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STRATEGIC MARKET PERSPECTIVE

Federal
Financial Management
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Federal IT Market Analysis Program

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Abstract

INPUT expects the federal government's financial management systems market to grow to \$1.8 billion by FY2000. The information technology portion is expected to grow from \$434 million in FY1995 to \$559 million in FY2000. This represents a compound annual growth rate (CAGR) of 5% over this period, with most real growth in the near term.

The Federal Financial Management Systems 1996 report provides an overview of the developments and opportunities in the market. This report identifies the way in which federal financial systems will be altered over the next five years and the level of resources and funding dedicated to such plans. It highlights the organizations providing leadership, oversight and implementation, and offers recommendations for vendors interested in expanding their presence in the market. The report also characterizes the environment for vendors interested in entering the market, discusses vendor trends and issues and provides vendor profiles.

This report contains 78 pages including 17 exhibits.

Researched and Published by
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Federal IT Market Analysis Program

***Federal Financial Management Systems
1996***

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Introduction

The *Federal Financial Management Systems 1996* report has been prepared because of the Administration's continuing concern and agenda to improve financial management throughout the federal government. This publication is one of many deliverables under INPUT's Federal Information Technology Market Analysis (MAR) Program. The MAR program consults to leading vendors in the information services industry through strategy development and execution to pursue business with the federal government.

This report identifies the environment of financial management systems within the federal government. Analysis is based primarily on a recent survey of federal agency financial systems and Information Resources Management managers. The survey has been conducted to determine user perspectives of improvements needed, the way in which federal financial systems will be altered over the next five years and the level of resources and funding dedicated to such plans.

This report provides vendors with an understanding of agency requirements and insight for planning effective strategies to compete in the federal financial management systems market. Vendor development plans and perceptions of the federal financial systems market, acquired through survey, also are included in the report. The executive summary of the report has been provided to both vendor and government participants involved with the data collection process to acquaint them with the activities and perceptions of their counterparts.

A

Scope

This report examines financial management systems in the federal government over a forecast period of fiscal years 1995 through 2000. Within this market, INPUT's areas of focus are:

- Existing and developing financial management systems requirements in the federal government
- Present and future means by which federal financial products and services will be obtained
- Role of standards facing current and new vendors in the federal financial management systems market
- Product and service capabilities not being accomplished
- Planned federal spending for financial management systems.

B

Objectives

This report sets out to describe the federal financial management systems market, to identify financial management requirements, to determine expected federal spending, to confirm whether sufficient resources are available to meet agency plans and to provide an overview of vendors with market presence.

This report addresses the following issues:

- How big is the government's financial management systems market and how will it expand over the next five years?
- How fast is the market growing as a whole and how is the spending distributed?
- What concerns does the federal government have in moving forward with financial management systems implementations?
- What are the current technology and services in place today?
- What plans for financial management do agencies have for the future?

C

Definitions

This report follows the definitions documented by the Office of Management and Budget's Circular A-127 "Financial Management Systems" which prescribes policies and standards for executive departments and agencies in developing, operating, evaluating and reporting on financial management systems. For the purpose of Circular

A-127, the federal government has defined the term “financial management systems” as the financial systems and the financial portions of mixed systems necessary to support financial management. “Financial Systems” are defined as information systems composed of one or more applications that are used for:

- Collecting, processing, maintaining, transmitting and reporting data about financial events
- Supporting financial planning or budgeting activities
- Accumulating and reporting cost information
- Supporting and preparing financial statements.

The federal government also recognizes nine financial management application types and one “other” category through which the analysis of this report is defined. The application types are as follows:

Acquisition	Budget Formulation
Core Financial	Travel
Personnel/Payroll	Inventory/Property
Revenue	Loan
Executive Information System	Other

D

Methodology

This report was developed through a combination of primary and secondary research using several sources:

- Interviews with agency respondents
- Interviews with leading vendor professionals pursuing the federal financial management systems market
- Interviews with officials from federal oversight organizations
- Federal Agency FY1996 Information Technology Plans
- Federal guidelines and reports on financial management systems

- Non-proprietary insights from custom research and consulting studies
- INPUT's research library file on technologies, agencies and vendors
- INPUT's Procurement Analysis Reports (PARs).

INPUT developed two different questionnaires for interviewing federal agency officials and financial management vendor executives. Discussions supplemented the structured survey relative to the respondent's knowledge of the agency's financial management systems and upgrade plans. Federal agency respondents included directors, division chiefs and technical staff in financial management, systems and operations branches. These interviews provided a perspective across agencies from policy makers to users. Vendor representatives selected for interviews included company executives and high-ranking marketing personnel. Lists of the agencies and vendors surveyed are found in Appendixes A and C respectively. Actual questionnaires are found in Appendix E.

INPUT made inquiries of the financial management systems market to vendor and agency staff as well as oversight organizations, such as the General Services Administration (GSA), the Office of Management and Budget(OMB), the General Accounting Office (GAO), the Chief Financial Officers Council (CFO), the Joint Financial Management Improvement Program (JFMIP) staff and the Office of Personnel Management (OPM). Determinations of federal attitudes, spending levels, upgrade issues and long-range plans and requirements for financial management improvements were made. Vendors with capabilities in financial management were interviewed for an understanding of their market focuses, their level of experience and market penetration, their distribution channels and development plans as well as their perceptions of growth potential in the federal financial management systems market.

The resulting data were analyzed for trends and interrelationships and converted into information reflecting the attributes and tendencies of users and vendors.

INPUT considers the results of the samples used to commensurate with the conclusions drawn and has, where appropriate, adjusted the sample base to remove any undue bias that could result from unique or extreme responses, which otherwise could skew the findings.

Questionnaire responses and analyses for agencies are summarized throughout Chapter IV under Agency Findings. Similar information on financial management vendors can be found in Chapter V under Vendor Trends and Issues.

E

Report Structure

This report contains seven chapters and six Appendixes. The contents of the chapters following this introduction include:

Chapter II - Executive Overview - offers an overview of the analysis conducted as part of the study and summarizes the major findings of the report. It is a brief summation of the most important issues, conclusions and recommendations.

Chapter III - Leadership, Implementation, and Oversight - identifies the influential groups involved with the federal government's financial management systems market today.

Chapter IV - Agency Findings - provides analysis of the survey findings and other agency information reflecting requirements and trends in the market.

Chapter V - Vendor Trends and Issues - provides vendor perspectives of the federal financial management systems market, discusses responses to the questionnaire completed by participating vendors, and provides profiles of financial management vendors.

Chapter VI - Market Analysis and Forecast - presents INPUT's forecast of the federal financial management systems market for fiscal years 1995 through 2000. It provides an overview of the market, planned government spending and factors impacting market conditions.

Chapter VII - Conclusions and Recommendations - offers INPUT's conclusions within the federal financial management systems market based on questionnaire responses, market forecasts, analysis and secondary research. Recommendations address a means by which financial management vendors can act upon the conclusions reached.

Appendixes A through F provide lists of federal agency and vendor respondents, the accompanying letter addressed to agency officials, a glossary of federal acronyms, the actual questionnaires used in

conducting the interview process, and a list of high risk financial management systems in the Federal Government.

F

Related INPUT Reports

INPUT publishes several related reports as part of its MAR program. Each report provides a unique topic in the federal information technology market. Recent reports of interest to the reader are:

Federal Wireless Technology Market, FY1995–2000

Federal Document Management Systems, FY1995–FY2000

Federal Information Systems and Services Market, FY1995–FY2000

Federal Computer Security Market, FY1995

Federal Telecommunications Market, FY1994–FY1999

Federal E-mail Systems Market, FY1995

INPUT also has published commercial reports that may be of interest to the reader:

Impact of the Internet on Systems Integration and Professional Services Markets, 1996–2001 - This report analyzes the opportunities and liabilities for systems integrators and professional services vendors who can exploit the capabilities and accompanying market excitement of the Internet. This report also includes a forecast of the size, growth, and driving/inhibiting factors of these two markets.

Information Services Markets, Banking and Finance, 1995–2000 - This report considers the trends, events, and issues affecting the U.S. banking and finance industry, notes the impact of these forces on the information systems function supporting institutions in this industry, and provides a detailed forecast of the information services market.

Worldwide Banking Information Services - As INPUT's first global industry study, this report provides a timely assessment of one of the largest global vertical industries. It analyzes the information services markets in 18 countries and 5 regions with market projections across seven product/service categories.

Worldwide Information Services Forecast, 1995–2000 - This report provides a comprehensive look at the worldwide information services industry across INPUT's eight product/service categories, including forecasts for market size and leading vendor information in more than 30 countries in North America, Europe, Asia and the Pacific, Latin America, and the Middle East and Africa.

U.S. Market Forecast Compendium, 1995–2000 - This report is a compilation of all INPUT 1995 forecasts by market sector and product/service category. This forecast is inclusive of eight product/service categories, 15 vertical industry sectors and seven cross-industry sectors.

Contractual Approaches to Project Risk Reduction, 1994 - This report examines how risk reduction in systems integration projects is approached from the vendor's and customer's points of view. It identifies project parts having an element of risk and tools and practices being used.

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II

Executive Overview

This section provides an overview of the report, giving a brief background of the agency findings, market forecast, vendor perspectives and recommendations.

A

Agency Findings

Financial management improvement in the federal government is indeed a long-term and continuous process. The CFO Council and other oversight bodies are aware that financial management progress is moving quite slowly. The particularly slow progress is occurring in the development of financial systems themselves because of their size and complexities. Agencies are being encouraged by the CFO Council to express to Congress their staffing and funding requirements for continued financial management systems improvement. Pressure is being placed on federal financial and program managers to indicate what is needed to ensure the production of required and quality financial information.

Just over one year ago, the federal government reported 816 individual, operational financial management systems in 24 of the CFO agencies inclusive of 18 governmentwide systems. In total, these agency systems consisted of 1,183 fully operational applications. While agencies continue to improve, build and replace financial management systems, they are faced with many decisions in reaching compliance and striving to provide the auditable financial statements required of them. Choices are many, including the option of a shared service though a governmentwide financial system or cross servicing. Although not much has been seen yet in the way of agencies migrating to a client/server environment, many are well aware of the positive aspects of this environment. Client/server is found sporadically in overall financial management strategies for the next five years but is not necessarily budgeted.

There are no real trends in the ways in which agencies approach support for their systems or make product and service purchases. Responses were evenly distributed between in-house and contractor support for agencies acquiring the necessary support for financial management systems. An even distribution also fell on competitive procurements and GSA Schedules through which to obtain financial management products and services. Agencies do not have a preference of one vehicle or another; in fact, many agencies are combining the processes to meet a compliant outcome.

Almost all of the agencies interviewed responded that they have neither sufficient resources in the way of staff nor the funds to support their plans for financial management. The general tone is that agencies will make do with what they have and hope that the process continues to move along. Agencies referenced downsizing as a key impact on staffing resources and budget cuts as a key impact on funding resources. As agencies struggle to meet compliance and follow the regulations in place, they believe that the lack of sufficient resources has toned down aggressive plans. Streamlining and outsourcing will be the wave of the future as the increased use of contractors enables agencies to address these issues.

B

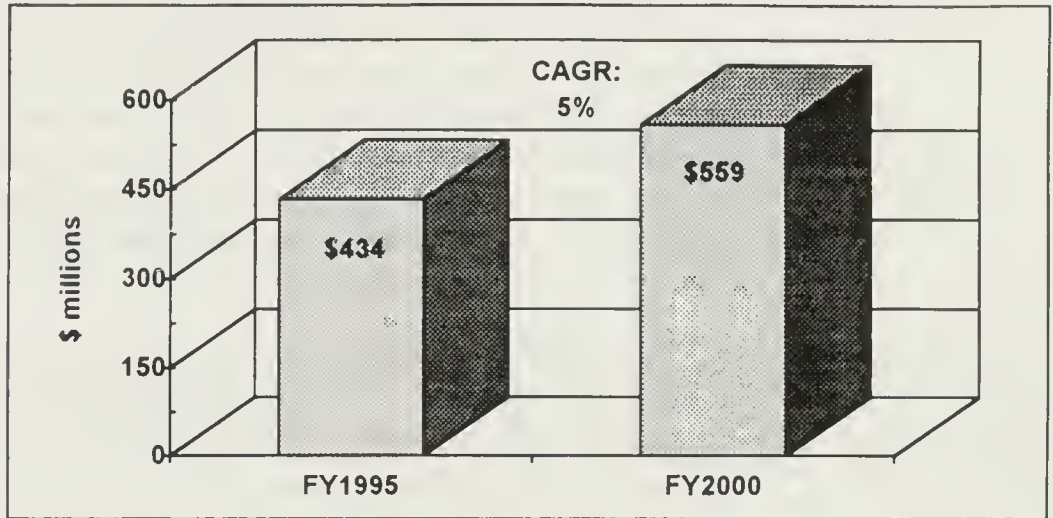
Market Forecast

INPUT expects that because of completion of system upgrades, implementation of new systems and financial management systems consolidation the financial market will grow at a relatively healthy rate over the next three years. Federal spending will be demanded mostly by professional services functions while software products likely will be off the shelf. Agency resources also will be spent on telecommunication capabilities where they do not already exist.

Exhibit II-1 shows the anticipated growth of the financial management systems market over the five-year period from fiscal 1995 to fiscal 2000. Through FY1998, annual growth will occur at 8% and then fall to 2%. By comparison, the overall IT growth rate for constant dollars, from \$19 billion to \$25 billion, for the same five-year period is 6%.

Exhibit II-1

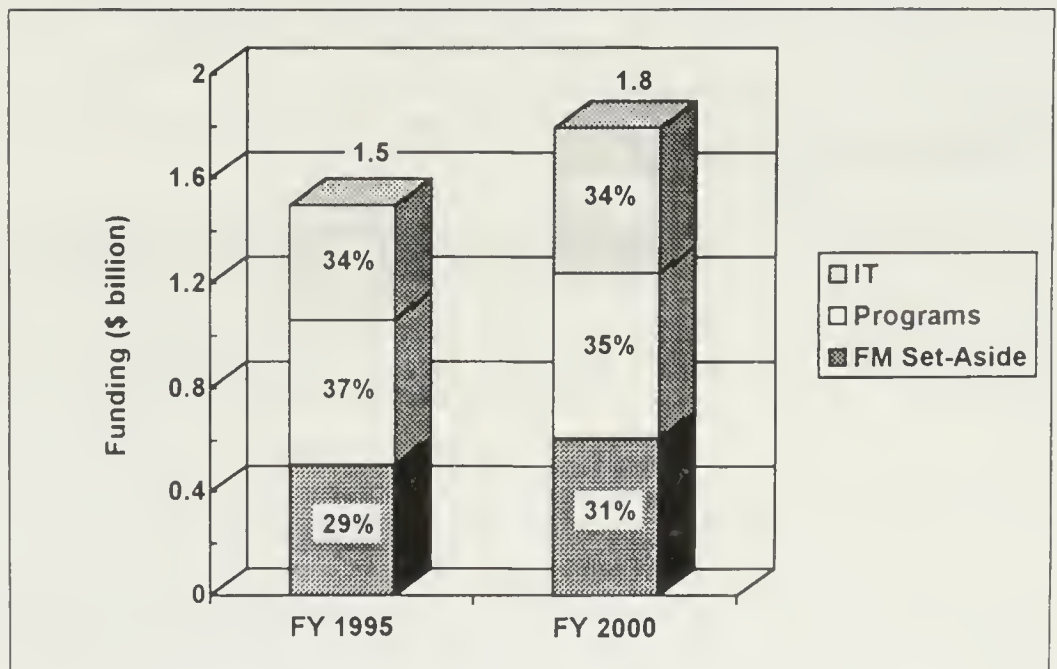
Financial Management Growth of IT Spending



Growth in this market is not limited by the size of the government's information technology budgets. In response to questions specifically addressing sources of funding for financial management support, agencies reported that almost 29% would come from IT. Other funding sources include appropriated funds for FM programs and special funding set-asides for FM support. Spending distributions are found in Exhibit II-2.

Exhibit II-2

Sources of Funding for Financial Management Support



Five years ago, spending for financial management support was distributed across three areas: professional services, software products and computer equipment. Today, financial management is viewed as a distributed system requiring telecommunications support with field offices accessing the same databases as those maintained for headquarters sites. The expected distribution of agency financial management dollars for support across professional services, software products, computer products and telecommunication equipment is featured in the market forecast chapter.

Future financial management contracts characteristically will feature commercial solutions. Off-the-shelf products will be distributed by individual contracts that specifically require commercial requirements. Services will be solicited as part of these contracts or will be obtained from FM federal supply contracts. Integration of financial management networks also will dominate future spending as agencies, particularly the Department of Defense (DOD), complete its consolidation programs.

The government also is moving more aggressively toward electronic commerce. Therefore, financial management will figure largely in mature EC applications. This market expansion is not expected to occur before 1998 because of the current short-term focus of government on merely purchasing commercial items from network systems as an implementation of electronic commerce rather than exploring more fully electronic data interchange for transfer of financial data for budgets, ordering, funds transfer and payments.

C

Vendor Perspectives

In 1990, vendors characterized federal financial management as a limited market. Although vendors perceived a limited market and a limited number of federal agencies and systems in the federal government as a whole, they saw a lucrative after-market with the subagencies. Each agency's subagencies would be requiring software and support services to match the parent agency's software. Although agencies are trying to coordinate among all subagencies, inclusive of field and regional offices, the market is now a "once implemented for many users" developed service at headquarters. The headquarters mainframe access for subagencies now is adopting the trend toward open systems and the downloading and distributed process enhancements of client/server solutions.

In INPUT's survey, agencies indicated that they were not pleased or satisfied with any of the vendors of which they were aware. Agencies expressed particular dissatisfaction with the vendor method of charging and recharging from agency to agency for identical changes or modifications. The factors indicated by vendors to be driving the government's financial management market fell into three general categories of influence of agency dynamics, oversight and technology issues. Responses are summarized in Exhibit II-3.

Exhibit II-3

Driving Market Factors

Influencers	Driving Factors
Agency Dynamics	<ul style="list-style-type: none"> • Federal budget cuts • Outsourcing • Year 2000 legacy systems • Pressure to run the federal government like a business
Oversight	<ul style="list-style-type: none"> • JFMIP guidelines • GAO reports for non-compliance • Performance reporting pressures • Public demand for better financial stewardship by the government
Technology	<ul style="list-style-type: none"> • Client/Server technology • Commercial off-the-shelf products

Vendors believe the market inhibitors facing new vendors entering the federal financial management systems market to be:

- Federal procurement process
- Certification process
- New technology acceptance.

In the survey, virtually all of the vendors were critical of the federal procurement process in general, characterizing it as slow and unappealing. Some vendors have opted out of the process because they are spending less time developing new products and too much time trying to modify the old product to become certified and meet JFMIP requirements. Still, they have hope that procurement reform will

eliminate what is seen as a burdensome hurdle for entry into the federal market.

D

Recommendations

The government is aware that a strong, centralized direction in financial management is needed and considers the vendor a key contributor. Many initiatives are being coordinated primarily by the CFO Council to develop strategies and to ensure development progression. Vendors' participation is encouraged and desired in these activities, including those highlighted below.

1. Foster Technology Discussions

As agencies continue to improve, build and alter financial management systems, they simultaneously are trying to anticipate the financial software industry's direction. The CFO Council, in its efforts to upgrade and modernize federal financial management systems, is struggling to grasp the private sector's developments and the correlation to federal requirements. Instead, vendors need to open communication channels and provide the government with an accurate definition of new and developing technology. Vendors need to relate these technologies to individual agency requirements and provide justification for changes and replacements involved.

2. Provide Market Definition

The CFO Council recently has slated a goal to strengthen communication with the private sector. Vendors that reciprocate communication efforts of the CFO Council can become more aware of agency requirements and of the market opportunities that exist. Vendors will be able to influence the direction of the financial management market and to provide solutions for agency requirements through demonstrated use of their products and services and to contribute to market evaluations designed to educate federal employees.

3. Increase Vendor Awareness

Vendors also can increase their visibility in the market by initiating a recently suggested idea of the CFO Council. The Council's Financial Systems Committee recommends consideration of an Internet site as well as demonstration sites at federal installations, both of which would highlight vendor product capabilities. Agencies would become aware of

the vendors in the market, and vendors would be informed promptly of new requirements and changes to existing requirements for financial systems as they are being developed.

Vendors also can work with the CFO Council and GSA in establishing a means for informing and updating agencies of all Financial Management Systems Software (FMSS) Schedule activities. Currently, agencies are not informed of the many vendors who have attempted the Software Capabilities Verification Test or of the new vendors who will be certified shortly to provide products. Agencies would be less inclined to exercise the waiver process, and temporarily postpone purchasing, if they knew that new options soon would be made available through the Schedule.

4. Participate in FinanceNet

Activities that occur electronically within the federal financial management systems market allow vendors to keep abreast of new information about specific topics and take part in open discussions on issues related to those topics. FinanceNet, a place on the World Wide Web and Internet browsers, is to facilitate communication among federal, state, local, and private sector efforts to reinvent financial management in the government. On FinanceNet, vendors can subscribe to Internet mailing lists to receive recent news on selected topics and are encouraged to post useful documents, news or announcements of their own.

Prior to the CFO Act of 1990, the government had no requirement to prepare a financial audit of its agencies and departments at year end. Perhaps if the federal government of the United States, one of the largest financial operations worldwide, can produce a consolidated financial statement in fiscal year 1997, other governments around the world might find an interest in both the process and the vendors who support such an accomplishment. For now, if the acceleration that has occurred over the past three years is to continue, vendors must contribute to the open communication that the government promotes and the strategy decisions that agencies face.

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Leadership, Implementation, and Oversight

This section identifies the influential groups involved with the federal government's financial management systems market today. Attention is focused on the efforts of OMB, the Federal Accounting Standards Advisory Board (FASAB), GAO, the Department of Treasury, and the JFMIP. Each plays a unique role in strategy, development, implementation and oversight efforts of interest to vendors who provide financial management products and services to the federal government.

A

Office of Management and Budget

OMB, with the authority to enact governmentwide standards on financial management, has the final say on form and content of the recommendations made by the FASAB. OMB's significant contribution to a strengthened reform effort was its influential role in signing into law, the CFO Act of 1990 (Public Law 101-576) on November 15, 1990. The CFO Act became the most comprehensive financial management reform legislation since the Budget and Accounting Procedures Act of 1950. It assigned clearer financial management responsibilities to senior officials while focusing on new financial organizations, enhanced financial systems and audited financial statement.

B

The Federal Accounting Standards Advisory Board (FASAB)

The FASAB was established to be the backbone of all OMB standards and JFMIP document requirements in October 1990 by the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General. The life of FASAB was thought to be two years, but

today its role still continues to be significant in the federal government's financial management efforts.

The FASAB Principals have recently reached completion of the set of basic standards for all federal agencies to use in preparing financial reports and in developing meaningful cost information as slated by the National Performance Review. Now that the standards for fundamental accountability, oversight and decisionmaking are complete, the FASAB will turn its focus on federal financial management efforts in the area of education and training for standards implementation. It is building task forces with federal FM implementing bodies, for example the Treasury's Financial Management Service, Agriculture's Training Institute and the Association of Government Accountants. One-day training sessions are being conducted to highlight FASAB concepts and standards, and almost 500 employees already have attended. A series of two-day workshops is to be available this year to address individual standards.

The FASAB will find a continuing need to assist agencies with interpretations and issue resolutions as situations arise. While FASAB's new agenda focuses on implementation, it will continue to serve as a structure and process responsible for recommending accounting standards when there is need to revise already defined standards and possibly to create new standards.

C

General Accounting Office (GAO)

The GAO will continue to play a major role in financial management though its traditional and prominent service of conducting audits and evaluation of government programs and activities. Two unique areas of concentration for the GAO will fall on activities and documents required under the Government Management Reform Act (GMRA) of 1994. The GMRA requires that all large agencies, being under the CFO Act, are required to provide auditable financial statements for all activities starting in this fiscal year of 1996. The GMRA also requires that a consolidated, governmentwide financial statement be prepared and audited for fiscal year 1997.

As the investigative arm of Congress, the GAO has been influencing strongly the ties between the cost information and performance by program area under the direction and control of Charles A. Bowsher, the current Comptroller General of the United States. Influences are subject to change when Bowsher completes his 15-year term this year and is

replaced by a Presidential appointee under advice and consent of the Senate. Bowsher is leaving behind strategies and efforts that were begun to bring together budget and accounting. His emphasis on cost reporting as being equally important as financial reporting, his strategy for annual agency oversight hearings with Congress, and his efforts to determine whether agencies are in control of their operations are issues all subject to continuation by a new leader.

The GAO is at the front lines to ensure a readable and useful consolidated report by 1997 to ultimately rebuild confidence of the taxpayer and voter. Underlying the final report is a process for program managers to access better information and efficiently manage individual programs.

D

Department of Treasury

The Treasury Department's four basic functions all coincide with the direction of the financial management systems market: formulate and recommend economic, financial, tax and fiscal policies; serve as financial agency for the U.S. government; enforce the law; and manufacture coins and currency. The Treasury staff is working to improve debt collection, streamline field offices, extend the tax reporting system, integrate management of border operations and foster electronic money. The Treasury's Financial Management Service (FMS) has just completed the backbone telecommunication network to conduct operations with the Federal Reserve and financial institutions in a paperless environment.

The Treasury's efforts in financial management Electronic Commerce (EC) are significant as many initiatives move from testing to implementation this year. The Electronic Benefits Transfer (EBT) project will begin delivery of services in the fall, and the Center for Applied Financial Management of the Treasury's Financial Management Service (FMS) now is offering federal agencies consulting assistance and training for the implementation of EC and Electronic Data Interchange (EDI). The Center also is exploring agency use of the Internet as an EC alternative to streamline processes.

E

Joint Financial Management Improvement Program (JFMIP)

Almost 50 years ago, the Department of Treasury, the Bureau of the Budget (now OMB) and the GOA initiated a cooperative financial management effort to seek improved means of carrying out the

interrelated activities and responsibilities of these central agencies. Plans to coordinate efforts with the financial management activities of all federal operating agencies were organized under the objectives and policies of the JFMIP though a formal agreement signed on January 6, 1949. The agreement stated,

“The successful prosecution of their Joint Program will give the President better management in the Executive Branch, the Congress better information and bases for acting upon appropriations and other legislation, and the public a clearer picture of the financial condition and operations of the Federal Government.”

The JFMIP was established officially by the Budget and Accounting Procedures Act of 1950. The Civil Service Commission, now the Office of Personnel Management, joined JFMIP in 1966.

The *Core Financial Systems Requirements*, published by JFMIP in 1988 and revised in September 1995, establishes broad financial guidelines for federal agencies that mandate certain characteristics for all future financial systems. Additional requirements in specific areas of financial management systems are available in a series known as the Federal Financial Management System Requirements (FFMSR):

- *Personnel/Payroll Systems Requirements* (May 1990)
- *Travel Systems Requirements* (January 1991/ Revised in December 1995)
- *Seized/Forfeited Asset System Requirements* (March 1993)
- *Direct Loan System Requirements* (December 1993)
- *Guaranteed Loan System Requirements* (December 1993)
- *Inventory System Requirements* (June 1995)

The *Framework for Federal Financial Management Systems* document was released in January 1995 as the first source to address the issue of how the various financial management systems covered in the specific requirement documents can be integrated to meet the needs of the federal program and financial managers. It describes the systems and information architectures for governmentwide data required to

accomplish governmentwide decision making, centralized processing and consolidated information requirements.

The JFMIP continues to rely on the active participation of federal agencies. It will play a significant role in expanding the financial management GSA Schedule and is working to revise many of the system requirements. Other activities include performing ongoing reviews and coordination of central agencies' activities and policy promulgation affecting financial management to avoid possible conflict, inconsistency, duplication and confusion; and acting as a catalyst and clearinghouse for sharing and disseminating financial management information about good financial management techniques and technologies.

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Agency Findings

This section presents an overview of financial management in the federal government with specific references made to individual agency environments. The CFO Council, organizationally placed within OMB to facilitate the improvement of government operations and processes, has been a major facilitator to the discussions of financial management issues. In conjunction with OMB, the CFO Council has directed significant efforts to summarize the status of financial management systems for the agencies covered under the CFO Act of 1990. The Council's information is derived from analysis of data that are submitted to OMB as part of individual agency CFO plans.

INPUT's recent survey of federal agencies complements such data and has enabled additional analysis under select headings. INPUT conducted interviews with government agencies primarily by telephone. Discussions supplemented the structured survey relative to the respondents' knowledge of their financial management systems and familiarity with application. Respondents included CFO Office staff in financial systems management, operations, planning and research, and Information Resources Management officials. Interviews provide a perspective across the agency from policy makers to users.

Agency representatives unfortunately did not respond favorably overall to the survey conducted by INPUT during the data collection process of this study. Over the past six months, appropriate representatives have been inundated by survey efforts under the CFO Council. This circumstance may be the reason left unstated by the many agencies that declined to participate in INPUT's survey. In general, the tone of agency responses carried a dissatisfaction and frustration toward vendors offering financial products or services. Agency highlights of vendor capabilities that are lacking in the federal financial market are included in the analysis provided in this section.

The participating agencies in this study are listed in the federal agency respondent profile of Appendix A. The actual agency questionnaire can be found in Appendix E and its accompanying letter is presented in Appendix B.

A

System Characteristics

1. Composition

The *Financial Management Systems Status Report*, released in November 1995 by the CFO Council's Financial Systems Committee and OMB, cited the large number of federal systems and applications that were recorded last year. The CFO agencies provided a FY1994 financial management systems inventory as part of the Fiscal Year 1996 Budget submissions to OMB. Just over one year ago, the federal government had 816 individual financial management systems in operation in 24 CFO agencies, inclusive of 18 governmentwide systems. In total, these agency systems consisted of 1,183 fully operational applications.

Fiscal year 1992 began the acceleration of financial management systems reform with the CFO Act starting to make an impact, followed by added pressures from the Government Performance and Results Act (GPRA) of 1993 and the GMRA of 1994 that require agency systems to provide the information necessary to implement the management and reporting requirements of the legislation. OMB compiled the first comprehensive financial management systems inventory of the CFO agencies in FY1992. In a two-year timeframe, from FY92 to FY94, both the numbers of systems and applications had decreased by 7% and 9%, respectively.

INPUT expects most system and application in the President's FY1996 budget, include the decreases to occur over the next three years. Defense reforms alone, as stated consolidation of more than 300 financial and accounting center and accounting locations into 26 sites by the year 2000. The Defense Department also plans to cut the number of civilian payroll, retiree, contract, transportation pay and debt management systems by 80%. DoD claimed 259 of the 816 systems and 259 of the 1,183 applications in the FY94 inventory.

The Department of Housing and Urban Development (HUD) and the Department of Agriculture (USDA) also reported high numbers of systems and applications in the FY94 inventory report. HUD reported 91 systems and 92 applications and USDA reported 72 systems with 125 applications. These agencies along with DoD have been identified as having high risk agencywide financial management systems. Appendix F

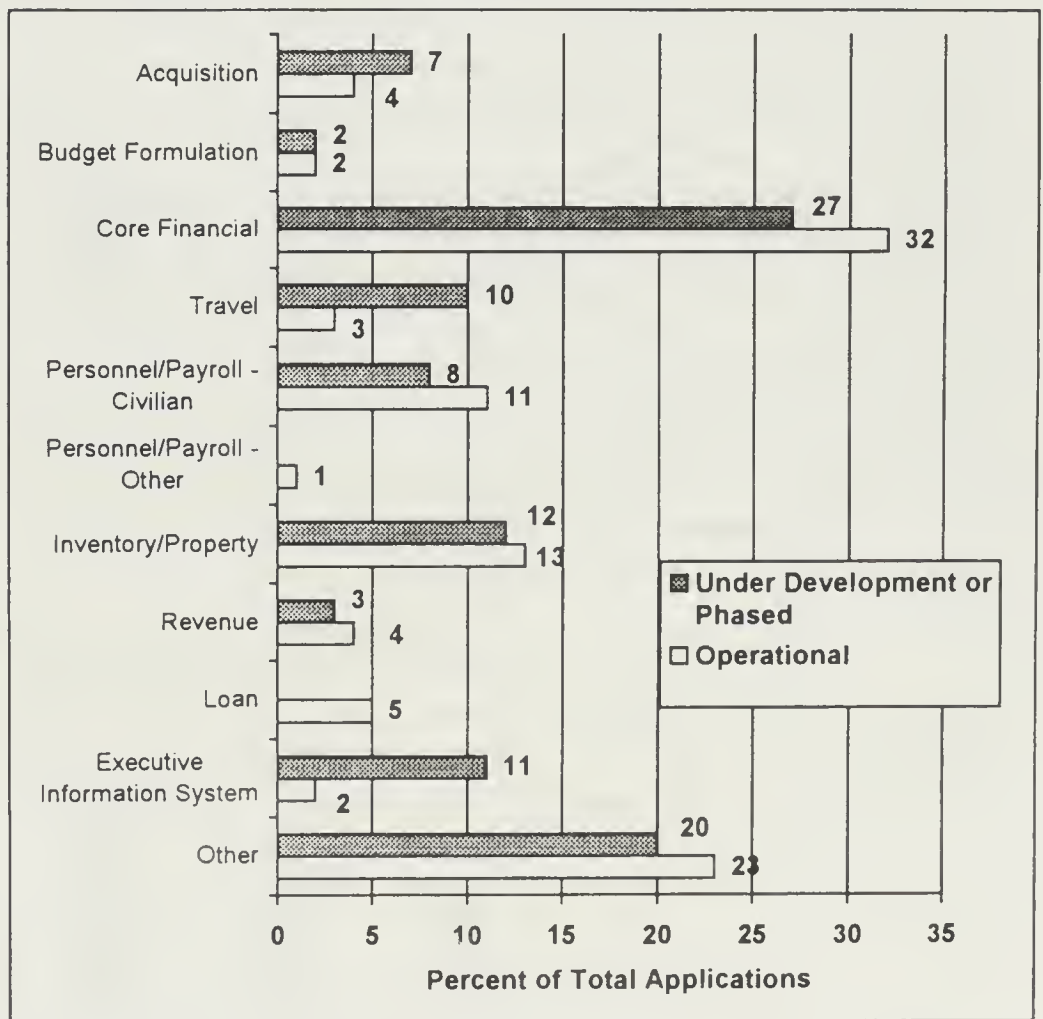
provides a brief description and listing of high risk systems throughout the federal government.

2. Application Types

The largest percentage of applications in the federal government by type is for core financial systems, with 32% of the 1,183 operational applications and 27% of the 112 applications under development or in a phased implementation. Exhibit IV-1 shows the percentages of application types that are operational or under development or phased.

Exhibit IV-1

Agency Financial Management Application Types



Source: FY94 Financial Management Systems Status Report/Chief Financial Officers Council

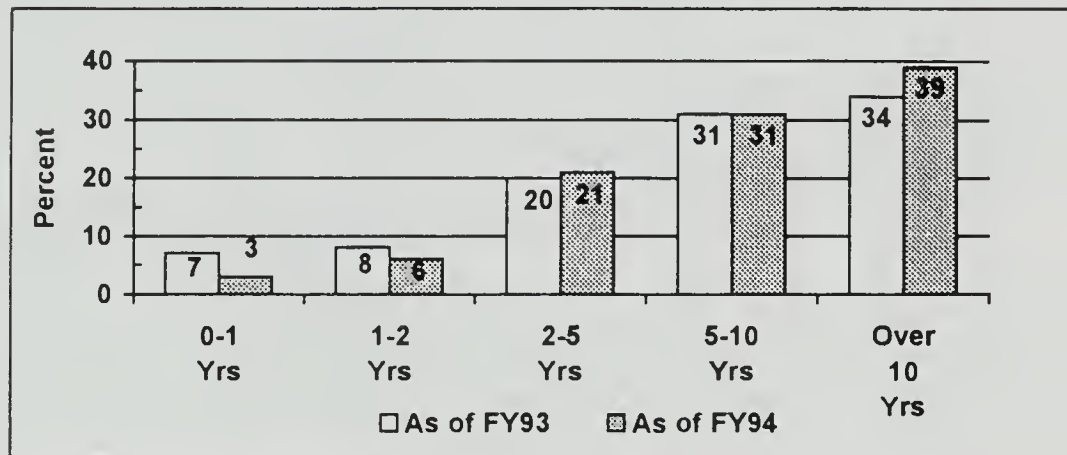
3. How Dated Are Federal Systems?

In total, approximately 75% of all operational agency financial management applications have been upgraded within the past five years. However, as of FY94, 27% of the applications within DoD had not been upgraded for more than ten years while an additional 30% were between five to ten years old.

Exhibits IV-2 and IV-3 show the age of operational agency applications based on implementation and upgrade timeframe.

Exhibit IV-2

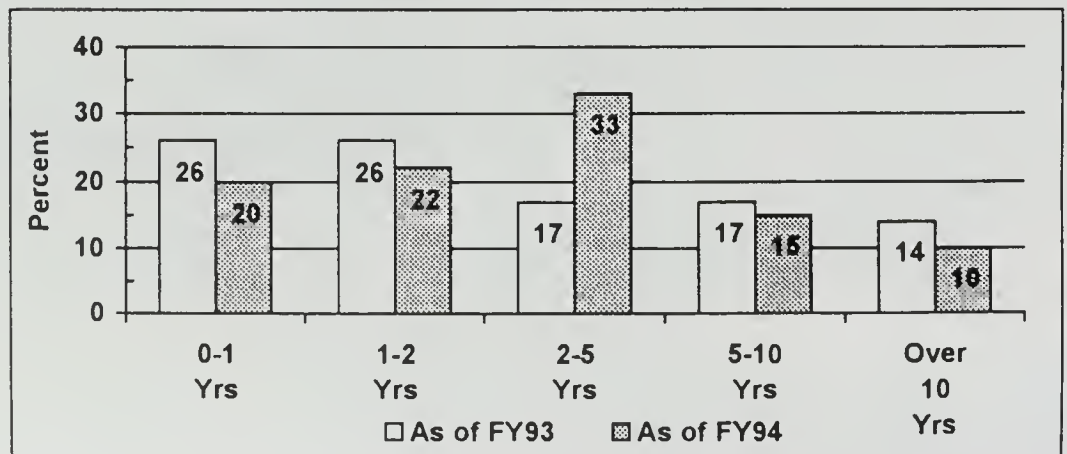
Age of Operational Agency Applications Based on Implementation Date



Source: FY94 Financial Management Systems Status Report/Chief Financial Officers Council

Exhibit IV-3

Age of Operational Agency Applications Based on Upgrade Date



Source: FY94 Financial Management Systems Status Report/Chief Financial Officers Council

B**Replacement and Upgrade Direction**

According to OMB, replacement financial management systems are planned or already underway for over 31% of the CFO agencies' operational financial management applications. System upgrades are planned or underway for an additional 24%. Exhibit IV-4 shows agency percentages related to their plans for replacement or upgrade or lack thereof, of financial management systems.

1. Access to Field/Regional Offices

Of those agencies participating in the survey, most currently offer financial management coordination with field and regional offices. For example, the Administrative Office of the U.S. Courts (AOUSC) has begun the procurement of financial application to provide the Federal Judiciary with such capabilities. The Federal Judiciary consists of 94 districts located throughout all states and territories of the United States, all of which are interconnected via the Judiciary telecommunications network. Under the contract, the AOUSC plans to provide a personal computer and local area network connectivity to all Judiciary employees using the financial applications. Software at each of the 94 district courts will be capable of exchanging information with the Central Accounting System located in Washington, D.C. Few locations, however, at the State Department regionally have access, and expansion is not planned. Unlike the Judiciary, the State Department has no telecommunication infrastructure to give overseas posts the option.

2. Do Agencies Have Sufficient Resources?

Almost all of the agencies interviewed responded that they have neither the staff nor the funds to support their plans for financial management. The general tone is that agencies will make do with what they have and hope that the process continues to move along. Agencies referenced downsizing as a key impact on staffing resources and budget cuts as a key impact on funding resources. As agencies struggle to meet compliance and follow the regulations in place, they believe that the lack of sufficient resources has toned down aggressive plans. The agencies that believe that they do have sufficient resources, for example GSA, VA, and NSF, still claim that improvement efforts always could use more budgetary resources, especially as comprehensive as financial management. Other agencies are expected to adopt GSA's strategy to increase the use of contractors and rely more heavily on outsourcing in the future to address staffing issues.

Exhibit IV-4

Agencies' Plans For Replacement or Upgrade of Financial Management Systems

AGENCY	TOTAL OPERATIONAL FINANCIAL MANAGEMENT SYSTEMS	TOTAL OPERATIONAL FINANCIAL MANAGEMENT APPLICATIONS	OPERATIONAL FINANCIAL APPLICATIONS		
			REPLACEMENT PLANNED OR UNDERWAY	UPGRADE PLANNED OR UNDERWAY	PLANS NOT YET DEVELOPED
AID	39	39	87%	0%	0%
DOC	13	30	67%	10%	7%
DOD	259	259	14%	7%	77%
DOE	1	7	43%	29%	0%
DOI	8	13	15%	46%	15%
DOJ	11	56	23%	25%	25%
DOL	17	17	0%	53%	0%
DOS	37	37	35%	32%	8%
DOT	71	79	24%	32%	25%
ED	16	20	55%	20%	0%
EPA	12	12	50%	42%	0%
FEMA	7	21	62%	5%	0%
GSA	22	55	29%	40%	4%
HHS	16	95	14%	35%	1%
HUD	91	92	36%	20%	45%
NASA	16	16	94%	0%	0%
NRC	7	7	43%	29%	14%
NSF	8	9	44%	33%	0%
OPM	1	9	0%	44%	11%
SBA	15	48	2%	52%	0%
TREAS	52	76	20%	46%	11%
USDA	72	125	44%	27%	9%
VA	25	61	59%	25%	5%
GRAND TOTAL	816	1183	31%	24%	26%

Source: FY94 Financial Management Systems Status Report/Chief Financial Officers Council

C

Client/Server: Future Focus

Agencies are decentralizing financial operations while major financial management applications continue to operate on mainframes acting as databases and as servers on distributed networks. The enhanced functionality of client/server systems is approaching federal use, but at a very gradual pace. As in the private sector, agencies will not find savings in overall costs and staffing requirements when moving from a mainframe to a client/server system. Agencies, however, are enticed by the ability to mix and match software modules from a variety of vendors and modify client/server systems to their unique requirements more easily and less expensively. Although not much has been seen yet in the

way of agencies migrating to a client/server environment, many are well aware of the positive aspects of this environment. Client/server sporadically is found in overall financial management strategies for the next five years but is not necessarily budgeted.

Allocated funds for client/server are sparse. Agencies that have responded with projections of client/server are highlighted below:

- The Department of Veterans Affairs is an appropriate example of one that already has poured a huge sum of money into its current system. Although desirable, client/server is not financially realistic until almost ten years from now.
- The Small Business Administration has approached financial management systems development differently and plans to reach full implementation of client/server within five years from now. Plans, are not clearly defined, however, while progress is contingent upon the partial funding made available in yearly increments.
- The Department of Education will phase in client/server over the next three to four years.
- The Department of Labor has highlighted slow movement to the client/server arena as a major trouble spot in the current technical financial management architecture.
- The State Department currently has no plans for client/server.

In order for client/server technology to replace mainframes over the next five to ten years in the federal government, agencies need to start evaluating and planning today because the next generation of products being offered will largely be client/server products. Vendors need to focus on marketing client/server as an alternative to modifying software, a practice from which agencies are trying to move.

D

Preferences in Support and Procurement Vehicle

When agencies were asked how they acquire the necessary support for financial management systems, responses were evenly distributed between in-house and contractor support. As mentioned earlier, agencies confirmed future replacement of in-house efforts with contractor support to meet downsizing resource losses.

When agencies were asked how they obtain financial management products and services, an equal distribution fell on competitive

procurements and GSA Schedules. Agencies do not have a preference of one vehicle or another; in fact, many agencies are combining the processes to meet a compliant outcome. While GSA Schedules may simplify the process, they may not always be most appropriate and effective because of the limited selection available. Competitive procurements were cited as an alternative for the agencies who view GSA Schedules as somewhat bureaucratic, with offerings that can be acquired at a lower cost in the open market.

E

Financial Management Systems Software (FMSS) Schedule

The GSA FMSS Schedule of multiple awarded contracts for commercial financial management systems software and related support was established in 1989 under OMB Circular A-127, "Financial Management Systems," and the Federal Information Resources Management Regulations (FIRMR). Technical management of the FMSS Schedule is provided by the Department of Treasury and procurement management is provided by GSA. Agencies announce their FMSS functional requirements in the form of a Letter of Intent (LOI) to all contractors having Schedule contracts at the designated time.

The Chief Financial Officers Financial Systems Committee has drawn attention recently to the FMSS Schedule and its functionality. To assess the efficacy of the Schedule, the Committee has been acquiring both agency and vendor impressions. In spite of conclusions citing Schedule inhibitors to be both vendor and agency misperceptions and lack of communication, vendors cannot avoid the high level of effort and investment required to enter and remain in the market.

1. Software Capabilities Verification (SCV) Test

Before being placed on the FMSS schedule, vendor software packages must meet core financial system requirements as defined by the JFMIP. The software also must meet other applicable governmentwide accounting principles, standards, and related requirements defined by OMB. The formal evaluation process is referred to as the Software Capabilities Verification (SCV) test, which is conducted by a team approved by OMB Office of Federal Financial Management. Circular A-127 also requires periodic recertification to ensure that software continues to support financial systems requirements.

The Circular A-127 has had a great impact on the transition from agency in-house software development efforts to purchases of commercially available financial software. Under Circular A-127, it is mandatory for

all agencies in the Executive Branch of the federal government, excluding the Postal Service, to use the Multiple Award Schedule for the acquisition of both commercial software for primary financial management systems and of the services and support related to the implementation of such software packages.

The agencies planning to meet the core financial system requirements must be granted a waiver under the FIRMR in order to purchase other than "off-the-shelf" software available from the GSA FMSS Multiple Award Schedule. The Circular also states that agencies obtaining such a waiver must ensure that the system, whether resulting from a custom software development approach or from software existing within or external to the agency, is "benchmarked" by an independent team approved by the OFFM or its designee.

2. Current Vendor Schedule Holders

Since 1989, according to the CFO Financial Systems Committee, the number of vendors on the FMSS schedule has varied from two to nine. The GSA solicitation is issued from a 24-month period with two 12-month renewal options. However, GSA issues a new solicitation instead of exercising renewal options when the need to meet new requirements arises. Over time, more and different kinds of software packages addressing the various functional areas important to government functions gradually are being made available on GSA's FMSS schedule.

The following vendors were awarded contracts under the recent FMSS solicitation released in the Spring of 1995:

American Management Systems, Inc.
Contract No. GS00K95AFS0004
Contract Period: 6/6/95 through 9/30/96

Computer Data Systems, Inc.
Contract No. GS00K96AFS0001
Contract Period: 11/22/95 through 9/30/96

Digital Systems Group, Inc.
Contract No. GS00K95AFS0002
Contract Period: 6/2/95 through 9/30/96

Orion Microsystems, Inc.
Contract No. GS00K95AFS0003
Contract Period: 6/6/95 through 9/30/96

Contracts awarded under GSA's FMSS FY1994 solicitation reflect the January 1998 JFMIP Core requirements. Software purchase is not included in the extension. Contract holders that have been extended through 9/30/96 include:

Computer Data Systems, Inc.

Contract No. GS00K92AFS2504

Contract Period: 5/31/94 through 9/30/95 (extended to 9/30/96)

ICF Information Technology

Contract No. GS00K92AFS2502

Contract Period: 12/17/93 through 9/30/95 (extended to 9/30/96)

KPMG Peat Marwick

Contract No. GS00K92AFS2503

Contract Period: 7/1/94 through 9/30/95 (extended to 9/30/96)

Additional software packages are making their way through the testing process and the number of contracts on the Schedule should double shortly when testing is completed favorably. Three vendors recently have completed successfully the SCV process for the Schedule this year. They are:

Keane Federal Systems, Inc.

KPMG Peat Marwick

REL-TEK Systems & Design, Inc.

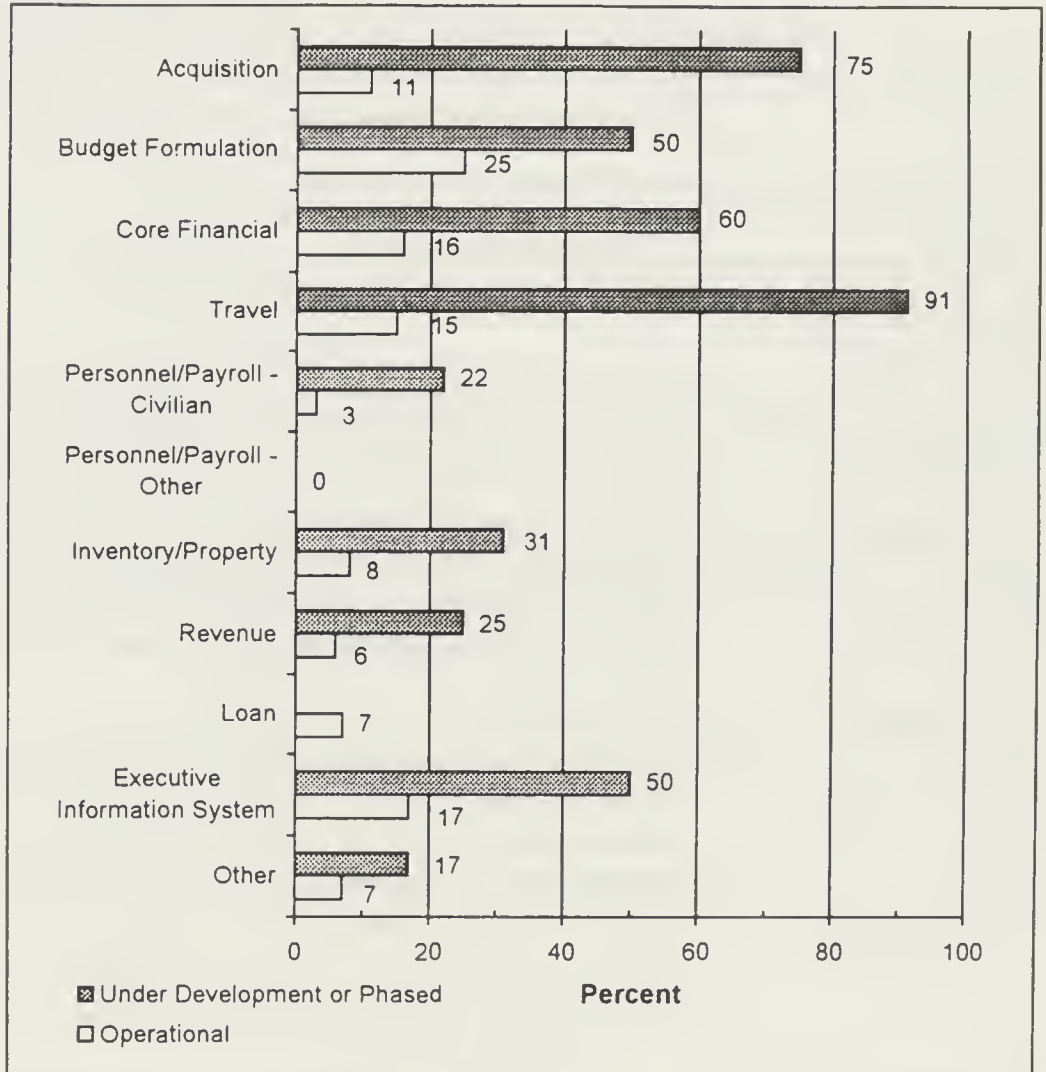
3. FMSS Schedule: Is it Worth the Vendor's Investment?

The current FMSS Schedule primarily is used for professional services. According to GSA, the FMSS purchase orders for FY1994 totaled approximately \$24 million with about 96% of this amount spent for technical assistance. The remaining 4% was spent on software, software maintenance, training and documentation. In FY1995, spending increased by almost 70% and reached \$40 million. About 93% was spent for technical services.

Exhibit IV-5 provides an idea of off-the-shelf software purchases for core financial systems by application type as reported in FY94.

Exhibit IV-5

Usage of Off-the-Shelf Software by Type



Source: FY94 Financial Management Systems Status Report/Chief Financial Officers Council

Agencies have obligated a total of \$10 million to the three GSA Schedule holders from the FY1994 FMSS solicitation according to contract actions filed with the Federal Procurement Data Center (FPDC) at GSA through 3QFY95. Obligations from the initiation of the contract to the end of 3QFY95 broken down by individual contractor are found in Exhibit IV-6.

Exhibit IV-6

FPDC Obligations

Contractor	FPDC Obligations (\$ thousand)
Computer Data Systems, Inc.	\$1,639
ICF Information Technology	\$1,281
KPMG Peat Marwick	\$6,598

Source: FPDC

The CFO Financial Systems Committee identified seven of the 24 CFO agencies as having acquired core financial systems through the FMSS Schedule to date. When agencies buy commercially developed software, however, a modification of the software often is needed to meet the unique requirements of that agency. Modifications may vary even from bureau to bureau in some cases. While this practice is extremely costly, agencies that buy new versions of software or new systems to limit the number of and need for modifications.

Both agencies and vendors agree that the FMSS Schedule is an effective vehicle through which to procure technical services from FMSS vendors. Almost twenty vendors actually have submitted written notices of interest to GSA; only three as of last summer actually were placed on the Schedule. Concerns that vendors have about the Schedule were shared with the CFO Financial Systems Committee:

- Amount of resources required to become certified
- No guarantee of sale
- Discouraged use of Schedule by waivers granted to agencies
- Agencies not familiar with Schedule process
- LOIs frequently resemble in-depth RFPs
- SCV test and procedures materials not made available
- Broadly defined JFMIP requirements.

Agencies, as well, have expressed to the Committee concerns with purchases made through the FMSS Schedule:

- Financial systems not state-of-the-art
- Limited choice of vendors
- Little incentive for vendors to enhance their systems
- Agency locked into a vendor with proprietary programming
- Restricted competition
- No minimum experience requirements for labor categories.

Further explanation can be found in the report submitted by the CFO Financial Systems Strategy Team to the CFO Council and OMB.

4. Improvements to the FMSS Schedule

The CFO Financial Systems Committee is recommending a strategy to reengineer the FMSS Schedule and process based on the issues that have surfaced from both vendor and agency participants.

1. Convene a panel to evaluate the SCV test and the testing process.
 - Separate the SCV test from the GSA solicitation process. Permit vendors to apply for FMSS Schedule certification when they are prepared to do so.
 - Develop necessary improvements to the SCV test and make the test available upon request.
 - Incorporate performance metrics into the SCV test and rank results in comparison with other systems available.
2. Enhance the procurement process
 - Offer continuous “open season” and allow negotiations to begin as soon as certification is obtained.
 - Educate agencies in the use of the Schedule and increase awareness of the elements of GSA contracting.
 - Establish/expand the capability to provide third-party FMSS schedule expertise on a fee-for-service basis.

5. Beyond Core Financial

More and more agencies are determined to use commercial-off-the-shelf (COTS) software and are considering redesign if COTS cannot communicate with their current system. The Core financial systems software application based on JFMIP's Core document and available on GSA's FMSS Schedule is popular; however, agencies are looking for products that go beyond the current capabilities. For instance, cost accounting, often weak in a full core financial package, is new to many agencies. The Core financial package does not address the wide range of needs in analysis, tracing and assigning of costs that many agencies have. A cost accounting software capabilities request appeared in the Commerce Business Daily, prompting vendor response. The large number of responses indicated a great interest by vendors and the confirmation that many capable products exist in the market.

When communication with vendors is strengthened, it will be determined whether cost accounting software is to become part of GSA's FMSS Schedule or will be procured separately and under unique procedures. The difficult implementation process beyond Core will be another issue. The cost accounting standards roll out is expected to address this problem, as well as others, and pave the way for a systematic implementation across agencies.

F

Shared Services**1. Governmentwide Financial Systems**

The Department of Treasury's Financial Management Service (FMS) has significant responsibility in governmentwide financial systems. The FMS' mission is simply to improve the quality of government financial management. It is committed to helping its government customers achieve success by linking program and financial management objectives and by providing financial services, information and advice to its customers. The FMS serves taxpayers, the Treasury Department, program agencies and Government policymakers.

Governmentwide financial management systems are a means of improved quality and reduced costs in providing shared services to multiple agencies. The governmentwide systems provide centralized data collection, processing, and maintenance necessary for governmentwide reporting and decision support. Agencies within Treasury, such as IRS and Bureau of Public Debt as well as other federal departments, also are responsible for governmentwide systems as seen in the data reported by OMB in the FY94 inventory (Exhibit IV-6):

Exhibit IV-7

Governmentwide Financial Management Systems

System Name	Function(s) Supported	Agency
MAX	Budget Data Collection	OMB
STAR	Central Accounting	Treasury FMS
Foreign Currency Accounting System	Central Accounting	Treasury FMS
Investment Accounting System	Central Accounting	Treasury FMS
Accounting Database for Evaluation of Performance Trends (ADEPT)	Management Information System	Treasury FMS
Government On Line Accounting Link System (GOALS)	Data Collection	Treasury FMS
On Line Payment and Collection Systems (OPAC)	Payments, Collections	Treasury FMS
CASH-LINK	Deposits	Treasury FMS
Treasury Receivable Accounting and Collection (payment recovery)	Payments	Treasury FMS
Public Debt Accounting and Reporting System	Central Accounting	Treasury Bureau of Public Debt
Employee Benefits System	Benefits	OPM
FERS Automated Processing System (Under Development)	Benefits	OPM
Thrift Saving Plan System	Benefits	USDA
Direct Premium Remittance	Billing and Collection	USDA
Wage Automated Generated Evaluation Systems	Payroll, Personnel	VA (with DOD)
Credit Alert Interactive Voice Response (CAIVRS)	Loan	HUD
IRS Debtor System	Debt Collection	Treasury IRS
Debt Management System (Under Development)	Debt Collection	Justice

Source: FY94 Financial Management Systems Status Report/Chief Financial Officers Council

The OMB has included in its *Federal Financial Management Status Report & Five Year Plan* recommendations to improve the systems used for collection and analysis of governmentwide financial management information. OMB suggests tasks to:

- Collect financial information through FACTS for use in the governmentwide financial statements annually. FACTS eliminates several reports on financial status previously collected by the Treasury's FMS.
- Convert the Government On Line Accounting Link System (GOALS) and the Accounting Database for the Evaluation of Performance Trends (ADEPT) to a new technology platform to improve flexibility and ease of use by September 1996.
- Develop DAWN to automate borrowing, funding actions and investments by July 1997.
- Upgrade FACTS to collect budgetary general ledger accounts by September 1998.
- Continue to improve the exchange of information between Treasury systems and OMB systems.

2. Cross Servicing

Interagency cross servicing is another alternative for agencies to share resources, save money and provide more effective and efficient systems support to meet their operating requirements. It is seen primarily in personnel/payroll and somewhat in core accounting and grants. Although agencies traditionally have operated their own systems, and most plan to implement their own system, new opportunities are emerging for systems to be used by a number of agencies and users, especially in electronic commerce and debt collection. Agency attitudes toward being in control of their own systems still exist, however. The CFO Council has found that agencies requiring new systems are concerned that current offerings do not meet their needs, and that agencies are continuing to move forward with their own system implementation. They believe that demand could increase contingent upon both changing agency attitudes and increasing competitive, quality services provided by vendors.

G

Satisfaction with Products and Services

1. Level of Satisfaction

Agency participants were asked to rate their overall levels of satisfaction with existing financial management products and services. Results of the responses are found in Exhibit IV-7, with 1 being low in satisfaction and 5 being high.

Exhibit IV-8

Satisfaction Ratings by Products and Services



Financial services were ranked slightly higher than products by the responding agencies. The GSA was the only respondent to assign highest ranking to their current services, which actually are performed in-house. Other agencies, including those with in-house operations, assigned the services average levels of satisfaction.

2. What Is Not Being Accomplished?

A number of issues were addressed when agencies were asked to identify what is not being accomplished with their current financial management operations. Responses characterized the systems as:

- Labor intensive
- Restricting in activities/Lacking in reporting capabilities

- Time consuming (data entry and batch processing)
- Not user-friendly
- Expensive for report running
- Burdensome in reconciliation
- Not integrated
- Lacking in speed and accuracy
- Old technology even though it is new
- Lacking in systems software protection

Although the responses were reported broadly, frequency fell into the categories of systems being time consuming, not user-friendly, antiquated and lacking in reporting capabilities.

Responses show that agencies are dissatisfied not only with the function of the systems, although the majority of the responses revolved around this issue, but also with the financial professional services provided. Agencies are faced with a lack in expertise but, at the same time, a high cost for such support. They are finding that vendors provide junior level staff while the effective mid-level expertise are absent from the organized team. Even agencies that provide in-house services are experiencing a similar situation as expertise is stripped away with downsizing. The issue of having the right people in place is a primary restriction for many agency financial management functions.



Vendor Trends and Issues

The number of vendors servicing the federal government in the financial management systems market is quite low. Not many new vendors have penetrated the market since the CFO Act of 1990. INPUT received favorable responses from all vendors, however, during the data collection process. They were anxious to share their expertise, perceptions, and presence in the market.

INPUT expects vendor competition in federal financial management to be stepping up. Additional vendors are anticipating product certification in the near term, and vendors with previously certified products once again are entering the evaluation process with new products. The survey participants who are not federally involved are interested in learning more about its market through the results of this report and other sources.

Eleven vendors in total are profiled in this section according to their involvement with the financial management systems market and on the availability of marketing and product information. Survey results acquired from nine company executives and high-ranking marketing personnel are summarized in this section and the list of interviewed vendors can be found in Appendix D.

A

Agency Views on Leading Vendors

In a federal financial systems survey performed by INPUT in 1990, a small sample of agencies was asked to identify the leading federal financial software vendors. Of the six vendors mentioned at the time, only three were approved for the GSA Schedule and had core-compliant software. These vendors were American Management Systems (AMS), Computer Data Systems Incorporated (CDSI) and KPMG Peat Marwick.

The other three vendors cited, because agencies were using their software products, were Ernst & Young, Management Science America and Oracle.

Agencies again were asked during the survey for this study to share their opinion of the leading software vendors. Surprisingly, few vendors were identified, four of which were the same cited from seven years ago. Consistent with the responses from 1990, AMS was the most frequently identified among the participating agencies, with CDSI cited almost as many times. Others mentioned were KPMG Peat Marwick, Oracle, D&B Software, Digital Systems Group and PeopleSoft.

Many of the agency participants simply responded with no comment. Other respondents freely stated that they were not pleased or satisfied with any of the vendors of which they were aware. Agencies expressed particular dissatisfaction with the vendor method of charging and recharging from agency to agency for identical changes or modifications. They believe that this practice is getting old and that each and every vendor has drawbacks. The Federal Deposit Insurance Corporation, on the other hand, is quite satisfied in adapting to industry as a cost-effective means instead of being unique. Products developed by Walker fit very well with the business focus of FDIC.

B

Vendor Market Perspective

1. Factors Driving the Market

When vendors were asked to identify factors driving the federal financial management systems market, the responses were varied, falling into three categories of "influencers" (Exhibit V-1):

Exhibit V-1

Driving Market Factors

Influencers	Driving Factors
Agency Dynamics	<ul style="list-style-type: none"> • Federal budget cuts • Outsourcing • Year 2000 legacy systems • Pressure to run the federal government like a business
Oversight	<ul style="list-style-type: none"> • JFMIP guidelines • GAO reports for non-compliance • Performance reporting pressures • Public demand for better financial stewardship by the government
Technology	<ul style="list-style-type: none"> • Client/Server technology • Commercial off-the-shelf products

The responses are listed above with no particular emphasis on descending order; however, the factors instead are grouped into three general categories of influence. The first four issues above relate to the way in which agency dynamics influence the market of financial management. Agencies are faced with budget cuts as a result of the elevating pressures to balance the budget, a greater requirement for outsourcing to meet streamlining and downsizing measures, and a need to integrate legacy systems in the year 2000. Congressional pressures to run the federal government as a business are causing agencies to operate differently across functions that directly and indirectly impact financial management.

The next four market factors are influential in financial management oversight. The JFMIP will continue to be a significant body in revising and establishing systems requirements and be heavily involved with training and education throughout the implementation stages. As agencies are working with JFMIP and struggling to be compliant, their programs and activities are subject to audits and evaluation by the GAO at any given time. Published GAO reports highlighting a state of non-compliance contributes to press initiatives that formulate a perceived public pressure on the government. Agencies are also under additional pressures to report financial management performance to Congress.

The final two factors driving the government's financial management market address the issue of technology. Client/server will gradually influence the strategies and purchases of agencies over the next five to ten years. Emphasis will first be on the type of client/server products and the ways in which they match agency requirements for modification and the distributed process, and secondly the ways in which they can be weaved into the agency's budget constraints. COTS products also will drive the market not only through the types of products offered, but also through the level of competition to provide federally. Competition that is too strenuous could cause vendors to divert their resources elsewhere.

2. Market Inhibitors

Vendors also were asked to identify the market inhibitors facing new vendors entering the federal financial management systems market.

- Federal procurement process
- Certification process
- New technology acceptance.

Virtually all of the vendors were critical of the federal procurement process in general, characterizing it as slow and unappealing. Several vendors believe that agencies would benefit more by releasing a request for proposal stating "what" actual functions are needed instead of "how" functions should be provided. The federal procurement process was designed to aid purchasing but instead it has been recognized by financial management vendors as a hindrance to the government's ability to make sound decisions. Still, vendors have hope that procurement reform will eliminate what is seen as a burdensome hurdle for entry into the federal market.

While both vendors and agencies agree that certification is an effective means for agencies to assure purchases in compliance with government standards, vendors emphasize the certification process as an inhibitor to entering the federal market. Some vendors have opted out of the federal procurement process because they are spending less time developing new products and too much time trying to modify the old product to become certified and meet JFMIP requirements.

Vendors who are discouraged by the certification process should focus attention on its structure and availability improvements that currently are being reviewed and critiqued. The increased number of products by vendors who already have begun to take advantage of the less comprehensive and restricted process soon will be seen on the GSA FMSS

Schedule. The government has shown awareness of the primary vendor concern in investing the time and resources that are required to become certified.

Vendors also believe that the federal market is inhibited by its difficulty in accepting new technology. The government's strategy in financial management is not quite in line with the vendor's focus of changing the process rather than the software. Vendors would like agencies that are opting to modify and create functionality not already available through COTS products to focus on the capabilities of new technology that is available and efficient in meeting requirements. Many of the government's financial management functions today do not require state-of-the-art technology. Additionally, agencies may be forced to provide custom solutions at individual locations, resulting in an ultimately avoided duplicated effort, to meet deadlines set by oversight organizations. The CFO Council, OMB and Treasury realize the dynamics of the market and are putting forth great efforts to modify standards and processes that hinder financial management developments.

In 1990, vendors characterized federal financial management as a limited market. They perceived that even though there was a limited number of federal agencies and systems in the federal government as a whole, there was a lucrative after-market with the subagencies. Each agency's subagencies would require software and support services to match the parent agency's software. Although agencies are trying to coordinate among all subagencies, inclusive of field and regional offices, the market is now a "once implemented for many users" developed service at headquarters. The headquarters mainframe access for subagencies now is adopting the trend toward open systems and the downloading and distributed process enhancements of client/server solutions.

C

Vendor Profiles

Following are profiles of financial management vendors. These vendors were selected according to their significance in the market and the availability of product and marketing information.

1. American Management Systems (AMS)

4050 Legato Road
Fairfax, VA 22033-4003
Phone: (703) 267-8000

AMS provides COTS financial and administrative software and implementation support services for federal, state and local governments. AMS' Federal Financial System (FFS), a large-scale financial accounting application for federal agencies, is JFMIP compliant and has been implemented in more than 38 agencies. AMS supports federal financial management as a prime contractor and more significantly through the GSA Schedule, and does plan to add other packages that meet JFMIP standards. Key technology initiatives include distributed client/server financial management systems, client/server administrative systems, and reengineering of business processes and workflows, including integration of image technology in administrative and programmatic workflows and client/server tools for performance measurement and cost management. AMS has been involved with federal financial management for 10 years and receives 7% of its financial management revenue from this market.

2. Computer Data Systems, Inc. (CDSI)

One Curie Court
Rockville, MD 20850
Phone: (301) 921-7000

CDSI has sold financial software to the federal government for more than twenty years. CDSI's government client/server financial management system, i.e. FARS, was made available to federal, state and local government agencies through the GSA FMSS Schedule in November 1995. It is constructed using James Martin's Information Engineering Methodology and Texas Instruments CASE tool. i.e. FARS is said by CDSI to support two- and three-tier architectures, leading relational databases and, with few exceptions, every hardware and software combination available.

3. Digital Systems Group, Inc. (DSG)

650 Louis Drive, Suite 110
Warminster, PA 18974
Phone: (215) 443-5178

Notably, DSG's product has endured DoD downsizing where much of its federal business lies. DSG's Integrated Financial Management Information System (IFMIS) is designed to be interfaced easily with existing agency systems, to work with various LAN configurations and to run on different hardware platforms. IFMIS is JFMIP-compliant with general ledger, funds, cost, receipt, payment, and travel management and reporting and fixed assets available through GSA's FMSS Schedule. FEMA is the first federal civilian agency to use IFMIS. DSG has been involved with financial management in the federal government for 12 years as a prime contractor and Schedule holder, and recently has become a supplier to vendors with non-compliant products. About 95% of DSG's financial management revenues come from the federal market.

4. Dun & Bradstreet Software

3445 Peachtree Road, N.E.
Atlanta, GA 30326
Phone: (404) 239-2000

In 1993, Financial Stream applications for financial control and recordkeeping were released by Dun & Bradstreet as part of its SmartStream Series client/server-based enterprise automation solution. The Financial Stream product includes financial records, budget, payables, receivables, credit and asset management with budget also available as a standalone module. With less than 5% of financial management revenue coming from the federal market, Dun & Bradstreet has been federally involved for one year as a subcontractor, supplier and GSA Schedule holder. Although not yet JFMIP-compliant, they are working through the process.

5. ICF Information Technology, Inc.

9300 Lee Highway
Fairfax, VA 22031
Phone: (703) 934-3600

ICF provides off-the-shelf financial management and reporting software and support services. About 90% of its financial management revenue comes from the federal market as a prime, subcontractor, supplier and GSA Schedule holder. ICF has been involved federally for eight years, and both mainframe and client/server products are in full compliance with JFMIP. ICF's client/server package, Federal Financial Assistant (Finasst), is will be added to the GSA FMSS Schedule this spring.

6. KPMG Peat Marwick

2001 M Street, NW
Washington, D.C. 20036
Phone: (202) 467-3000

KPMG provides the federal government with a variety of products including a JFMIP-compliant General Ledger with an extensive variety of add-on modules. As one of the world's most diversified international tax, audit and management consulting firms, KPMG has focused on building partnerships and integrated market teams to expand service offerings. KPMG has provided to federal agencies as a prime and subcontractor, and has completed successfully the Software Capabilities Verification process for the GSA FMSS Schedule this year.

7. Oracle Systems Corporation

3 Bethesda Metro Center
Suite 1400
Bethesda, MD 20814
Phone: (301) 657-7860

Oracle has been involved with the federal financial market, from which it receives about 10% of its total financial management revenue, for five years. Leading technology options include workflow, electronic commerce, EDI, Web Service, Internet, and advance GUI interface with available plug-and-play connection to popular desktop software. Oracle plans to register packages in compliance with JFMIP in the near future. Success with the approval process was seen in 1994 when Oracle's Government

Financials, a family of integrated financial management products for federal agencies used for budget formulation and execution, cost accumulation and allocation, general ledger accounting, procurement, accounts payable, and accounts receivable, became listed on GSA's FMSS Schedule. This package has since expired, but Oracle continues its federal presence as a prime, subcontractor and supplier to government agencies.

8. Orion Microsystems Inc.

5th & Chestnuts Streets
Philadelphia, PA 19106
Phone: (215) 928-1119

Orion produced the GLOWS Core Financial System, which was the first non-mainframe GSA FMSS Schedule software product installed in the federal government. The GLOWS system has been installed at the Farm Credit Administration, Farm Credit System Insurance Corporation, National Mediation Board and the Federal Mediation and Conciliation Service. Orion has been supporting federal financial management systems for six years as a prime, subcontractor, supplier and GSA Schedule holder and all of Orion's packages meet JFMIP standards.

9. PeopleSoft, Inc.

1331 North California Blvd., Suite 400
Walnut Creek, CA 94596
Phone: (510) 946-9460

PeopleSoft's presence in the U.S. federal market is with its HRMS commercial package, which currently is being implemented by the Departments of Veterans Affairs and Justice. PeopleSoft since has announced that it would offer a federalized HR version in March of 1996. PeopleSoft offers a flexible product with best practices inherent in the software design. A federal division was established last year with plans to meet JFMIP compliance in 1997. PeopleSoft does offer a Financials product family, including general ledger, accounts receivable, accounts payable, and asset management modules, which is implemented in the Canadian Federal Government, International Monetary Fund and to some extent at the state and local levels.

10. SAP America, Inc.

300 Stevens Drive
Philadelphia, PA 19113
Phone: (610) 521-4500

SAP America currently offers two software systems: function-oriented R/2 software for the mainframe environment and process-oriented R/3 software for client/server technology. In September of last year, SAP announced its delivery of new and extended financial accounting functionality as part of the R/3 Release 3.0 enterprise application. Additions included new Activity Based Costing tools that are able to analyze the financial impact of Business Process Reengineering and expanded options for integrating and distributing financial accounting processes enterprisewide.

About 70% of SAP's revenue comes from product sales under a business strategy designed not to compete in the services industry. SAP's strong partner network certainly will support successful entry into the U.S. federal marketplace in which many of SAP's implementing partners already have become established. SAP America does not have a formal presence in the federal market, but has been involved with federal financial management for one year as a subcontractor. They are planning to provide packages that meet JFMIP standards next year.



Market Analysis and Forecast

This chapter presents an analysis and growth forecast for the federal government's financial management systems market for the fiscal years 1995–2000. The forecast is based on actual numbers reported by the agencies to the OMB for information technology budgeted spending for the fiscal years 1994 (actual), 1995 (estimate), and 1996 (forecast). Other numbers characterizing segments of the financial management market are used to augment these budget numbers. Active contracts and planned programs also are analyzed to assist in setting overall budget levels and to examine specific products and services to be procured to support financial management requirements.

A

Agency Reporting

Because of continuous concerns that federal agencies were not progressing in the attainment of effective financial management, OMB required that expected spending levels for information technology supporting financial management systems be reported in exhibits to the A-11 annual documents. For two years, these numbers were available for public awareness and scrutiny, but OMB used them to assure that appropriate expenditures were being identified to accomplish financial management objectives.

The degree to which agency numbers for financial management spending were subjected to review by the central oversight agencies is difficult to determine. Nevertheless, information technology budget levels reported by the agencies were consistent with spending levels identified in anticipated contracts for financial management programs. Budget reporting for the fiscal 1994 period is shown in Exhibit VI-1.

In general, in support of financial management, agencies report plans to spend 10 percent of the amount they spend for IT. This is demonstrated by the special reporting to OMB for financial management shown for fiscal 1994 in Exhibit VI-1. Departments that have no dollar figures assigned for financial management are department oversights, and do not indicate that no spending is anticipated.

Exhibit VI-1

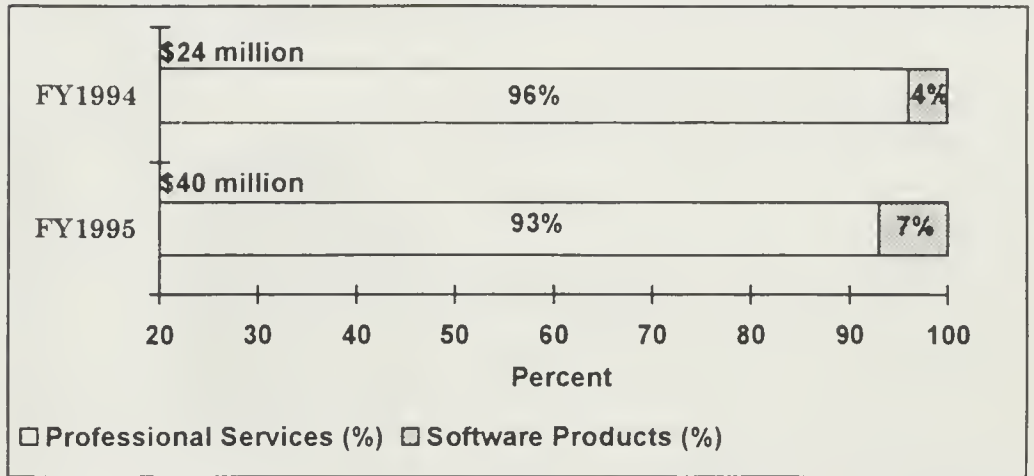
IT Budget Levels Reported for Financial Management - FY1994

Department	FM (\$ million)	TOTAL IT (\$ million)
Agriculture	128	1,246
Commerce	19	630
Education	71	216
Energy	*	1,881
HHS (with SSA)	198	2,825
HUD	30	139
Justice	*	851
Interior	182	534
Labor	35	156
State	18	346
Treasury	122	1,796
Transportation**	6	558
Veterans Affairs	*	661
TOTAL REPORTED:	809	11,839
** Not Including FAA	*Not Available	

The General Services Administration developed a special contract schedule for financial management technical services under its Federal Supply program. According to GSA, FY1994 FMSS purchase orders totaled \$24 million. Because GSA does not permit these special contracts to be used for product distribution, professional services accounted for 96% of this total. For FY1995, \$40 million was spent on schedule purchases with 93% accounted for by professional services, as shown in Exhibit VI-2. Software products account for the remaining dollars; no hardware is distributed.

Exhibit VI-2

Distribution of Dollars for Federal Supply Schedule Purchases



Source: General Services Administration

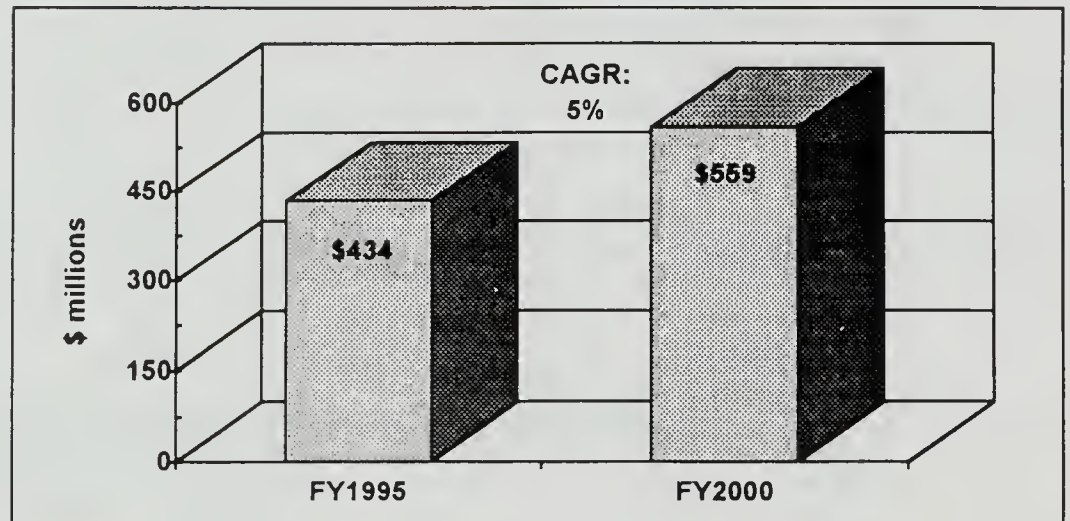
B

Market Forecast

Because of completion of system upgrades, implementation of new systems, and financial management systems consolidation INPUT expects that the financial market will grow at a relatively healthy rate over the next three years but will level off after that. Through FY1998, annual growth will occur at 8% and then fall to 2%. By comparison, the overall IT growth rate for constant dollars, from \$19 billion to \$25 billion, for the same five year period is 6%. Exhibit VI-3 shows the anticipated growth over the five-year period from fiscal 1995 to fiscal 2000.

Exhibit VI-3

Financial Management Growth of IT Spending



In 1990, INPUT forecast the federal financial management market to grow to \$146 million for fiscal year 1995 at a compound annual growth rate of 9%. Actual reported spending for FY95 was significantly higher than the forecast levels because of a number of factors. Sensitivity to FM needs was significantly increased since the last report by a number of GAO audit reports. As a result of some failed attempts by OMB to demonstrate effective management by the agencies in light of these reports, special requirements were levied explicitly requiring agencies to report actions and dollars specifically aimed at improving FM. Agencies specified higher levels of spending in response, and new FM support programs were developed with special funding created to assure improved systems.

Much of the FM improvement efforts have been accomplished or are underway, as reported in several government reports, including GAO audits. Remaining efforts are aimed at completing requirements. These efforts will continue over the next three years. Following that, consolidation of FM systems will reduce overall spending on operations, and existing support systems will undergo maintenance and some upgrade. Professional services functions will demand most of the spending, while any software products likely will be COTS. Very little hardware will be required except to improve telecommunications capabilities. Major FM applications continue to operate on mainframes acting as databases and as servers on distributed networks.

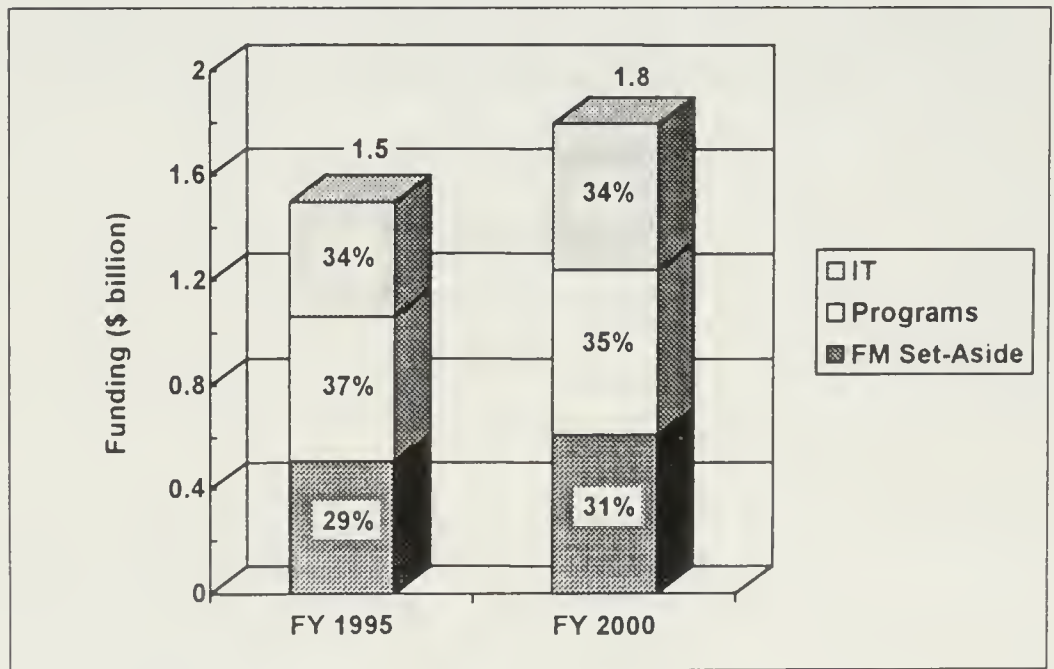
Growth in this market is not limited by the size of the government's information technology budgets. In response to questions specifically

addressing sources of funding for financial management support, agencies reported that almost 29% would come from IT. Other sources of funding include appropriated funds for financial management programs and special funding set-asides for financial management support. These percentages of funding sources can be taken from the \$1.6 billion to be spent on financial management systems as estimated in the FY 1996 President's budget.

INPUT expects the federal financial management systems market to expand to \$1.8 billion by FY2000. The increase seen in the IT portion is a result of the government's greater dependency on commercial products in replace of developmental. The decreased percent of program funding reflects the aggressive plans for government downsizing. The proportional distribution of total financial management support from FY1995 to FY2000 can be found in Exhibit VI-4.

Exhibit VI-4

Sources of Funding for Financial Management Support



The distribution of funding differs from agency to agency, according to questionnaire results. The Department of State respondent, for example, reported that the agency depends solely on its IT budget for financial management support. The NASA respondent reported that funding comes solely from set-aside dollars. The respondent from GSA reported that FM spending depends solely on program budgets. Federal Emergency Management Agency (FEMA) distributes its funding across all three

sources. There is no known statute or regulation that requires an agency to use one source or another for FM support.

C

Market Distribution and Direction

Five years ago, spending for financial management support was distributed across three areas: professional services, software products, and computer equipment. Today, financial management is viewed as a distributed system with field offices accessing the same databases as maintained for headquarters sites. The distribution shown in Exhibit VI-5 shows how agencies are expected to distribute their FM dollars for support. Distribution is based on planned FM support contracts expected to be awarded during the 5-year period.

Exhibit VI-5

IT Distribution of Financial Management Dollars (\$ million)

Service Mode	FY1995	FY2000	CAGR
Professional Services	178	236	6%
Software Products	104	132	5%
Computer Products	130	145	2%
Telecom Equipment	22	46	16%
Total	434	559	5%

Future financial management contracts characteristically will feature commercial solutions. Off-the-shelf products will be distributed by individual contracts that specifically require commercial requirements. Services will be solicited as part of these contracts or will be obtained from FM federal supply contracts. Hardware processor platforms already exist, although one agency, Administrative Office of the U.S. Courts, will be purchasing small numbers of desktop processors as part of an agency-wide system to make financial management applications running centrally on a mainframe computer available throughout its 94 judicial districts.

Integration of financial management networks also will dominate future spending as agencies, particularly the DoD, complete its consolidation programs. DoD expects to consolidate more than 300 financial and

accounting centers into 26 sites before the year 2001. These consolidations are expected to generate productivity savings of \$30 million in FY1996 and as much as \$100 million by the year 2001, according to the President's 1996 budget.

The government also is moving more aggressively toward electronic commerce. Therefore, financial management will figure largely in mature EC applications. This market expansion is not expected to occur before 1998 because of the current short term focus of government on merely purchasing commercial items from network systems as an implementation of electronic commerce rather than exploring more fully electronic data interchange for transfer of financial data for budgets, ordering, funds transfer, and payments. Electronic commerce market numbers are not included in the financial management market growth numbers.

Based on information available today, and in the absence of serious, continuing concerns for financial improvement in the federal government, this market can be expected to be healthy for at least three more years, but gradually will decline during years four and five of the forecast period.

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Conclusions and Recommendations

This section suggests ways in which vendors can contribute to the government's financial management strategies and decisions. As financial management improvements progress, the government continues to formulate a definition of the future market. The government is aware that a strong, centralized direction in financial management is needed and considers the vendor a key contributor. Many initiatives are being coordinated primarily by the CFO Council to develop strategies and to ensure development progression. Vendors' participation is encouraged and desired in these activities, including the ones highlighted below.

A

Market Definition

The CFO Council recently has made strategic recommendations for its new set of financial management goals. A vision directly influencing vendors is the Council's goal to establish relationships and strengthen communication with the private sector. Vendors should reciprocate communication efforts of the CFO Council to become more aware of agency requirements and of the market opportunities that exist.

The regularly scheduled meetings that the Council's Financial Systems Committee plans to hold with vendors are ideal opportunities for vendors to influence the direction of the financial management market. The Committee plans to work with vendors on determining how best to address the information needs and technology issues of the government. Vendors will be able to provide solutions for agency requirements through demonstrated use of their products and services and contribute to market evaluations designed to educate federal employees.

B

Vendor Awareness

The result of INPUT's recent survey and past surveys of the CFO Council Committees confirms that agencies lack knowledge and awareness of potential financial management vendors. Agencies are not informed of the many vendors who have attempted the SCV Test or of the new vendors that shortly will be certified to provide products. Without knowing of new options to be made available through the GSA FMSS Schedule, agencies turn to the waiver process for their products. The waiver process would be exercised less by agencies who temporarily could postpone purchasing until new Schedule products are available. Vendors can work with the CFO Council and GSA in establishing a means for informing and updating agencies of all FMSS Schedule activities.

Vendors also can increase their visibility in the market by initiating a recently suggested idea of the CFO Council. The Council's Financial Systems Committee recommends consideration of an Internet site as well as demonstration sites at federal installations, both of which would highlight vendor product capabilities. Agencies would become aware of the vendors in the market, and vendors would be informed promptly of new requirements and changes to existing requirements for financial systems as they are being developed.

C

FinanceNet

Vendors should take advantage of the activities occurring electronically within the federal financial management systems market. FinanceNet (<http://www.financenet.gov>), a place on the World Wide Web and Internet browsers, is to facilitate communication among federal, state, local, and private sector efforts of reinventing financial management in the government. The mission of FinanceNet is to

“...serve as a vehicle and catalyst for continuous improvement and innovation, at all levels of government, in the accountability and stewardship of taxpayer resources by impacting financial management resources, practices, policies, and professional standards through the sharing of best practices and dissemination of electronic information.”

On FinanceNet, vendors can keep abreast of new information on financial management topics and take part in open discussions on issues related to

those topics. Vendors can subscribe to Internet mailing lists to receive recent news on selected topics of interest, including performance measures, financial audits, payroll, procurement issues, financial personnel and training, financial systems, financial policy and more. As part of the discussion activities, vendors also are encouraged to post useful documents, news or announcements of their own.

Each FinanceNet mailing list is maintained and monitored by a knowledgeable member of the FinanceNet Core Team Users' Group. FinanceNet is sponsored by the CFO Council, coordinated and supported by a Core Team at Vice President Gore's National Performance Review Office and operated by the National Science Foundation.

D

Summary

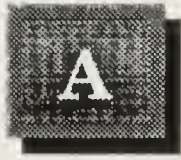
Financial Management improvement in the federal government is indeed a long-term and continuous process. As seen in the market forecast chapter, INPUT expects the financial market to grow at a relatively healthy rate for the next three years. Federal spending will be demanded mostly by professional services functions while software products likely will be off the shelf. Agency resources also will be spent on telecommunication capabilities where they do not already exist.

The CFO Council and other oversight bodies are aware that financial management progress in the federal government is moving quite slowly. The particularly slow progress is occurring in the development of financial systems themselves because of their size and complexities. Agencies are being encouraged by the CFO Council to express to Congress their staffing and funding requirements for continued financial management systems improvement. Pressure is being placed on federal financial and program managers to indicate what is needed to ensure the production of required and quality financial information.

As agencies continue to improve, build and alter financial management systems, they simultaneously are trying to anticipate the financial software industry's direction. The CFO Council, in its efforts to upgrade and modernize federal financial management systems, is struggling to grasp the private sector's developments and the correlation to federal requirements. Instead, vendors need to open communication channels and provide the government with an accurate definition of new and developing technology. Vendors need to relate these technologies to

individual agency requirements and provide justification for changes and replacements involved.

Prior to the CFO Act of 1990, the government had no requirement to prepare a financial audit of its agencies and departments at year end. Perhaps if the federal government of the United States, one of the largest financial operations worldwide, can produce a consolidated financial statement in fiscal year 1997, other governments around the world might find an interest in the process and the vendors who support such an accomplishment. For now, if the acceleration that has occurred over the past three years is to continue, vendors must contribute to open the communication that the government promotes and the strategy decisions that agencies face.



Federal Agency Respondent Profile

Interviews for this study were conducted primarily by telephone and a few by facsimile. The interviewed respondents at the agencies listed below include CFO Office staff in financial systems management, operations, planning and research branches as well as Information Resources Management officials.

Department of Education

Department of Energy

Environmental Protection Agency

Federal Deposit Insurance Corporation

Federal Emergency Management Agency

General Services Administration

Department of Labor

NASA

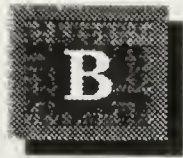
National Science Foundation

Small Business Administration

Department of State

Department of Veterans Affairs

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Letter to Agencies Interviewed

February 7, 1996

Dear Agency Official:

INPUT is conducting a survey to identify issues concerning financial management systems within the federal government. The results of this survey will help vendors to understand agency requirements and to better plan their strategies to compete in the federal financial systems market. We would like to include your organization's activities in our survey, and in return, provide you with the Executive Summary of our report. Your organization's participation is important in developing a comprehensive analysis of financial management systems in the federal government.

We will be contacting you in the next few days to confirm your interest in our survey and to collect the necessary information. To acquaint you with the information desired, attached is the research questionnaire which we will complete during the telephone interview. This interview should take no more than fifteen minutes of your time. Although our experience is that the dialog of an interactive interview significantly enhances the quality of information gathered, we recognize your time constraints. If you prefer, a completed questionnaire faxed back to us would be greatly appreciated as well.

We hope to complete the research for this report in the next few weeks and would appreciate your response as soon as possible. All information obtained by this survey is confidential. Only a summary and analysis of the information is represented in our report. Responding agencies will be identified, but officials will not.

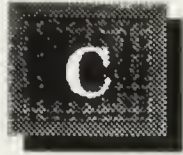
Feedback from you and your peers on our reports and information sharing has been very positive. Please inform me of any ideas and suggestions you may have about how our understanding of technology needs, issues or direction of the federal user community could be of use to you. Thank you for your time and cooperation with our data collection process.

Sincerely,

Scott W. Lewis

Vice President

INPUT



Participating Vendors

Vendors surveyed for this report were selected according to their visibility in the financial management systems market. Most of the vendors currently are providing products and services in the federal market while some vendors recently have begun to explore federal business potential. Survey respondents included company executives and high-ranking marketing personal. Vendor trends and issues discussed in Chapter V represent the views of the following companies:

American Management Systems (AMS)

4050 Legato Road
Fairfax, VA 22033-4003
Phone: (703) 267-8000

Coopers & Lybrand

1530 Wilson Blvd.
Arlington, VA 22209
Phone: (703) 908-1500

Digital Systems Group, Inc. (DSG)

650 Louis Drive, Suite 110
Warminster, PA 18974
Phone: (215) 443-5178

Dun & Bradstreet Software

3445 Peachtree Road, N.E.
Atlanta, GA 30326
Phone: (404) 239-2000

ICF Information Technology, Inc.

9300 Lee Highway
Fairfax, VA 22031
Phone: (703) 934-3600

Oracle Systems Corporation

500 Oracle Parkway
Redwood Shores, CA 94065
Phone: (415) 506-7000

Orion Microsystems Inc.

5th & Chestnuts Streets
Philadelphia, PA 19106
Phone: (215) 928-1119

Price Waterhouse

1616 N. Fort Myer Drive
Arlington, VA 22209
Phone: (703) 741-1000

SAP America, Inc.

300 Stevens Drive
Philadelphia, PA 19113
Phone: (610) 521-4500

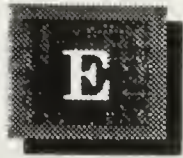


Glossary of Federal Acronyms

Acronyms and contract terms that appear throughout this document are identified below. These acronyms were encountered during research and interviewing for this report and are important in analysis of the financial management systems market.

BPR	Business Process Reengineering
CAGR	Compound Annual Growth Rate
CFO	Chief Financial Officer
COTS	Commercial-off-the-shelf
DoD	Department of Defense
EC	Electronic Commerce
EDI	Electronic Data Interchange
EPA	Environmental Protection Agency
FAR	Federal Acquisition Regulations
FASAB	Federal Accounting Standards Advisory Board
FEMA	Federal Emergency Management Agency
FIRMR	Federal Information Resources Management Regulations
FMS	Treasury's Financial Management Service
FMSS	Financial Management Systems Software
FY	Fiscal Year

GAO	General Accounting Office
GMRA	Government Management Reform Act
GOALS	Government On-line Accounting Link System
GPRA	Government Performance and Results Act
GSA	General Services Administration
HUD	Department of Housing and Urban Development
IRM	Information Resources Management
IRS	Internal Revenue Service
IT	Information Technology
JFMIP	Joint Financial Management Improvement Program
LAN	Local Area Network
LOI	Letter of Intent
MAR	INPUT's Market Analysis Program
NASA	National Aeronautics and Space Administration
NPR	National Performance Review
NSF	National Science Foundation
OPM	Office of Personnel Management
OMB	Office of Management and Budget
PAR	INPUT's Procurement Analysis Report
PBX	Private Branch Exchange
SBA	Small Business Administration
SCV	Software Capabilities Verification
STAR	Treasury's Governmentwide Central Accounting System
USDA	U.S. Department of Agriculture



Questionnaires

Agency Questionnaire

Federal Financial Management Systems

1. What is the **organization of financial management** within your agency? What are **your functions** in supporting financial management?

2. What **standards** apply to your area of functional responsibility?

3. How does your agency **obtain the necessary support** for financial management requirements?

4. On what **hardware platform** does your system currently run?

5. a. What **commercial products** and **vendor services** are currently being used?

- b. What areas of financial management do they address?

6. Is your current system compliant with the **JFMIP Core Requirements**?
 _____ YES _____ NO

7. a. What is your **level of satisfaction** with the **existing support**?
 (1 being low and 5 being high)

Products	1	2	3	4	5
Services	1	2	3	4	5

b. What is not being accomplished?

8. In your opinion, what are the **trouble spots** with your current technical architecture?

9. Does your agency plan to acquire a **new financial system** or an **upgrade to the system** within _____ 1 year _____ 3 years
 _____ 5 years

Comments: _____

10. a. Does your agency plan to migrate FMS to a **client/server application**?

_____ YES _____ NO

b. If yes, when? _____ 1 year _____ 3 years _____ 5 years

c. Are there funds budgeted to support this migration?

_____ YES _____ NO

11. Does your agency plan to provide FMS access directly to **field/regional offices**?

_____ YES _____ NO _____ Already provided

Comments: _____

12. What does your agency **spend annually** on financial management systems? _____

13. Do you expect your **agency's spending** on financial management systems over the next five years to :

- Increase dramatically _____
- Increase somewhat _____
- Remain the same _____
- Decrease somewhat _____
- Decrease dramatically _____

Comments: _____

14. What portion of your agency's funding for Financial Management Systems will be from:

- IT spending _____ %
- Program budgets _____ %
- Financial management set-aside funds _____ %
- Other _____ %

15. Do you have **sufficient resources** (staffing, funding etc.) to meet the financial management plans of your agency?

16. How does your agency **plan to acquire** financial management **products and services** over the next five years?

- Competitive Procurement _____ %
- GSA Schedule _____ %
- Other _____ %

17. In your opinion, who are the **leading financial software vendors**?

Thank you for your time and consideration

Vendor Questionnaire

Federal Financial Management Systems

1. What is your company's primary business focus in the financial management systems market?

2. In what functional areas is your company currently involved with financial management?

Acquisition	_____
Budget Formulation	_____
Core Financial	_____
Travel	_____
Personnel/Payroll	_____
Inventory/Property	_____
Revenue	_____
Loan	_____
Executive Information System	_____
Other	_____

3. Roughly what percent of your financial management revenue comes from the federal market? _____ %

4. For how many years have you been involved with the federal financial management systems market? _____ Years

5. How do you support financial management in the federal government?

Prime Contractor	_____
Subcontractor	_____
Supplier	_____
GSA Schedule holder	_____

Comments: _____

6. In which agencies does your company currently have a presence?

7. In your view, are there any market inhibitors facing new vendors entering the federal financial management systems market?

8. What internal and external factors will drive this market?

SOFTWARE COMPANIES:

9. Are you familiar with the JFMIP Core Financial System requirements?

_____ YES _____ NO

10. Which of your company's packages meet JFMIP standards?

11. Do you plan to add other packages which meet JFMIP standards?

_____ YES _____ NO

If yes, which ones?

12. Is your software currently listed on the GSA FMSS schedule?

_____ YES _____ NO

Thank you for your time and consideration

(Blank)



High Risk Financial Management Systems

In January 1990, GAO initiated a “high risk” program to identify problems and recommend solutions for agencies having financial management systems in need of special attention. GAO initially identified 14 areas as being particularly vulnerable to major losses of federal funds because of waste, fraud, abuse or mismanagement. In that year, GAO initiated 140 audits in the 14 “high risk” areas and issued 38 audit reports or testimonies.

Today, a High Risk List Progress Report on financial management systems appears in the President’s budget. The FY 1996 report includes 20 financial management systems across all executive agencies. Sixteen remain “high risk” while four of the systems are in the process of being deleted from the list because the agency is taking appropriate measures. Nine of the 16 are at the agencywide level within CFO agencies, four are in individual bureaus and three are in agencies not covered by the CFO Act. Agencies under the Act having High Risk financial management systems, as stated in the FY 1994 FMS Status Report of the Chief Financial Officers Council, are listed here.

HIGH RISK FINANCIAL MANAGEMENT SYSTEMS

AGENCY	SYSTEM
USDA	Agencywide
Commerce	Agencywide
Defense	Agencywide
Education	Agencywide
HUD	Agencywide
Interior	Bureau of Indian Affairs
Justice	INS and U.S. Marshalls Service
State	Agencywide
Treasury	U.S. Customs Service
USAID	Agencywide
EPA	Agencywide
NASA	Agencywide

