

FINANCIAL MANAGEMENT SHARED SERVICES

FEDERAL SHARED SERVICE PROVIDER AND CUSTOMER AGENCY GOVERNANCE

September 2014

FSSP and Customer Agency Governance

Version 1.0

SECTION 1: BACKGROUND

Office of Management and Budget (OMB) Memorandum 13-08, “Improving Financial Systems Through Shared Services” directs all Chief Financial Officer (CFO) Act agencies to first consider Federal shared service providers (FSSPs) when modernizing their financial systems. To support the financial management needs of Federal agencies, FSSPs must have documented governance practices to ensure the following:

- Key decisions (see Appendix A) reflect the interests of agency customers,
- The economic benefits (e.g., economies of scale) of standardized business practices and systems are realized, and
- The delivery of services is continually improved.

The Department of the Treasury’s (Treasury) Office of Financial Innovation and Transformation (FIT) worked with the designated financial management FSSPs and the CFO Council to develop this guidance to assist in governing the relationship between the providers and their customers. The guiding principles within this document establish the minimum expectations for the FSSPs and customers to follow when, among other things, making change requests, adjudicating disputes, and escalating issues. Each FSSP must establish policies and procedures that incorporate the guiding principles into their formal governance documentation and other associated documents by December 31, 2014. The FSSPs should engage the customers when making these updates. FIT will revisit this document and the individual governance plans on an annual basis. The FSSPs may implement the principles in a manner that best aligns with their service-delivery models. Customers should similarly understand their roles and responsibilities in the governance process.

SECTION 2: OBJECTIVE

The objective of the FSSP and Customer Agency Governance is to guide the relationship between provider and customer during the Operations and Maintenance (O&M)/Sustainability phase of the systems development lifecycle. Following this guidance will assist FSSPs and customers in achieving optimal efficiencies to maximize the benefits of shared services.

SECTION 3: ROLES AND RESPONSIBILITIES

The following chart identifies the stakeholders associated with the FSSP and customer agency governance. Each group has specific roles and responsibilities in managing change within the shared service environment.

Group	Role	Members and Responsibilities
Executive Oversight Committee (EOC)¹	Ensure stability of the FSSP and customer relationship	<ul style="list-style-type: none">▪ Composed of the Treasury Fiscal Assistant Secretary, the OMB Controller, and a rotating Agency CFO▪ Govern the FSSPs (e.g., marketplace, performance, action plans, dispute resolution)▪ Govern customer agency financial management system

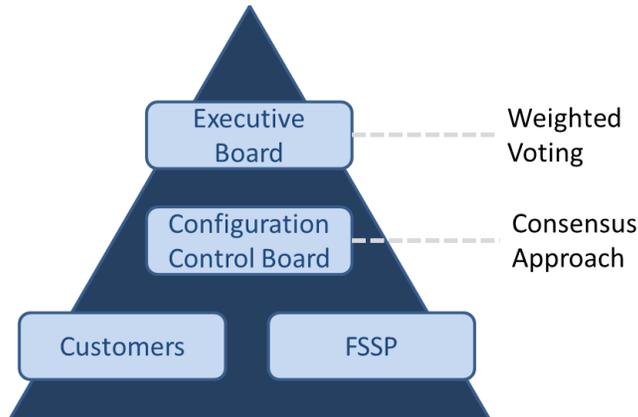
¹ For more information on the Executive Oversight Committee, see the “Federal Financial Management Marketplace Governance”

**FSSP and Customer Agency Governance
Version 1.0**

Group	Role	Members and Responsibilities
		modernizations
FMLOB PMO (FIT)	Engage stakeholders to assess needs and/or concerns to issue guidance and advise the EOC	<ul style="list-style-type: none"> ▪ Point of escalation for enterprise-wide or provider-customer issues and risks (e.g., unresolved issues and disputes)
FSSP Executive Board	Represent customer perspective on major decisions	<ul style="list-style-type: none"> ▪ Composed of customer representatives (CFOs) and the FSSP Director ▪ Collaborate on strategic decisions that would result in overall pricing changes ▪ Serve as the voting body when necessary
FSSP Configuration Control Board (CCB)	Represent customer needs on system changes	<ul style="list-style-type: none"> ▪ Composed of business/system representatives from the customer and FSSP ▪ Review release plans and make recommendations to the FSSP ▪ Deliberate on customer system needs raised and make recommendations to the FSSP
FSSP (System Owner)	Own system and deliver services	<ul style="list-style-type: none"> ▪ Comply with service-level agreements (SLAs) ▪ Develop strategic plan for investments and planning associated with system maintenance ▪ Ensure system complies with all Federal and agency requirements (e.g., IT security) ▪ Initiate change requests (e.g., when a service cannot be restored to normal operations) ▪ Manage change requests (e.g., capture, analyze, prioritize, communicate status) ▪ Develop release plans for CCB review ▪ Approve release plans recommended by the CCB ▪ Communicate, coordinate, implement, and deploy approved changes ▪ Resolve issues (e.g., accept CCB’s recommended resolution) raised by customers or escalate to the CCB or OMB/Treasury ▪ Monitor and analyze FSSP performance data (e.g., SLAs) and provide data to customers
FSSP Customers	Consume services and improve delivery experience	<ul style="list-style-type: none"> ▪ Composed of the financial management customers at an FSSP ▪ Comply with SLAs ▪ Engage FSSP’s help desk to resolve service issues ▪ Make change requests (e.g., feature, performance issue, continuous improvement) ▪ Raise issues deemed important (e.g., priority of a change request) to the FSSP

FSSP and Customer Agency Governance Version 1.0

The model below depicts the hierarchy of issue resolution within the FSSP-customer relationship.



SECTION 4: ASSUMPTIONS

The assumptions establish the “rules of engagement” and expectations for all stakeholders governed by this document (e.g., FSSPs and customers). The assumptions reflect a balance between the need for the FSSP to make decisions efficiently and the need for customer representation.

- a. The FSSP has the authority and responsibility for managing configuration changes to the financial management system.
- b. The FSSP delivers services to multiple financial management customers that may include executive departments and their components, individual components of an executive department, and/or small independent departments or agencies.
- c. The FSSP offers, at a minimum, all of the mandatory financial management platform and transactional services listed in the Federal Financial Management Services Catalog.
- d. Customers must purchase the FSSP’s financial management platform services and may choose to purchase optional services such as financial management transactional services; these services are standardized and customers are expected to adopt the standards.
- e. The FSSP offers a base service level for each service and customers may choose to purchase higher levels of service, if available, at an adjusted price rate. The FSSP uses SLAs to establish formal service agreements with customers.
- f. Before implementation, new customers use the FSSP’s “discovery” process to identify gaps between their requirements and the FSSP’s solution; these gaps are mitigated by focusing on required business outputs/outcomes over agency-specific preferences and system-level requirements.
- g. Customers adapt business processes rather than implement system or infrastructure changes when feasible.
- h. Financial management government-wide requirements are adopted and implemented within the target timeframes without a formal request from customers; the costs may be funded out

FSSP and Customer Agency Governance Version 1.0

of the FSSP's retained earnings or capital improvement reserves based on legislative authority.

- i. The FSSP maintains and executes a strategic plan for keeping the financial management software up-to-date to avoid the risks associated with outdated software (e.g., non-supported versions) in accordance with OMB guidance.
- j. Only the FSSP's financial management customers participate in the governance bodies (e.g., CCB) responsible for financial management system configuration control.
- k. Customers may request the FSSP add services not currently offered or make changes to existing services. The CCB reviews the request based on factors such as need, cost, benefit, and risk and makes recommendations to the FSSP regarding the requested changes.
- l. The EOC serves as the highest level for dispute resolution when the FSSP and its customer(s) cannot resolve issues through the internal processes.

SECTION 5: GUIDING PRINCIPLES

The guiding principles represent the high-level rules that FSSPs must conform to when establishing their internal governance processes in the O&M/Sustainability phase of the system development lifecycle. Customers are similarly bound by these guiding principles in that they must understand the FSSP processes established and follow them when resolving disputes.

- a. A formal, documented governance structure will be in place that clearly defines:
 - The scope of decision authority, roles, responsibilities, accountabilities, reporting lines, and communications between the FSSP, the customer, and the EOC; and
 - Internal escalation processes requiring evidence of attempted resolution prior to parties appealing beyond the FSSP.
- b. The governance structure/practices will:
 - Be open and transparent;
 - Be inclusive of the customers and their needs;
 - Consider the needs of all customers;
 - Not unduly favor the FSSP's Executive Department or one customer over another when reaching consensus; and
 - Resolve issues at the lowest levels possible.
- c. Formal, documented change and configuration management policies and processes will be in place to ensure that:

FSSP and Customer Agency Governance
Version 1.0

- Standardized methods and procedures are used for efficient and prompt handling of all changes;
 - All changes are approved or disapproved by the appropriate level of decision authority; and
 - A proper balance is maintained between the need for change (e.g., reduced costs) and the potential unintended consequences of changes (e.g., increased system complexity).
- d. Formal, documented release management policies and processes will be in place to ensure that:
- Standardized methods and procedures are used for implementing changes in a timely, cost-effective, low-impact manner that is communicated to the customer;
 - Changes are viewed holistically (e.g., people, process, data, technology);
 - All aspects of a change are considered (e.g., planning, training);
 - Actions for planned releases are communicated and coordinated with impacted stakeholders; and
 - Implemented changes are appropriately reviewed and tested before deployment.
- e. FSSPs will build consensus among customers to resolve issues at the CCB. If customers and the FSSP remain at an impasse, the FSSP may call a vote of the customers at the Executive Board. If the FSSP does call a vote, it must include all customers who would be impacted by the outcome of the vote.
- f. Formal communication mechanisms will be consistent with the Customer Engagement Matrix (see Appendix A) to ensure that:
- FSSPs inform customers of changes that relate to internal business processes and service delivery (e.g., personnel or supplier changes) in a timely fashion and
 - FSSPs consult customers when changes directly impact users (e.g., implementation of government-wide requirements or changes to interfaces).
- g. A formal, documented methodology will be in place to distribute customer votes based on the price paid for platform services such that a customer's given weight is proportional to the amount of platform services consumed. The methodology should be communicated and coordinated with stakeholders and incorporated into each customer's service agreement with its FSSP.
- h. Customers with multiple components will develop processes to determine how the organization as a whole will adjudicate any differences between components. Customers with multiple components will vote as one.
- i. A formal, documented approach for escalating issues will be in place that defines:

FSSP and Customer Agency Governance Version 1.0

- What issues can be escalated;
- Various points of escalation beneath the FSSP Director and customer CFO;
- The highest level of escalation between an FSSP and customer as the FSSP Director and customer CFO; and
- The documented evidence of attempted resolution required before any party can escalate an issue beyond the FSSP and customer.

SECTION 6: DEFINITIONS

- a. **Change Management**² – The process responsible for controlling the lifecycle of all changes, enabling beneficial changes to be made with minimum disruption to service.
- b. **Change Request**² – A formal proposal for a change to be made. It includes details of the proposed change, and may be recorded on paper or electronically. The term is often misused to mean a change record, or the change itself.
- c. **Configuration Control Board**² – A formal group responsible for ensuring that adding, modifying or removing a configuration item is properly managed – for example, by submitting a change request or service request.
- d. **Configuration Management**² – A systems engineering process for establishing and maintaining consistency of a product’s performance, functional and physical attributes with its requirements, design and operational information throughout its life.
- e. **Customers** – Federal agencies that enter into agreements with FSSPs for platform or transaction processing services related to financial management.
- f. **Discovery** – Period where a potential customer and an FSSP review their respective needs and offerings to determine if the customer would be a good match before entering into a long-term arrangement. Specifically, both parties will (1) verify that no gaps exist between the prospective customer (e.g., agency) and provider (FSSP) and (2) finalize the implementation terms, conditions, and costs.
- g. **DME**³ – Development, modernization, and enhancement. Refers to costs for projects and activities leading to new IT assets/systems and projects and activities that change or modify existing IT assets to: substantively improve capability or performance, implement legislative or regulatory requirements, or meet an agency leadership request. As part of DME, capital costs can include hardware, software development and acquisition costs, commercial off-the-shelf acquisition costs, government labor costs, and contracted labor costs for planning,

² See the ITIL Glossary, Copyright © AXELOS Limited 2011. All rights reserved. Material is reproduced with the permission of AXELOS.”

³ See the OMB Guidance on Exhibit 300—Planning, Budgeting, Acquisition, and Management of Information Technology Capital Assets.

FSSP and Customer Agency Governance

Version 1.0

development, acquisition, system integration, and direct project management and overhead support.

- h. **FAME** – The FIT Agency Modernization Evaluation process that involves evaluating agency modernization proposals and overseeing the agency and FSSP Discovery process in accordance with OMB Memorandum 13-08.
- i. **Federal Shared Service Provider (FSSP)** – A Federal agency that is designated by Treasury and OMB to provide financial management shared services to other Federal agencies external to itself.
- j. **Financial Management System**⁴ – Includes an agency’s overall financial operation, reflecting the people, processes, and technology to capture, classify, summarize, and report data in a meaningful manner to support business decisions. It includes hardware, applications and system software, personnel, procedures, data, and reporting functions. The financial management system can be fully integrated with other management information systems (i.e., mixed systems) where transactions automatically flow into an accounting general ledger. The financial management system could also include manual processes to post transactions from other management systems into the accounting general ledger.
- k. **Financial system**⁴ – Information system or set of applications that comprise the accounting portion of the financial management system that maintains all summary or detailed transactions resulting from budgetary and proprietary financial activity. The financial system encompasses processes and records that:
 - Identify and record all valid transactions;
 - Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting;
 - Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements; and
 - Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period.
- l. **Operations and Maintenance (O&M)**³ – Refers to the systems development lifecycle phase in which the financial management systems are in operations and produces the same product or provides a repetitive service. Also commonly referred to as sustainability or steady state.
- m. **Platform Services** – The FSSP’s financial system offering to the customer that includes hosting, hardware, and software costs but not transaction processing.

⁴ See OMB Circular A-123, Appendix D, “Compliance with the Federal Financial Management Improvement Act of 1996.”

FSSP and Customer Agency Governance
Version 1.0

- n. **Release²** – One or more changes to an IT service that are built, tested and deployed together. A single release may include changes to hardware, software, documentation, processes and other components.
- o. **Release Management²** – The process responsible for planning, scheduling and controlling the build, test and deployment of releases, and for delivering new functionality required by the business while protecting the integrity of existing services.
- p. **Service²** – A means of delivering value to customers by facilitating outcomes customers want to achieve without the ownership of specific costs and risks.
- q. **Service-Level Agreement²** – An agreement between a service provider and a customer that describes the service, documents service level targets, and specifies the responsibilities of the service provider and the customer. A single SLA may cover multiple services or multiple customers. An SLA is not a funding, or obligation document.
- r. **Service Configuration²** – The process responsible for ensuring that the assets required to deliver services are properly controlled, and that accurate and reliable information about those assets is available when and where it is needed. This information includes details of how the assets have been configured and the relationships between assets.
- s. **Transaction** – A business event that has a monetary impact on an entity's financial statements, and is recorded as an entry in its accounting records.
- t. **Transaction Processing** – Transaction processing is a term that refers to the adding, changing, deleting, or looking up of a record in a data file or database by entering the data at a terminal or workstation.

**FSSP and Customer Agency Governance
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APPENDIX A: ENGAGEMENT MATRIX

The following chart includes examples of the types of changes that may be requested within the FSSP internal governance and how the FSSP should engage the customer in addressing that change request. This chart is intended to be illustrative and does not include every type of change request that may arise.

		Inform (make customer aware)	Consult (engage customer in discussion)
Service Delivery	Organizational Structure (<i>reporting to the Department v. Agency</i>)	X	
	Operational Processes (<i>manual patches for system updates v. automated, self-installing patches</i>)	X	
	Personnel (<i>replacing project management staff</i>)	X	
	Suppliers (<i>changing vendor support</i>)	X	
	New Customers (<i>on-boarding new agencies</i>)	X	
	Chargeback methodology (<i>how funds are allocated within the FSSP</i>)	X	
	Customer chargeback (<i>changes to a customer's pricing</i>)		X
System O&M	Break-fix (<i>solving for small system glitches</i>)	X	
	Security Patches (<i>installing provider-issued solutions</i>)	X	
	Software Maintenance (<i>updating applications</i>)	X	
	Hardware Maintenance (<i>updating servers</i>)	X	
	System Architecture (<i>transitioning to the cloud environment</i>)		X
	Disaster Recovery (<i>moving recovery sites or procedures</i>)		X
System DME	Software Version (<i>going from R11 to R12</i>)		X*
	Government-wide requirement (<i>implementing GTAS</i>)		X
	Agency-specific statutory or regulatory requirement (<i>processing certain vendor invoices in 24 hours v. 30 days</i>)		X
	Interfaces (<i>connecting to a different payroll providers</i>)		X
	End-user Processes (<i>adopting automated workflow v. manual workflow for invoice processing</i>)		X*
	System Features (<i>activating the grants Oracle module</i>)		X

*In implementing these changes, FSSPs should engage customers more collaboratively and may call a vote