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OMB's Financial Management Line of Business Initiative: Background, Issues, and Observations

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OMB's Financial Management Line of Business (FMLOB) Initiative: Background, Issues, and Observations

Summary

Federal financial management systems generate the information that is used by government officials to manage and oversee agency programs and operations. Concerns about the quality of agency financial information, and about the costs of operating and modernizing the systems that produce it, have prompted a number of systems improvement initiatives in recent years. One such effort, the Financial Management Line of Business (FMLOB), seeks to improve the cost, quality, and performance of government financial systems by consolidating agency core systems functions at a limited number of third-party shared service providers (SSPs), and by standardizing the related business processes government-wide.

As part of the initiative, the Office of Management and Budget (OMB) in 2006 directed all federal agencies needing to upgrade or modernize their financial management systems either to transfer their core financial functions to an SSP, seek designation as an SSP, or to prove that they can operate their in-house systems with less risk and at a lower cost than an SSP. Agencies that undergo migration must, in most cases, select their SSPs through competitions between public and private organizations. OMB's guidance also requires all agencies eventually to adopt government-wide business and accounting practices, which are under development in FMLOB workgroups.

It is widely acknowledged that consolidation and standardization might improve the cost and quality of agency financial data. Proponents suggest that the sooner agencies move to SSPs, the sooner the government might enhance its efficiency and capacity for oversight. Concerns have been expressed, however, by both public and private sector observers, that the initiative is moving too fast, and that important issues surrounding the transition to shared service providers have not been adequately addressed. Critics argue that migration should be delayed until agencies have strengthened their internal controls, fully evaluated the qualifications of potential SSPs, and educated their personnel about the initiative. Evidence from previous systems modernization efforts suggests that these issues might put the FMLOB at increased risk for cost overruns, schedule delays, and problems with the accuracy of the data after implementation.

Effective congressional oversight of agency programs and operations is dependent, in part, on the availability of timely and accurate financial data. Congress has invested billions of dollars in systems modernization projects in recent years, but these efforts have not consistently yielded significant improvements in the information they produce. The House Subcommittee on Government Management, Finance, and Accountability has held several hearings on the initiative, although no bills have been introduced.

This report examines the origins and objectives of the FMLOB, outlines the arguments of the initiative's supporters and critics, and discusses options for implementation. It will be updated as events warrant.

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OMB's Financial Management Line of Business (FMLOB) Initiative: Background, Issues, and Observations

Introduction

Each year, the federal government spends billions of dollars implementing, operating, and modernizing agency financial management systems.[1] Financial systems are vital to the effective management and oversight of public funds, because the information they provide is used by government officials to make decisions about agency programs and operations. For example, federal managers use financial data to monitor contract costs, measure program performance, and identify improper payments. When agency financial systems provide inaccurate or incomplete data, the government might be less able to operate at maximum efficiency, and the risk of waste, fraud, and abuse arguably increases. For example, GAO has reported that financial management deficiencies at the Department of Defense (DOD) have resulted in hundreds of millions of dollars in over- and underpayments to contractors and contributed to DOD's high rate of travel card delinquency.[2] Significant financial management weaknesses can be found throughout the government, and according to GAO most agency financial systems are unable to routinely produce reliable, useful, and timely information.[3]

In order to improve the quality of financial data available to government officials, Congress has funded a number of financial management improvement initiatives. Such initiatives, by their nature, are often complex and entail a degree of risk. The National Aeronautics and Space Administration (NASA), for example, spent $180 million on two failed efforts to modernize its financial systems, and NASA's third such attempt, currently underway, will cost an additional $983 million.[4] Similarly, problems with inaccurate data led the Department of Veterans

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[1] Chief Financial Officers (CFO) Council and Joint Financial Management Improvement Program (JFMIP), *Building the Work Force Capacity to Successfully Implement Systems*, Oct. 2001, p. 3, at [http://archive.gao.gov/f0302/a02376.pdf].

[2] U.S. Government Accountability Office (GAO), *Department of Defense: Status of Financial Management Weaknesses and Progress Toward Reform*, GAO-03-931T, June 2003, pp. 14-15, at [http://www.gao.gov/new.items/d03931t.pdf].

[3] GAO, *Financial Management: Improvements Underway but Serious Financial Systems Problems Persist*, GAO-06-970, Sept. 2006, p. 5, at [http://www.gao.gov/new.items/d06970.pdf].

[4] GAO, *Financial Management Systems: Additional Efforts Needed to Address Key Causes of Modernization Failures*, GAO-06-184, Mar. 2006, p. 2, at [http://www.gao.gov/

Affairs to halt deployment of its new financial system after an investment of $250 million.[5]

One recent effort to improve agency financial systems, the Financial Management Line of Business (FMLOB) initiative, was launched by the Office of Management and Budget (OMB) in 2004.[6] Based on the recommendations of an interagency task force, the FMLOB proposed that the government move to a "shared services" model of financial management, whereby agencies would transfer their core financial system functions — such as accounting, payments, and reporting — to government-wide shared service providers (SSPs).[7] Outsourcing administrative and financial operations to third-party service providers is a common practice in the private sector, and it has already been employed by the federal government in some instances.[8] The National Finance Center, for example, a component of the U.S. Department of Agriculture (USDA), currently provides payroll and personnel services for 120 federal organizations across the three branches of government.[9] According to OMB, the use of SSPs will enhance the timeliness and accuracy of financial information while reducing the costs associated with operating and modernizing agency financial systems.[10] Several departments and agencies have already begun making plans to migrate core functions to SSPs, including the Department of Labor, the Department of Commerce, USDA, and the Environmental Protection Agency. OMB has estimated that remaining agencies will follow suit within the next seven or eight years.[11]

While the objective of moving to a shared services environment is widely supported in principle, a range of public and private sector observers has expressed concern that the initiative is moving too fast. Critics say that the capabilities of some SSPs have not been adequately demonstrated, that internal control problems should be addressed prior to migrating core financial systems, and agencies need time to prepare their personnel and build internal support for the initiative. Implementation

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[4] (...continued)
new.items/d06184.pdf].

[5] Ibid., p. 18.

[6] Office of Management and Budget (OMB), *Lines of Business*, at [http://www.whitehouse.gov/omb/egov/c-6-lob.html].

[7] Ibid.

[8] Association of Government Accountants (AGA), *Financial Management Shared Services: A Guide for Federal Users*, July 2005, p. 6, at [http://www.agacgfm.org/research/downloads/SharedServicesResearchPaper.pdf].

[9] National Finance Center (NFC), *National Finance Center History*, at [http://dab.nfc.usda.gov/about/na-aboutmain.html].

[10] Memorandum from Linda M. Combs, OMB Controller, to Chief Financial Officers, "Update on the Financial Management Line of Business and the Financial Systems Integration Office," Dec. 16, 2005, p. 1, at [http://www.whitehouse.gov/omb/financial/ffs/memo_status_fmlob_fsio.pdf].

[11] GAO, *Financial Management Systems: Additional Efforts Needed to Address Key Causes of Modernization Failures*, p. 32.

should be delayed, critics argue, until these and other risk factors have been mitigated.

The FMLOB has implications for Congress, in terms of both its appropriations and oversight responsibilities. Large-scale financial modernization efforts have the potential to generate more timely and accurate financial data, which are needed for effective oversight of agency programs and operations. As previously noted, however, modernization initiatives require substantial funding and often fail to produce the intended results. The House Subcommittee on Government Management, Finance, and Accountability, has held several hearings on the initiative, although no bills have been introduced.

This report provides background information on the FMLOB's origins and goals, and presents the arguments of supporters and critics of the initiative. Finally, it discusses options regarding future implementation.

Background

In the spring of 2004, OMB launched a series of interagency task forces to determine if services commonly found in numerous agencies, called lines of business, might be provided in a more efficient manner.[12] The financial management task force determined that "significant savings" over a 10-year period were possible if the government consolidated agency financial systems and standardized the related business processes.[13] In order to realize these savings, the task force recommended that the government establish centralized shared service providers (SSPs) to which agencies would transfer their core financial management functions, rather than invest in modernizing existing agency systems.[14]

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[12] OMB, *Presidential Initiatives*, at [http://www.whitehouse.gov/omb/egov/c-presidential.html]. In addition to financial management, the original lines of business were human resources management, grants management, case management, and federal health information technology. In addition, OMB has launched lines of business initiatives for budget formulation and evaluation, information technology security, information technology infrastructure, and geospatial data.

[13] Testimony of OMB Controller Linda Combs, in U.S. Congress, House Committee on Government Reform, Subcommittee on Government Management, Finance, and Accountability, *OMB's Financial Management Line of Business Initiative: Too Much Too Soon?*, hearings, 109th Cong., 2nd sess., Mar. 15, 2006, at [http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.181&filename=29332.pdf&directory=/diska/wais/data/109_house_hearings].

[14] Ibid. As defined by the Business Reference Model of the Federal Enterprise Architecture, a core financial system consists of six subfunctions: accounting, payments, collections and receivables, budget and finance, asset and liability management, and reporting. See [http://www.whitehouse.gov/omb/egov/a-3-5-manage-financial.html].

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Shared Service Providers (SSPs)

OMB concurred with the recommendation and worked with the task force to develop an FMLOB business case that outlined the shared services concept and its expected benefits.[15] The business case called for consolidating agency financial systems into a smaller number of government-wide SSPs, each of which could provide financial management services to multiple agencies. According to the business case, transferring agency financial management functions to SSPs would enable to government to:

- improve its leverage in negotiations with suppliers;
- reduce future agency development, modernization, and enhancement expenditures;
- reduce future agency operation and maintenance expenditures;
- retire agency "stovepiped" core financial systems;[16]
- re-deploy current agency financial management personnel;
- improve agency program decision making due to enhanced financial reporting; and
- leverage best practices for investment management, procurement, budgeting, and real estate management.

The business case explained that agencies may select as their service provider either a private sector contractor or one of a limited number of government agencies designated by OMB to be federal SSPs.[17] In order to identify potential federal SSPs, OMB asked agencies with the skills, capabilities, and interest to function as government-wide financial management service providers to include business cases

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[15] Financial Systems Integration Office (FSIO), FMLOB Archive, *FY 2004*, at [http://www.fsio.gov/fsio/download/fmlob/fy_04/FM_LOB_Version_4%5B1%5D.0_9-10-04_Final_Final.doc]. A business case is required by OMB when an agency is requesting funds for a major information technology project as part of a budget submission (Part 7, OMB Circular A-11: *Planning, Budgeting, Acquisition and Management of Capital Assets*.) The business case is essentially a justification for the investment, and it includes the agency's analyses of the costs, benefits, and risks of the project over time.

[16] A "stovepiped" financial system is one that is unique to a single agency.

[17] The terminology describing shared service providers has varied. In the business case, the term Centers of Excellence referred to both OMB-designated federal agencies and private contractors. In the Migration Planning Guidance, the term Shared Service Provider (SSP) is used instead. In an email to the author, OMB's Legislative Affairs office said the term "Center of Excellence"applies only to those agencies designated by OMB to act as service providers.

for doing so as part of their FY2006 budget submissions.[18] OMB then evaluated the business cases using a "due diligence checklist" that assessed agencies' past performance, current capabilities, skill to operate a customer-focused organization, and adherence to federal policy and regulations.[19] Based on these evaluations, OMB designated four agencies as federal SSPs: the Bureau of the Public Debt's Administrative Resource Center, the Department of the Interior's National Business Center, the Department of Transportation's Enterprise Service Center, and the General Service Administration's External Services Division. Only these agencies are permitted to compete with private firms for FMLOB contracts.

Migration Planning Guidance

In order to explain the initiative to federal agencies and help them prepare for the transition to a shared services environment, OMB released Version 1 of its Migration Planning Guidance in September 2006.[20] Key provisions of the guidance are outlined below.

Goals. The stated objective of the FMLOB is to improve the cost, quality, and performance of government financial management systems by utilizing shared service providers and implementing other government-wide reforms. Specific goals of the initiative include:

- providing timely and accurate data for decision making;
- strengthening internal controls;
- providing a competitive alternative for agencies to acquire, develop, implement, and operate financial systems through shared services;
- standardizing business systems, processes, and data elements; and
- providing seamless data exchange between agencies.

Timing. With "limited exception," the guidance requires that when an agency identifies a need to upgrade or modernize its core financial system, it must, at that time, either select an SSP or become designated as a federal SSP itself. OMB maintains that this policy enables the government to avoid investments on "in-house" agency systems that would eventually be replaced by more cost effective shared service providers. An agency may continue to operate its in-house system without being designated as a federal SSP only if it can demonstrate that doing so is a better

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[18] OMB, *Presidential Initiatives*, at [http://www.whitehouse.gov/omb/egov/c-6-2-financial.html].

[19] Ibid.

[20] Memorandum from Linda Combs, OMB Controller, to Chief Financial Officers, Chief Information Officers, Chief Acquisition Officers, and the General Public, *Version 1 of the Financial Management Lines of Business's Migration Planning Guidance*, Sept. 11, 2006, at [http://www.fsio.gov/fsio/fsiodata/fsio_fmlob_mpg_v1.shtml].

value and lower risk alternative. The guidance provides no estimated timeline for migration, but OMB has told GAO that it expects most federal agencies to move to SSPs "within the next seven to eight years."[21]

Competition. The guidance stated that all agencies are required to conduct public-private competitions when selecting an SSP, unless OMB grants a deviation. Additionally, when public-private competitions involve work performed by more than 10 full-time employees, those competitions are required to follow OMB Circular A-76, which establishes government-wide guidelines for opening federal jobs to private bids. The guidance makes A-76 optional for competitions involving work performed by 10 or fewer full-time agency employees.

Standardization and Transparency. The FMLOB includes an effort to establish standardized business practices that all agencies would eventually adopt. For example, it is developing standard processes for core financial management functions, such as payments and reporting, which would make it easier for agencies to share data. The FMLOB has also developed a standard government accounting code, which was released in July 2007.[22] In a January 2008 memorandum, OMB stated that agencies are required to adopt the new business standards when they migrate to SSPs.[23] There is also an effort to increase transparency by developing a series of financial system performance metrics, which OMB says would make it easier for agencies to compare the performance of in-house and SSP financial systems.

Outstanding Issues. OMB said it intends to update the guidance to provide more complete information on policy issues that remain under consideration, including (1) arbitration of bid and contract disputes between federal agencies, (2) screening and evaluation of SSPs, (3) partnership agreements between federal SSPs and private firms, and (4) and instructions for smaller agencies on migration competitions.

Relationship to Other Financial Management Initiatives

OMB argues that the FMLOB will support other government-wide efforts to enhance federal financial management. In particular, OMB asserts that the FMLOB will increase the number of agencies in compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996.[24] FFMIA establishes standards for

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[21] GAO, *Financial Management Systems :Additional Efforts Needed to Address Key Causes of Modernization Failures*, p. 32.

[22] FSIO, *Common Government-wide Accounting Classification Structure*, July 2007, at [http://www.fsio.gov/fsio/download/cgac/CGAC_Structure_Report_07-31-07.pdf].

[23] Memorandum from Danny Werfel, OMB Acting Controller, to Chief Financial Officers, "Update on the Financial Management Lines of Business," Jan. 28, 2008, p. 2, at [http://www.whitehouse.gov/omb/financial/ffs/fmlob_update_01-2008.pdf].

[24] Linda Combs, OMB Controller, "Improving the Cost, Quality, and Performance of Financial Systems," July 26, 2006, at [http://www.whitehouse.gov/results/agenda/

federal agency financial systems, with the objective of ensuring they generate reliable, useful, and timely information for decision makers.[25] Ten years after its passage, non-compliance with FFMIA remains high, according to GAO. The most recent data available, only six of the 24 agencies covered by the act were in substantial compliance — a finding GAO called "a significant challenge to improving the management of government."[26] OMB has stated that by moving some agencies to SSPs and standardizing financial processes across the government, the FMLOB will help agencies select and implement FFMIA-compliant financial systems.[27]

OMB also stated that it worked with agencies to align the goals of the FMLOB with the standards of success defined in the President's Management Agenda (PMA).[28] The PMA is a series of government-wide and program-specific initiatives designed to improve the "most apparent deficiencies" in government management and performance.[29] According to OMB, the FMLOB and the PMA are aligned in two ways. First, the "overarching objective" of the FMLOB is ensuring that federal managers have accurate and timely financial information for decision making, which is also one of the standards for success comprising the Improved Financial Performance initiative of the PMA.[30] In addition, OMB has stated that the FMLOB supports the PMA goal of expanding electronic government, although it did not reference any specific points where the two initiatives overlap.[31]

Support and Criticisms of the FMLOB

Federal financial managers, policy advisory groups, and private contractors all acknowledge that the government might improve the cost and quality of its financial systems through consolidation and standardization. Support for the initiative is

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[24] (...continued)
fy06q3-offmupdate.pdf]

[25] GAO, *Financial Management: Improvements Under Way but Serious Financial Systems Problems Persist*, Sept. 2006. FFMIA requires agencies to have systems that comply substantially with: (1) federal financial management system requirements, (2) applicable federal accounting standards, and (3) the Standard General Ledger at the transaction level.

[26] Ibid.

[27] Linda Combs, OMB Controller, "Improving the Cost, Quality, and Performance of Financial Systems," July 26, 2006.

[28] Testimony of OMB Controller Linda Combs, Mar. 15, 2006.

[29] OMB, *The President's Management Agenda*, 2001, p. 1, at [http://www.whitehouse.gov/omb/budget/fy2002/mgmt.pdf]. For more information on the PMA, see CRS Report RS21416, *The President's Management Agenda: A Brief Introduction*, by Virginia A. McMurtry.

[30] The White House, "Scorecard Standards for Success," at [http://www.whitehouse.gov/results/agenda/standardsforsuccess7-24-2006.pdf].

[31] OMB, *E-Gov Presidential Initiatives*, at [http://www.whitehouse.gov/omb/egov/c-6-2-financial.html].

qualified, however, by concerns over the pace of implementation, which is already underway at several agencies. By the time OMB released the Migration Planning Guidance in September 2006, the Department of Labor had awarded a contract to a private firm for hosting components of its financial system, the Department of Commerce had announced plans to begin consolidating its financial management platforms, the Office of Personnel Management had selected the Bureau of Public Debt as its SSP, and the Environmental Protection Agency had begun evaluating proposals for software, integration, and hosting services.[32] Some observers say that the initiative, given its scope and complexity, is moving too quickly, and that agency migration efforts should be delayed in order to reduce the risk of costly mistakes.[33]

A survey of Chief Financial Officers (CFOs) and other federal financial managers, for example, found "almost no" opposition to using SSPs in principle, so long as the quality of service and the cost of migration met expectations.[34] The survey also revealed that one of the "greatest fears" of agency officials was that they would invest millions of dollars into migrating to SSPs, only to discover that their service provider was not capable of delivering the promised services. One reason for this concern was that some of the designated federal SSPs were components of departments that were themselves not FFMIA compliant.[35] Some managers also suggested that small agencies — those with a budget of less than $100 million — might realize greater gains in efficiency from migrating to SSPs than larger agencies. Overall respondents said that they wanted more evidence of the capabilities of potential SSPs, more guidance on agency recourse should an SSP fail to meet performance expectations, and more time to consider their options before migrating.

Similarly, a report by the National Academy of Public Administration (NAPA) endorsed the objectives of the FMLOB while expressing concerns about its implementation. In the report, which was prepared at the request of the House Subcommittee on Government Management, Finance, and Accountability, NAPA stated that the move to a shared services environment "makes a great deal of sense," citing its potential to reduce operating costs and free agency CFOs and their staff to focus on core program activities.[36] Many of the CFOs interviewed for the report were, however, concerned about moving core accounting and reporting functions outside their purview, an opinion that NAPA shared.[37] The report also said that economies of scale might not always result from consolidation, particularly if some

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[32] GAO, *Financial Management Systems: Additional Efforts Needed to Address Key Causes of Modernization Failures,* Mar. 2006, p. 32.

[33] Testimony of Joe Kull, PricewaterhouseCoopers, in U.S. Congress, House Committee on Government Reform, Subcommittee on Government Management, Finance, and Accountability, *OMB's Financial Management Line of Business Initiative: Too Much Too Soon?,* hearings, 109th Cong., 2nd sess., Mar. 15, 2006.

[34] Ibid., testimony of Grant Thornton partner Clifton Williams.

[35] GAO, *Financial Management: Improvements Underway but Serious Financial Systems Problems Persist*, Sept. 2006, p. 15.

[36] National Academy of Public Administration, *Moving from Scorekeeper to Strategic Partner: Improving Financial Management in the Federal Government*, Oct. 2006, p. 23.

[37] Ibid., pp. 22-23.

agencies contract with multiple SSPs for different elements of their financial management system. NAPA recommended delaying further migrations to allow additional review, discussion, and analysis of these issues.

Private sector observers have also offered qualified support for the initiative. At FMLOB hearings held in March 2006, Stan Soloway, the president of the Professional Services Council (PSC), called the strategic underpinnings of the initiative "sound and rational ... the right thing to do."[38] He cautioned, however, that the benefits of shared services might not be realized if agency leadership and staff are not "involved and fully invested" in the initiative. Additionally, he questioned whether sufficient attention had been paid to the need for the FMLOB to connect with other lines of business, particularly the Human Resources Line of Business (HRLOB), where travel systems will need to interface with financial systems. If poor planning causes the government to change its requirements during implementation, Soloway said, then the costs of the initiative might rise.

PricewaterhouseCooper partner Joe Kull also testified at the March 2006 hearings.[39] Kull, a former OMB deputy controller, said agencies should not be required to meet an "arbitrary timeframe" for implementation, asserting that government projects like FMLOB have often failed because agencies had not invested sufficient resources in educating, training, and communicating with employees about the initiative. Kull also said that it was "critical" for agencies to improve their internal controls prior to migration — even though those improvements might take several years — because core systems are only as good as the data flowing into them. Agency financial systems would thus continue to be limited by weak internal controls even after migration, and presumably those problems would be more difficult to correct when core functions were hosted by a third party.

One union, the American Federation of Government Employees (AFGE), has strongly criticized the initiative, largely over OMB's policy on the application of Circular A-76 to migration competitions. As previously discussed, agencies are only required to follow the provisions of A-76 when migrating more than 10 full-time positions to an SSP, and A-76 is optional when 10 or fewer full-time employees are involved. In hearings on the FMLOB held in June 2006, the AFGE argued that by making A-76 optional in some cases, agencies were, in effect, authorized to transfer federal jobs to private contractors without giving agency employees the opportunity to compete for them, a practice called "direct conversion."[40] An OMB official said

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[38] Testimony of Professional Services Council President Stan Soloway, in U.S. Congress, House Committee on Government Reform, Subcommittee on Government Management, Finance, and Accountability, *OMB's Financial Management Line of Business Initiative: Do Recent Changes to the Implementation Guidance Clarify the Rules?* hearings, 109th Cong., 2nd sess., June 28, 2006.

[39] Testimony of PricewaterhouseCoopers partner Joe Kull, Mar. 15, 2006.

[40] Testimony of American Federation of Government Employees Public Policy Director Jacque Simon, in U.S. Congress, House Committee on Government Reform, Subcommittee on Government Management, Finance, and Accountability, *OMB's Financial Management Line of Business Initiative: Do Recent Changes to the Implementation Guidance Clarify the*

(continued...)

the AFGE had misinterpreted the policy, stating that while A-76 is optional in some instances, a public-private competition is required for every migration, regardless of the number of employees involved.[41] OMB's Migration Planning Guidance, released three months after the hearings, clarifies this point, explicitly stating that direct conversions are not authorized.[42]

Concluding Observations

Observers generally agree that there are potential benefits to moving agency core financial systems to shared service providers, including reduced costs and enhanced data for use in decision making. The crux of the FMLOB debate is not whether consolidation should take place, but when. OMB argues migration should proceed as soon as agencies identify a need to upgrade their systems, while critics say migration should not take place until potential risks have been adequately addressed. This does not mean, however, that the only available options are to proceed with implementation "full speed ahead," or bring it to a standstill. Two additional considerations are described below.

Standardization and Transparency. As previously noted, the FMLOB has undertaken three efforts in addition to migration that might improve federal financial management. Work on these less-visible initiatives — developing performance metrics, standardizing business processes, and implementing the new government-wide accounting code — might continue independently of any migration timetable. In this way, the government would have the earliest opportunity to realize the potential benefits of these efforts, such as an improved ability to compare financial data across agencies.

Pilot Projects. Migration to SSPs might be initiated through a pilot project. It is not uncommon for large-scale management reform initiatives to begin with pilot projects. Typically, a pilot project is launched as a way to observe the change process under controlled circumstances: the agencies involved could be limited in number and carefully chosen, implementation could be closely managed, and the consequences could be analyzed and discussed by the initiative's stakeholders. The results of a pilot project might lead to changes in the larger implementation process, in order to maximize the likelihood of success.

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[40] (...continued)
Rules?, hearings, 109th Cong., 2nd sess., June 28, 2006. Prior to 2003, agencies could convert public jobs to the private sector without holding a public-private competition. Direct conversions were eliminated in the 2003 revisions to A-76.

[41] Daniel Pulliam, "Guidelines for financial consolidation draw fire," *GovExec.com*, Sept. 25, 2006, at [http://www.govexec.com/story_page.cfm?articleid=35105&sid=6].

[42] OMB, *Version 1 of the Financial Management Lines of Business's Migration Planning Guidance*, Sept. 11, 2006, p. 15, at [http://www.fsio.gov/fsio/fsiodata/fsio_fmlob_mpg_v1.shtml].

Some have argued that a pilot project is unnecessary because SSPs have already demonstrated their ability to successfully host agency core financial systems. Not all agencies, however, appear to share this view. In an interview with *Government Computer News*, the Deputy Chief Financial Officer at the Department of Education noted that some large agencies are hesitant to migrate because they "don't see any real examples of a shared-services provider handling a large external customer that has a tremendous amount of volume and complexity in their financial business processes."[43] Large agencies might also be concerned about migrating to an SSP after the Office of Personnel Management (OPM) cancelled its shared-services contract. In 2005, OPM signed a contract with an SSP, selecting the Bureau of Public Debt's Administrative Resource Center (ARC). In 2006, OPM cancelled the contract after determining that the ARC could not meet its service requirements. The following year, another large agency, USDA, signed a $102.6 million contract with Accenture, a private sector SSP, to consolidate and modernize its financial management systems.[44] The migration process at USDA might be closely observed by those federal financial managers who are unsure whether it is feasible and desirable for large agencies to shift core financial operations to an SSP.

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[43] Mary Mosquera, "The Big Issue for FMLOB: Small agencies see the benefits in shared service providers, but large agencies don't want to give up their control," *GCN.com*, Feb. 19, 2007, at [http://www.gcn.com/print/26_04/43164-1.html?topic=Lines_of_Business].

[44] Federal Business Opportunities wesbsite, "Award Notice — Replacement of the USDA Financial Management System," Sept. 10, 2007, at [http://www.fbo.gov/spg/USDA/OPPM/POD/Awards/AG-3142-S-06-0011.html].

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