



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 30, 2002

M-02-13

MEMORANDUM FOR THE HEADS OF SELECTED DEPARTMENTS AND AGENCIES

FROM: Mitchell E. Daniels, Jr.
Director

SUBJECT: Review and Consolidation of Business Management Systems for the Proposed
Department of Homeland Security

On July 19th, OMB provided guidance to Department of Homeland Security (DHS) component agencies on preventing redundant IT infrastructure. That guidance recognized that an effective DHS requires high quality integrated common systems. The guidance also established the Homeland Security IT Investment Review Group as the executive review group for IT investments proposed by DHS component agencies.

A similar opportunity for effectiveness and economy exists in the case of management systems for financial management, procurement, and human resources. Not only is consolidation possible, it has been used effectively in the recent past. In 1998, the Department of Interior's National Business Center consolidated payroll systems for Interior, the Social Security Administration, the Department of Education and many smaller agencies onto the Federal Personnel Payroll System. The result was a payroll system that worked better and cost 25 percent less.

Currently, DHS component agencies all use different financial management systems, and lack a common automated system for either procurement or human resources. For example, according to OMB analysis, seven DHS component agencies plan to invest more than \$235M in at least 21 financial management systems. Initial estimates indicate that consolidating these systems could potentially save between \$65M and \$85M over the next two years.

There may be additional plans for new funding for modernization within host Departments' initiatives that DHS component agencies are preparing to use. These IT investment decisions were made prior to the President's announcement creating the DHS, and must be reconsidered in light of the planned reorganization.

In view of the need to support the new DHS with high quality, integrated management systems, agencies affected by the proposed DHS must:

- Cease temporarily new financial management, procurement, and HR system development or modernization efforts above \$500,000 pending an expedited review of all DHS component agency investment plans.
- Identify any current and planned spending on IT systems directly for or related to financial management, human resources management, and procurement not included in Attachment B to this memorandum.
- Participate in the Business Systems IT Review Group led by OMB and the Office of Homeland Security (OHS).

Attachment A contains a detailed listing of types of management systems affected by this memorandum and Attachment B provides an initial list of systems, based on agencies' FY03 budget materials. If an agency has a critical system need that conflicts with this directive, such as improvements needed to meet a statutory requirement, it should contact its OMB RMO representative and provide information for review consistent with OMB Circular A-11, before proceeding. OMB will expedite and complete these reviews within 24 hours.

Next Steps for Unifying Management System Investments

Central to the value of any IT investment, requirements must be defined by both the users of the system and the officials responsible for the operations supported. Therefore, to ensure that system requirements are appropriately assembled and evaluated, OMB, in conjunction with OHS, will work with DHS component agencies in establishing a Homeland Security Business Systems IT Review Group. This Review Group will be responsible for defining high level requirements for IT to support effective management, and will make IT investment recommendations to the Homeland Security Transition Planning Office. Comprising Chief Financial Officers, Procurement Executives, Human Resources Executives, and Chief Information Officers selected from DHS component agencies, the Business Systems IT Review Group will make recommendations that create a single, modern environment that supports homeland security administrative functions. The Group will identify and track resulting savings.

As required under Section 5113(b)(2)(B) of the Clinger-Cohen Act, any recommendations for investment must consider alternatives including obtaining the function as a service from another agency or commercial source. In performing its review, the Group should take maximum advantage of applicable Internal Efficiency and Effectiveness E-Government Initiatives, particularly e-Training, Integrated Acquisition, e-Travel, Recruitment One Stop, and Integrated HR and Payroll Processing Consolidation.

As discussed above and consistent with Section 5113 (b)(5)(B) of the Clinger-Cohen Act of 1996, no new efforts to develop or modernize financial, HR or procurement IT management systems above \$500,000 shall be initiated, pending a review of all DHS component agencies investments (with exceptions noted above for emergency or urgent needs). Affected agencies must perform a rapid, but thorough, review of their current and planned management systems investments. OMB staff will work with OHS to contact your agency for help in obtaining this information for submission no later than August 22, 2002. Once the information is received, the Business System IT Review Group will begin review to identify redundant investments as well

as investments that need to be integrated to enhance operations. After the reviews have been completed, OMB will work with agencies on release of development funds. Please take whatever steps are necessary to respond to this effort. DHS component agencies will be contacted shortly for the first meeting of the group.

Thank you for your continued leadership and commitment to meeting the President's homeland security goals. Please have your staff contact Mark Forman at 202-395-1181 for any additional information related to this memorandum.

Attachments

Attachment A

Management Systems

This memorandum applies to both financial management systems, human resources management systems, acquisition management systems, and other systems that support integration among these systems according to the list below.

1. Financial Management Systems

a. Core Financial Management Systems

Core Financial Management Systems support:

- General Ledger Management
- Funds Management
- Payment Management
- Receipt Management
- Cost Management
- Financial Management Reporting

b. Other financial management systems supporting programs and administration.

These systems support financial management in the areas of:

- Acquisition (Procurement, Purchasing)
- Benefit Payment
- Budget Formulation
- Cost Accounting
- Executive Information Systems
- Government-Wide Processing/Information Systems
- Grants
- Insurance Claims
- Inventory
- Labor Distribution
- Loans – direct and guaranteed
- Personnel/Payroll – Civilian and others (military, foreign service, etc.)
- Property Management
- Revenue
- Seized/Forfeited Assets
- Travel

3. Human Resource Management Systems

Human Resource systems process and store personnel records containing information about the employee, such as job status, skills attained, benefits, and other personal information. Additional transactional capabilities may include time and attendance reporting, payroll

processing, training and recruitment systems, and other capabilities that support the life-cycle events of Federal employees.

4. Procurement (Integrated Acquisition)

Core functionality of integrated acquisition systems could consists of multiple components to perform the following functions:

- Store vendor information
- Maintain clauses and other commonly used terms and conditions
- Generate contract documents to include delivery orders, task orders and modifications
- Maintain financial tracking of funds obligated, funds expended and invoices paid
- Provide delivery information
- Maintain and share performance information on vendors
- Interoperate with government-wide tools to streamline common processes such as issuing synopses

Attachment B

Business Management Systems IT Spending by Proposed DHS Component Agencies¹
(in millions)

Agency	Project Name	FY02	FY03
Financial Management			
FEMA	Integrated Financial Management System	\$1.7	\$1.4
FEMA	Personnel Resources Information Systems Mart	\$1.6	\$1.4
INS	Federal Financial Management System (FFMS)	\$14.2	\$9.7
INS	Financial Accounting Control System (FACS)	\$1.6	\$1.2
USCG	Personnel Management Information System/Joint Uniform Military Pay System	\$1.2	\$0.0
USCG	Fincen Total System	\$10.3	\$13.8
USCG	Financial desktop - LUFS NT, IBUDS/AFTS-NT, PACE	\$2.8	\$3.2
USCG	Personnel Management Information System/Joint Uniform Military Pay System II	\$3.3	\$3.3
USCG	Tech GAP System	\$0.0	\$0.0
USCG	Aviation Logistics Management Information System	\$1.8	\$1.8
USCG	Marine Information for Safety and Law Enforcement	\$2.30	\$0.43
USCG	Fleet Logistics Systems	\$0.7	\$0.8
CUSTOMS	SAP Implementation (formerly QPAM)	\$3.2	\$3.6
CUSTOMS	Automated Commercial System (ACS) Life Support	\$18.4	\$18.4
CUSTOMS	Automated Commercial Environment (ACE)	\$26.0	\$60.0
CUSTOMS	International Trade Data System (ITDS)	\$0.8	\$0.8
CUSTOMS	Commercial Recovery Facility (CRF)	\$0.0	\$0.0
USSS	Financial Management and Accounting System	\$3.0	\$3.0
APHIS (USDA)	APHIS Financial Systems	\$0.0	\$0.0
APHIS (USDA)	Import/Export Simplification System	\$0.0	\$0.0
TSA	Financial Management System	--	\$20.0
Human Resources			
FEMA	Personnel Resources Information Systems Mart	\$1.6	\$1.4
FEMA	Admin. Management Systems	\$1.4	\$1.4
USCG	Personnel Management Information System/Joint Uniform Military Pay System	\$0.5	\$0.0
USCG	Personnel Management Information System/Joint Uniform Military Pay System II	\$1.2	\$1.2
INS	POE Office Management System/Workforce Analysis Module	\$1.8	\$1.8
Procurement			
FEMA	Automated Acquisition Management System	\$0.4	\$0.4
Total Investments			
Financial Management Systems		\$92.9	\$142.8
HR Systems		\$6.5	\$5.8
Procurement Systems		\$0.4	\$0.4

¹ This information came from agencies' FY03 budget materials.

Addressees:

Department of Agriculture
Department of Commerce
Department of Justice
Department of Transportation
Department of Treasury