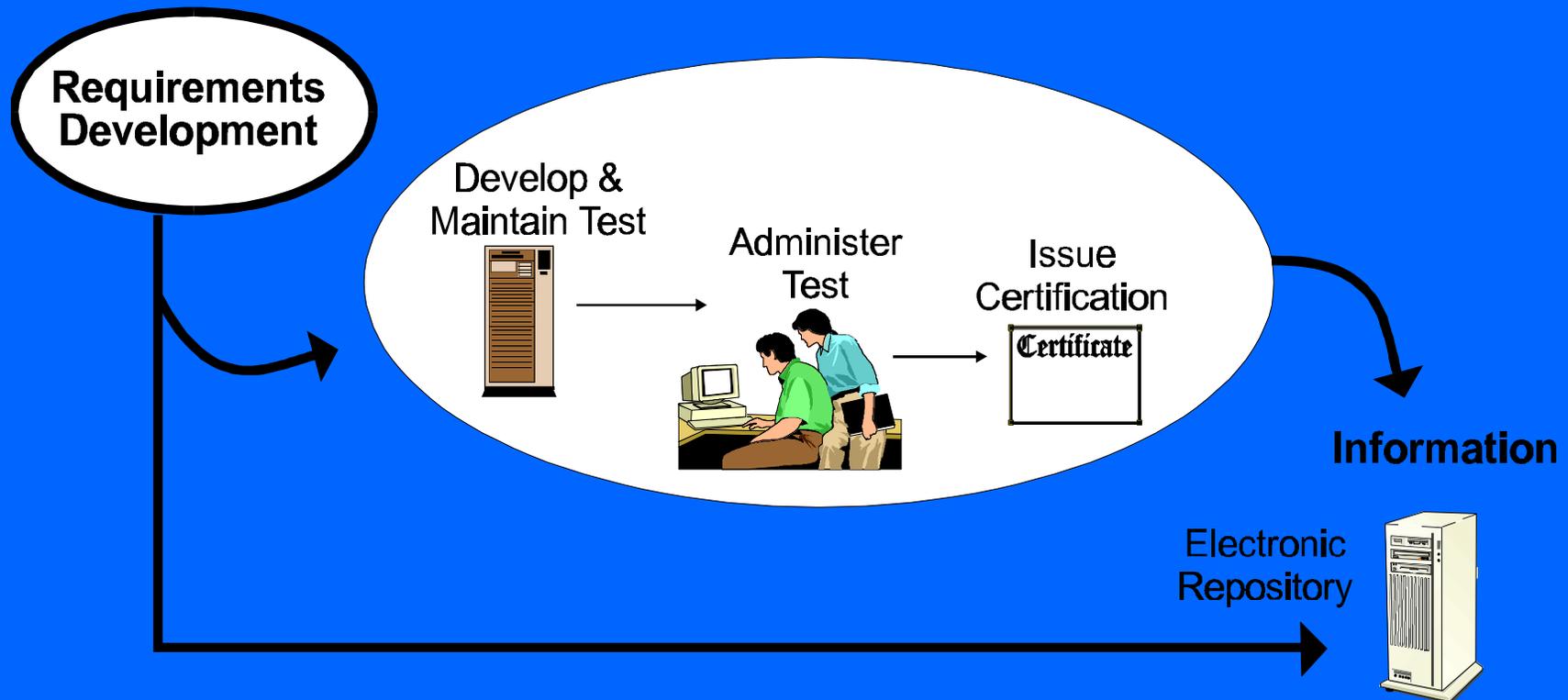
# Core Financial System Requirements Update

# Comparison of Federal and Private Sector Use of COTS

- **Federal Procurement Process-more Formal and Detailed, but Results Are Not As Good**
- **Federal Cycle Times for Selecting and Implementing Are Much Longer**
- **Private Sector Buys Software - Private Sector Buys Total Solution**
- **Reengineering of Legacy Business Processes Much Less Common in Federal Sector - Modifications More Costly, Upgrades More Difficult**
- **Performance-based Incentives - Common in Private Sector - Not Practiced in Government**

# The Software Qualification Process

## Key Inputs and Outputs



# Objectives of Requirements Update

- Update of Current Requirements for:
  - Changes in laws and regulations
  - Consistency between FFMSR-1 and SOW
- Develop New Requirements Process to:
  - Maintain a current, comprehensive set of requirements
  - Expand requirements to include “features” that may not be required for all systems but that add value
  - Provide for early announcement of proposed changes to requirements and invite comment before exposure draft process
  - Link requirements to the qualification test

# JFMIP

## Core Financial System Functions

	<u>1995 Req</u>	<u>1999 Req</u>	<u>% Change</u>
Core Financial System Management	43	50	16%
General Ledger Management	12	16	33%
Funds Management (Budget)	48	58	21%
Payments Management	43	52	21%
Receivable Management	36	39	8%
Cost Management	9	14	56%
Reporting	17	22	29%
	<hr/>		
Total	208	251	21%

# Testing and Qualification Process

# Qualification Process

## ■ Purpose

- Reduce risk to the government
- Produce useful information
- Reduce agency test effort
- Encourage vendors to enter the Federal Market

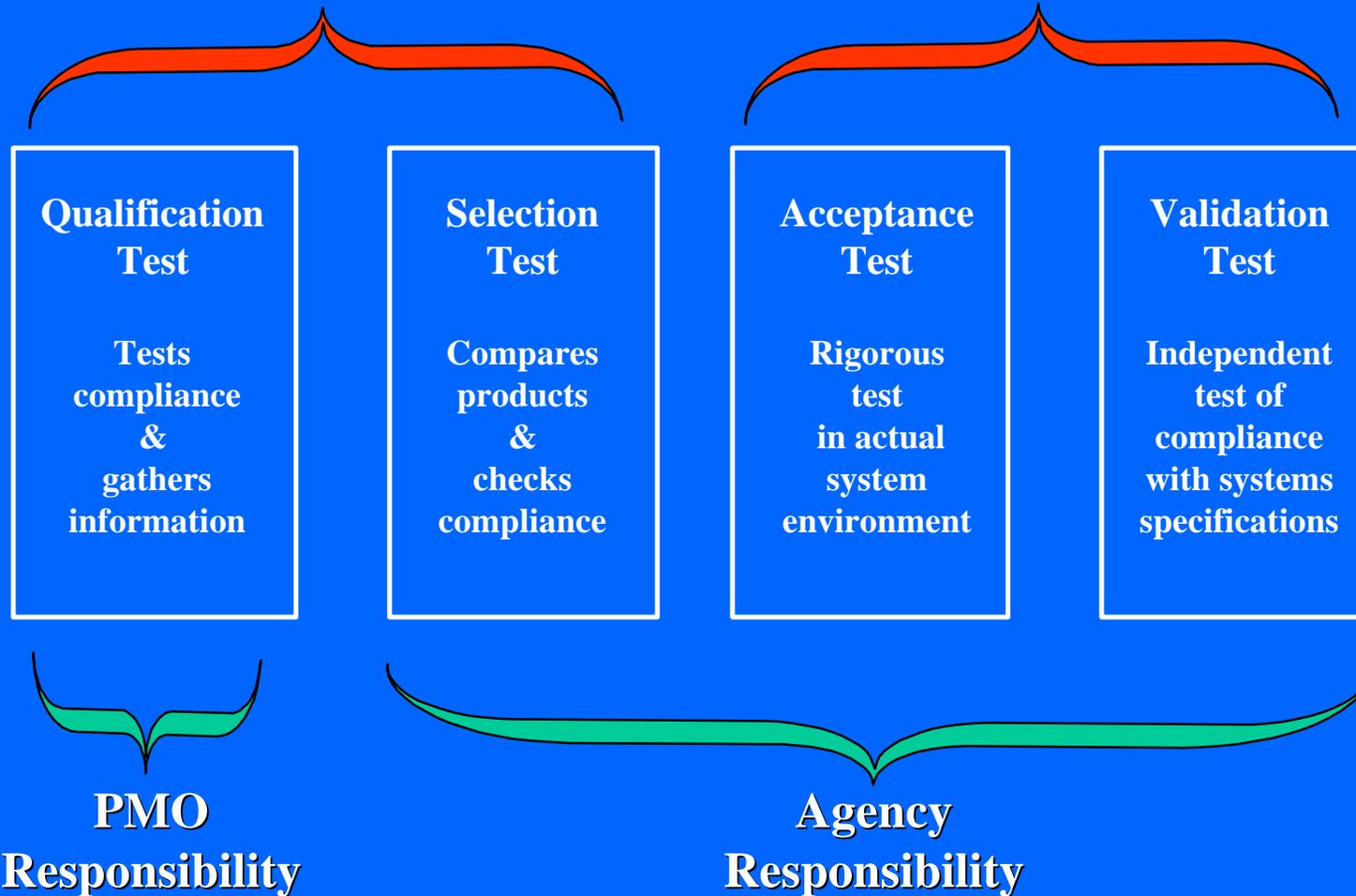
## ■ Organization of the Qualification Test

- Mandatory
  - ◆ Pass/Fail
  - ◆ How
- Value Added

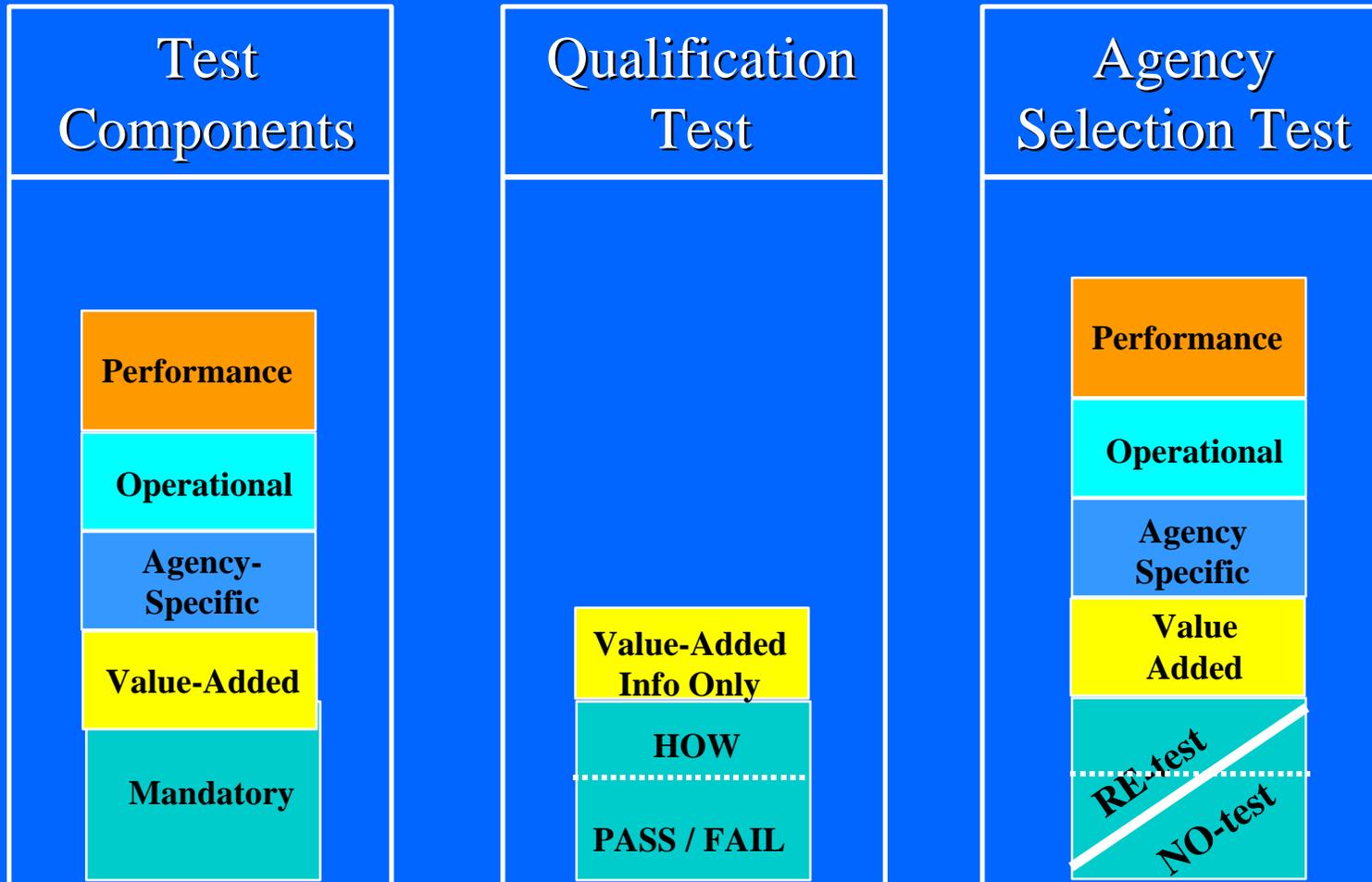
# Types of Tests

## Selection

## Implementation

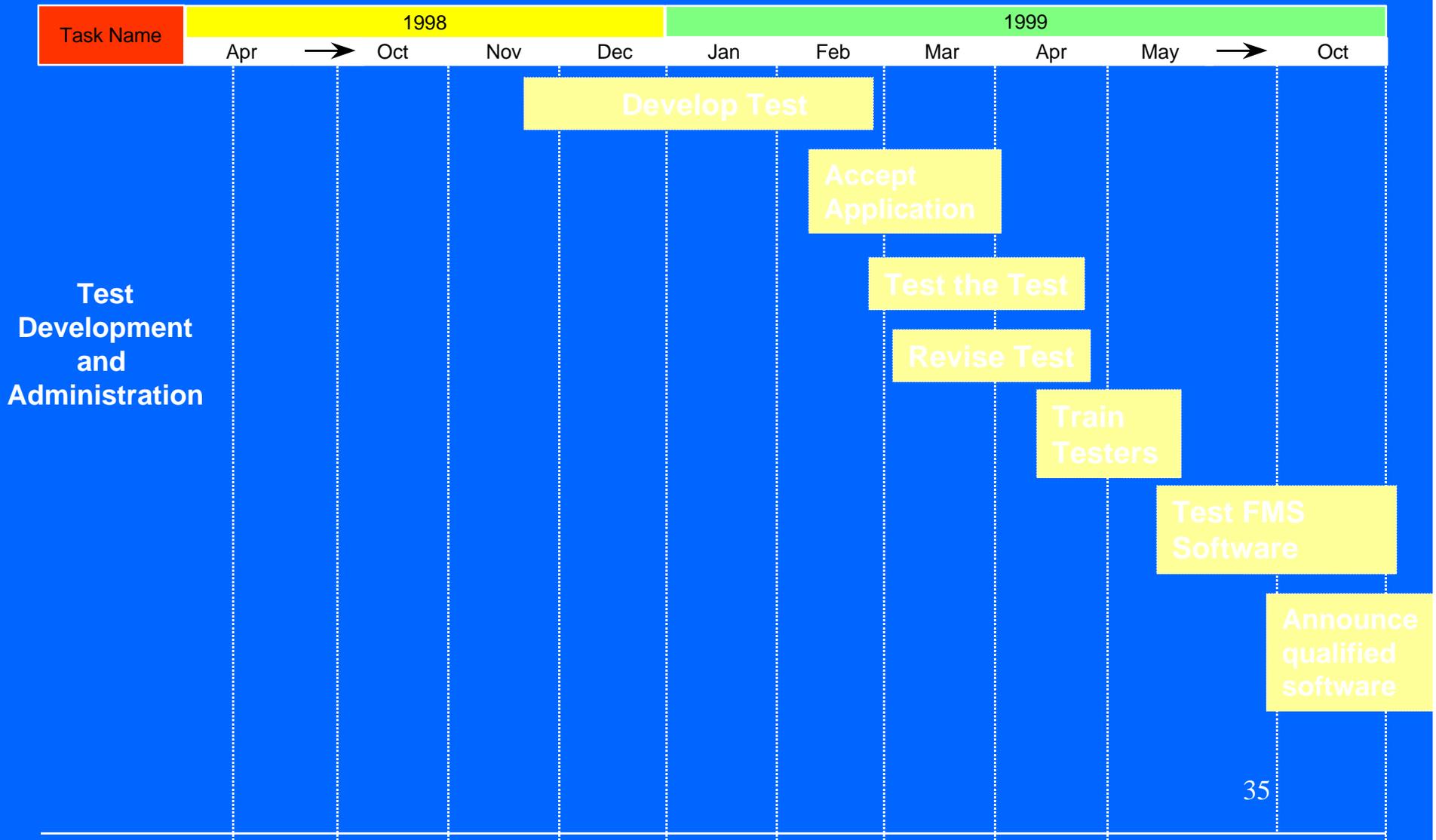


# Comprehensiveness in Perspective



**Agency builds on qualification test**

# Timeline - Test QA and Admin Process



# Overarching Approach for Achieving Test Comprehensiveness

- Build robust set of possible questions based on requirements
- Test only mandatory
- Share information about how requirements are met
- Gather information on value-added requirements
- Identify the technical environment used

# Comparison of FMSS Test to JFMIP PMO Test

## As Is:

- not all requirements tested and many only partially tested.
- no direct traceability to requirements.
- tests are not clearly integrated.
- closed communication for test.
  - objectives are not defined at the test case level.
  - expected results not published.
  - test not “vetted” with agencies and vendors.

## To Be:

- all testable requirements are linked to one or more test cases.
- direct traceability to requirements.
- test cases are integrated.
- open communication.
  - cites objectives, assumptions, and dependencies by test case.
  - explicit expected results/data.
  - test “vetted” with agencies and vendors.
- ***TEST is TESTED and Validated***

# Test Cycles

**Cycle 1:** Establish budget authority.

**Cycle 2:** Execute the budget (commitments and obligations.)

**Cycle 3:** Receive goods and services, establish and bill receivables. At end of cycle close month.

**Cycle 4:** Receive/log/process invoices for payment. Receive/apply collections. At end of cycle create disbursement tapes for invoices w/ discounts.

**Cycle 5:** Confirm disbursements and collection deposits, create disbursement tapes to Treasury.

**Cycle 6:** Confirm disbursements and reconcile. Generate delinquent receivable notices. Process OPAC II trnsctns.

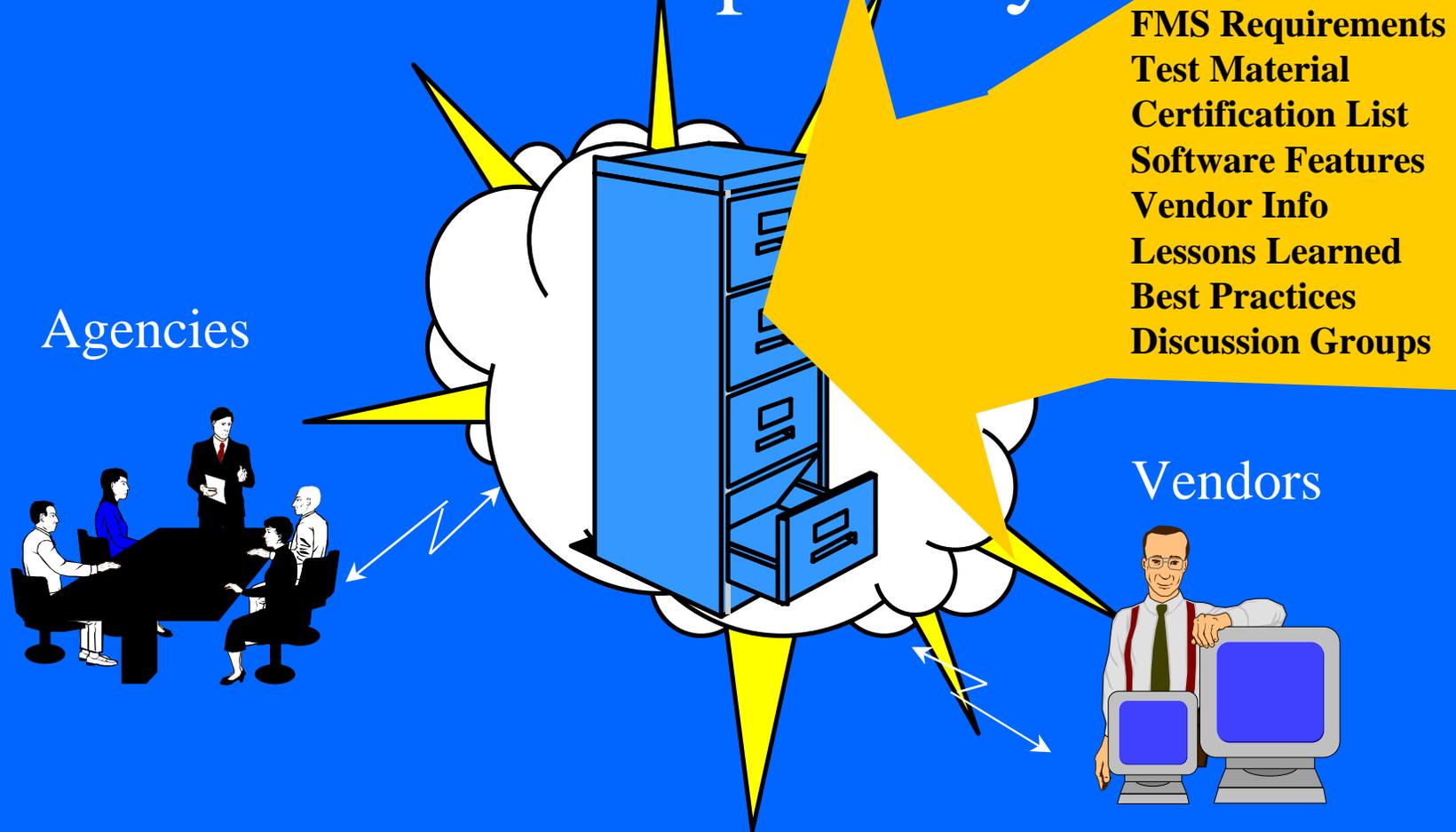
**Cycle 7:** Close the year.

# Types of Transactions Tested

- appropriation and warrants
- appropriations not apportioned
- apportionments available
- apportionments not available
- allotments
- rescissions
- prior-year recoveries
- transfers out & in
- anticipated reimbursements
- commitments
- obligations w/ & w/o prior commitment
- transactions inside & outside tolerance limits
- transactions exceeding fund availability
- accruals
- accrual adjustments (downward & upward)
- advances
- disbursements w/ & w/o discounts
- disbursements w/ penalties
- collections (federal & non-federal)
- collections of other cash
- revenue accruals (federal & non-federal)
- deferrals
- write-offs

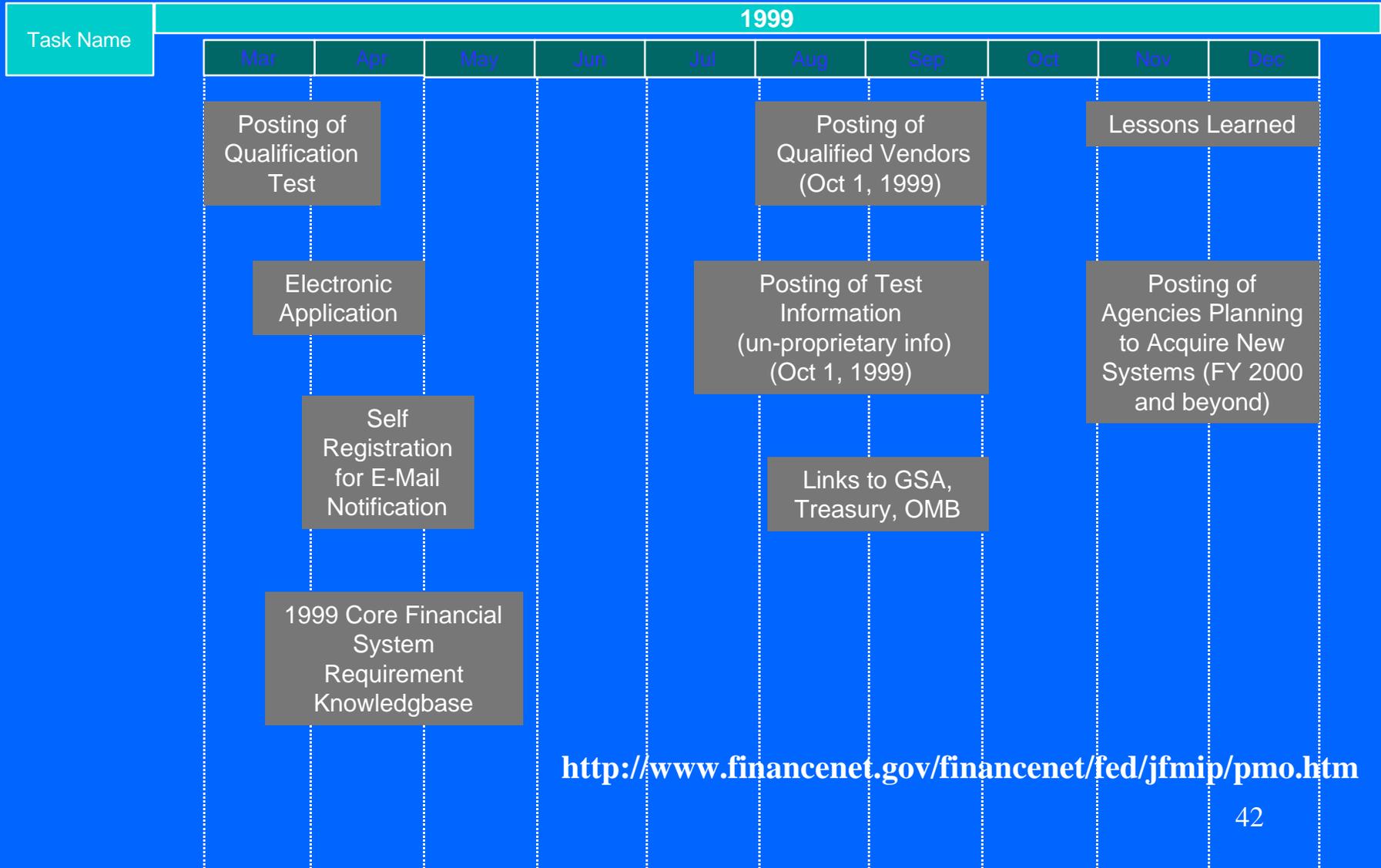
# JFMIP Knowledgebase Updates

# The Knowledgebase - Electronic Repository



<http://www.financenet.gov/financenet/fed/jfmip/pmo.htm>

# Knowledgebase Posting / Enhancement Timeline



<http://www.financenet.gov/financenet/fed/jfmip/pmo.htm>

# What Happens After 9/30/99?

- JFMIP qualified core financial software will be available on Federal Supply Schedule (FSS) Group 70, Information Technology Multiple Award Schedule
- Information about this schedule is available on: [HTTP://pub.fss.gsa.gov/it/](http://pub.fss.gsa.gov/it/)

# Prognosis for FY 2000

- Reengineered Core Financial System Requirements and Qualification Process Will:
  - Reduce Stakeholder Cost of Information
  - Establish Model for Agency System Testing
  - Increase Vendor Competition
- Subsidiary System Requirement Documents Will:
  - Be Current
  - Include Grants, Property, and Acquisition
- Focus Will Increase on System Integration

# Helping Achieve the CFO Council's Vision . . .

Shaping an Environment in Which Officials  
Use High Quality Financial and  
Performance Information to Make and  
Implement Effective Policy Management,  
Stewardship, and Program Decisions.