



Financial Systems Modernizations: How to Accelerate Value and Boost Savings

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With his June 28, 2010, memo calling for immediate review of financial systems projects, Office of Management and Budget Director Peter Orszag set tough new requirements for agencies executing modernization projects:

- Split projects into smaller, simpler segments (e.g., 90 to 120 days) with clear deliverables.
- Deliver business critical functionality first.
- Engage in ongoing, transparent project oversight and revise project plans within 60 days to cut costs, shorten time to benefit and reduce risks.

To help agency executives get the most savings and modernization efficiency in applying these requirements, the CGI Initiative for Collaborative Government captured recommendations from experienced former Chief Finance Officers and Chief Information Officers for accelerating value and reducing costs during financial system modernizations.

Financial System Efficiency Checklist

Ideas for Scoping Project Segments

- Build project segments around business processes.
- Focus segments by geography or organization.
- Scope segments to eliminate or consolidate specific legacy systems.

Ideas for Smartly Cutting Costs

1. Vigorously apply disciplined project management.
2. Implement highly standardized business processes first.
3. Implement with experts in your business processes.
4. Aggressively minimize data conversion.
5. Eliminate redundant cuff systems.
6. Set a very high bar for allowing customizations.
7. Streamline management of financial system responsibilities.
8. Apply advanced training technology.
9. Optimize quality and cost using onshore U.S. centers of excellence.
10. Pay only for the service levels you really need.

Seize Opportunities to Streamline Implementations to Accelerate Value

As agencies scope their financial systems implementations into shorter project segments, their plan will differ based on several factors, including their missions, legislative mandates, methods of mission delivery and the current state of their financial systems. In addition to these foundational inputs, we have identified three key factors agencies can consider to craft effective segments for their financial system projects. Agencies can choose to apply each of these factors individually or to combine two or three into a hybrid approach, as best fits their environments.

- **Build project segments around business processes.** Segments could focus first, for example, on core financial capabilities such as general ledger. Agencies then can migrate other functions (e.g., procure-to-pay processes, such as purchase orders or receiving) in future phases. Agencies with well-defined business processes that closely match the components of the financial system being implemented are candidates for this strategy.
- **Focus segments by geography or organization.** This approach implements a discrete business process scope first in one geographical area or a regional center, followed by incremental roll out to other areas. Alternatively, the focus could be organizational, for example, implementing a system in one bureau or office at a time.
- **Scope segments to eliminate or consolidate specific legacy systems.** This model focuses on replacing the functionality of a legacy system. Scoping project segments this way enables the agency to retire the targeted legacy system – and most importantly, eliminate the infrastructure, application and contractor costs required to support that system – upon completion of the segment. This approach is especially effective for agencies with legacy systems that perform a well-defined business function that the new financial system can readily execute.

When delivering project segments, agencies face a risk of making implementation decisions that may inadvertently require rework when additional processes or organizations are brought on downstream. To manage and mitigate this risk, agencies need to ensure the applications they implement are agile, allowing for efficient incremental adjustments to system configurations from project segment to project segment.

Ruthlessly Track Down and Stamp Out Cost Drivers

Once agencies have thoughtfully defined project segments, attention turns to delivering them on time, with the envisioned results and at or below budget. To achieve these outcomes, project managers should scour their project plan ruthlessly to identify known cost drivers and actively manage the project to diminish or eradicate them. We have identified the following top ten levers agency leaders can apply to minimize the cost, time and outcome risk of their financial system projects.

1. **Vigorously apply disciplined project management.** Agencies can optimize project efficiency and prevent cost and schedule leakage by applying disciplined project management basics. These include: 1) securing leadership commitment and support from agency leaders; 2) investing in highly experienced project management professionals to drive the project;

3) engaging experts and truly representative users; and 4) valuing and executing regular stakeholder communication. This includes defining a clear decision-making process to keep the project on schedule and to make course corrections if and when issues arise or changes are required due to external factors. Putting this disciplined management structure in place sets clear roles and responsibilities, empowers staff at all levels and enables smooth escalation when necessary. This speeds decision-making and maximizes efficient use of resources, including staff and other direct and fixed costs.

2. Implement highly standardized business processes first. Agencies can reduce time and labor costs by identifying parts of the agency whose business processes align closely with standard government business processes (for example, for commodity orders) and implementing those functions first. The agency can get the business process up and running fast in the new system and cut costs by maximizing out-of-the-box system configurations that align with government-wide standards. Then, in later phases, the agency can implement additional business processes that require more complex processing.

3. Implement with experts in your business processes – eliminate learning on the job. Agencies can scrutinize their project team members to emphasize expertise in their missions and federal financial management business processes. With experts on board, the agencies can hit the ground running and eliminate cost three ways: 1) by eliminating paying for learning on the job; 2) by avoiding delays in schedule due to misunderstandings; and 3) by making sound implementation decisions the first time that prevent downstream rework.

4. Aggressively minimize data conversion. Converting large amounts of data from a legacy system to a new system is labor and technology intensive. Larger conversions also increase complexity and risk of issues with transactions and reports that will rely on converted data. To reduce cost and risk of potential rework, agencies can strictly minimize conversion only to open items, such as outstanding purchase orders or receivables. To preserve critical historical data, agencies can consider alternatives such as porting data into a repository and using ad hoc business intelligence tools to extract it as needed.

5. Eliminate redundant cuff systems. If the core system performs a function, then no other system should duplicate it. For example, if a core financial system provides a central source for processing and tracking receivables, the agency can eliminate cuff systems that previously handled the same tasks, along with all associated interfaces, operations and maintenance that touched the redundant system. Bringing functionality into the core system reduces costs by improving data integrity and preventing data disconnects by reducing system interfaces.

6. Set a very high bar for allowing customizations. Customization of software and reports requires extensive resources across a full software development and quality management life cycle, and introduces additional work and cost to port custom code into future system upgrades. Agencies can reduce or eliminate this common cost driver by submitting each customization request to strict evaluation that requires tight business cases and approval by top agency officials, and encouraging users to adapt to highly configurable reports built into new systems.

7. Streamline management of financial system responsibilities. Some agencies split financial system duties across multiple organizations with one entity responsible for system implementation, another for the IT infrastructure, another for the steady-state application management and another for commercial off-the-shelf (COTS) software. Having separate

ownership for these components maximizes competition. It also introduces added effort and cost to achieve coordination and communication across project components. Where appropriate, agency leaders can consider consolidating multiple responsibilities for a financial system to streamline communications, accelerate delivery and prevent inadvertent miscommunication that can require future rework. Project managers can coordinate with their acquisition professional to weigh the cost and speed benefits of this approach as part of the agency's acquisition strategy.

8. Apply advanced training technology. Training is essential to the success of a project and should never be overlooked, but it can be costly if not managed effectively. Training can require significant time and, in some cases, travel, both of which quickly drive up costs. To reduce these costs, agencies can take advantage of available technologies for remote or virtual training, including distance learning, virtual training, online education, mobile apps and other new technology.

9. Optimize quality and cost using onshore U.S. centers of excellence. Agencies can reduce the cost of project tasks, such as development, testing and production support, by using lower-cost application development and maintenance centers located in rural U.S. communities. According to a July 2007 study, "Lower Cost Domestic Sourcing: A Niche Opportunity for the U.S.," by the IT industry association TechAmerica, domestic sourcing in mid-size cities and rural areas can generate 30 percent savings over work performed in major U.S. cities because of lower real estate and labor costs. To realize savings from this model, agencies should insist on rigorous quality processes and high transparency into progress against project metrics. This approach has the added benefit of investing federal IT dollars to support high-quality jobs in rural U.S. communities.

10. Pay only for the service levels you really need. Agencies can eliminate cost by being brutally honest about the levels of service they need and by setting service levels to meet those specific needs – no more, no less. There is a direct correlation between higher service levels and cost. For example, a requirement to have a system available 99.9 percent of the time requires more servers, backups and communications redundancy than a 99 percent or 98.5 percent requirement. There may be very valid reasons for setting high service levels, but agencies can cut costs by strictly analyzing and auditing service levels to implement only what they truly need.

About the CGI Initiative for Collaborative Government

The CGI Initiative for Collaborative Government is a joint public-policy project of CGI in partnership with leading academic institutions. Launched in January 2008, the initiative analyzes models of government's collaboration with the private and nonprofit sectors to identify best practices in using collaboration to achieve mission results. The CGI Initiative publishes reports with academic partners including George Mason University, the founding partner with CGI; the Johns Hopkins Center for Civil Society Studies; and the University of Maryland Center for Public Policy and Private Enterprise. The CGI Initiative also conducts webinars, produces videos, sponsors events and publishes an online newsletter *Collaborative Government Today*. Visit www.collaborative.gov.org for a complete list of the initiative's 2010 agenda, access to reports, videos, and executive summaries of seminar discussions, as well as registration for webinars and subscriptions to *Collaborative Government Today*.