

WRITTEN TESTIMONY OF

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For a Hearing on

“DHS Financial Systems: Will Modernization Ever Be Achieved”

Before the

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Oversight and Management Efficiency

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Chairman Perry, Ranking Member Correa, and Members of the Subcommittee, thank you for this opportunity to discuss the Department of Homeland Security (DHS) Financial Systems Modernization (FSM) Program. I am Michele Singer, the Director of the Interior Business Center (IBC) at the U.S. Department of the Interior (Interior). I began overseeing the DHS FSM Program for IBC in April 2016.

The Interior Business Center is a certified federal shared services provider in financial management and human resources/payroll, and an authorized provider for acquisition services. Currently, we serve more than 170 federal agencies and organizations, and like other shared service providers, IBC supports customer agencies' missions by providing critical business and administrative support services.

In partnership with IBC since 2014, DHS has undertaken an effort to modernize, consolidate and integrate the agency's vast financial resources and assets. The DHS FSM Program included prioritization of the DHS components with the most critical business need to modernize their financial management systems. Integration of the modernized financial systems with asset management and acquisition systems would result in component-level integrated financial management systems. With this effort, DHS became the first cabinet level agency to engage a federal shared services provider to modernize its core financial system.

Following the roadmap defined by the Office of Management and Budget and the Department of the Treasury Office of Financial Innovation and Transformation that encouraged agencies to use certified federal providers for their future modernization efforts, IBC and DHS entered into an interagency agreement (IAA) for the financial system implementation of the DHS "Trio" components: USCG, TSA, and DNDO. Before signing the agreement in August 2014, IBC completed a discovery effort with DHS to determine if IBC's federalized Oracle® Federal Financials solution¹ would meet the financial management systems needs of the DHS Trio components.

The IBC operates a customer-funded, full cost recovery business model in the working capital fund and Interior Franchise Fund and does not receive appropriated funds.² These unique circumstances can present significant challenges for scalability, particularly in migrating cabinet level agency components to a common, shared service solution. The schedule and costs presented in the IAA were based on specific requirements designed to be implemented and shared across the DHS Trio components. Over the evolution of this program, the identification of additional, unique DHS and component requirements resulted in a deviation from a shared

¹ Using off-the-shelf functionality as a baseline, IBC implements and maintains a preconfigured version of Oracle® Federal Financials that incorporates processes common to federal agencies. The application is hosted in a shared environment. In addition to the integrated modules that make up the core financials solution, the preconfigured version supported by IBC also includes a set of standard reports, which provides general data elements that are used by most federal agencies.

² Interior's Working Capital Fund was established pursuant to 43 U.S. Code § 1467. The Interior Franchise Fund was established pursuant to the Omnibus Consolidated Appropriations Act of 1997, Pub. L. 104-208.

model to a more customized and expensive solution. Increasing resources to accommodate the more custom solution has – and will continue to – increase the overall cost of the DHS FSM Program.

In January 2017, IBC and DHS began planning for a transition of the DHS FSM Program components to a new environment. Transitioning the program to a DHS-only environment has been chosen as the path forward due to the unique and complex requirements that are incongruous with the shared service model.

The engagement between the IBC and DHS has resulted in the creation of valuable assets that can and will be transitioned, ensuring that the investments made to date are preserved. This program has experienced a number of complex and multifaceted challenges, yet it has also provided an opportunity for lessons learned regarding the feasibility and execution of a shared services implementation for a large, federated agency. I would like to highlight some of these lessons learned for the Subcommittee today.

Business Process Documentation and Redesign

To successfully implement a shared service solution, customer agencies play an important role in their organizations' change management. To achieve strong adoption of standard business processes, customer agencies must evaluate their complex business processes with a willingness to differentiate (and potentially eliminate) disparate processes that are not legally mandated. Additionally, a documented approach for transition, arbitration and change management must be communicated and understood by all agency components, obtaining buy-in and understanding of how the new system will operate.

Governance

With a shared service model, existing business processes must converge into unified standard processes that can be shared between all components within an agency. This requires a strong, centralized management team designated and empowered to drive standardization across the entire organization. Someone must have the authority to say “no” to individualized requests supporting a single component.

Stakeholder Communication and Engagement

Customer agencies must have a clearly defined communication strategy that ensures that all stakeholders are engaged at the appropriate times. The customer agency should not defer to or rely on the service provider to communicate across its organization.

Training

Service providers should help customer agencies execute a comprehensive training plan that ensures employees understand how to do their jobs within the new processes, not just how to use the system. This training should include a crosswalk, comparing how business processes are done today with how they will be done in the new system.

Moving to a shared provider for mission support services is challenging. However, with an effective change management plan and business process reengineering, federal agencies can modernize their financial management systems and realize the benefits of a shared service solution.

Thank you and I look forward to your questions.