

**Statement by Karen Cleary Alderman, Executive Director
Joint Financial Management Improvement Program (JFMIP)
Before the
Subcommittee on Government Efficiency and Financial Management
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Thank you for the opportunity for the Joint Financial Management Improvement Program (JFMIP) to discuss the topic of Federal agency financial systems and compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA). The mission of the JFMIP is to improve financial management practices in the federal government through the joint and cooperative efforts of the U.S. Department of the Treasury (Treasury), the General Accounting Office (GAO), the Office of Management and Budget (OMB), and the Office of Personnel Management (OPM). JFMIP works cooperatively with federal agencies, the Chief Financial Officers (CFO) Council, and others to achieve its mission.

Financial management systems that support federal accounting needs are one of the key pillars for achieving the improvement in financial management envisioned by the CFO Act. Enactment of FFMIA focused attention on the system structure needed to crystallize this vision. JFMIP is working to bring about the changes needed to ensure that federal agencies have the tools for building financial systems that can deliver useful, timely, and reliable financial information that is crucial to the decision-making process.

Specifically, the JFMIP coordinates the development and publication of functional requirements documents for federal financial management systems¹ and facilitates information exchange among all stakeholders, both in the public and private sectors. A separate Program Management Office (PMO), under the direction of the JFMIP Executive Director, is responsible for testing and qualifying core financial system software for Federal agency use. My testimony highlights ongoing JFMIP Program Management Office efforts to improve core financial management systems used by federal agencies.

¹ GAO's role with respect to developing and publishing functional requirements for federal financial management systems is limited to providing technical advice for Executive Branch consideration. The Office of Management and Budget and the Department of Treasury establish federal financial management system policy.

Overview of the Software Certification Process

Prior to 1999, testing of federal core financial system software was accomplished in connection with the mandatory General Services Administration schedule for Financial Management System Software (FMSS). Information regarding the testing process was limited. The test addressed less than one third of the existing Core Requirements. Arrangements for the software testing relied upon agency volunteers and other ad hoc approaches. The result was that agencies procured core financial management systems that typically required extensive customization or work arounds at increased cost and risk, including some major failures in implementing core financial systems.

In the late 1990's, the CFO Council began funding a separate Program Management Office under the direction of the JFMIP Executive Director to establish a comprehensive testing and qualification process to ensure that core financial management system (FMS) software acquired by federal agencies supports published standard requirements. Core FMS requirements include: Funds Management, Cost Management, General Ledger Management, Payment Management, Receivable Management, System Management and Reporting. In 1999, OMB updated Circular A-127 "Financial Management Systems," to require that Federal agencies replacing core financial system software may only acquire "off-the-shelf" software that has been tested and certified through the JFMIP Program Management Office as meeting JFMIP Core Financial System Requirements.

Under this process, the JFMIP Program Management Office develops testing policy and administers a qualification test to prospective vendors. JFMIP issues a 3-year certificate of compliance to versions of software packages that pass 100 percent of the test steps. In addition, those software packages that have earned certificates are subject to periodic testing of new and/or changed requirements; this provides a process to keep the software offerings aligned with federal core financial system requirements. The "baseline" tests (once every three years) and the incremental tests (once per year based on government need) result in vendor software enhancements that reduce agency cost and risk not only when they implement a new core financial system, but also when an agency with

implemented vendor software upgrades to a new version release. Through this process agencies are able to take advantage of periodic version upgrades to meet new federal functional requirements as part of their cost of maintenance agreements and a small upgrade cost.

Certification testing is a comprehensive, traceable (to requirements) and transparent process to determine whether FMS applications support mandatory core requirements. The 2003 qualification test includes about 730 test steps using approximately 1500 transactions to evaluate software ability to support 331 mandatory core requirements. As of October 29, 2003, 4 vendor software packages passed the 2003 core financial system test, based on requirements published in November 2001. JFMIP posts supplemental information at www.jfmip.gov to assist stakeholders to evaluate tested software products.

Vendor Name	Product	Version	Test Results	Effective Date	Expiration Date
SAP Public Services, Inc. (SAP)	mySAP ERP with Enterprise Add-on for Public Sector and Extension Set	v4.7	Passed	6/10/2003	6/30/2006
American Management Systems, Inc. (AMS)	Momentum Financials	v5.0	Passed	6/12/2003	6/30/2006
Digital Systems Group, Inc.	Integrated Financial Management Information Systems (IFMIS)	v6.0	Passed	6/25/2003	6/30/2006
Oracle Corporation	Oracle E-Business Suite 11i	11i.9	Passed	9/10/2003	9/9/2006

In addition to the certificates that have been issued, PeopleSoft's product, Financial Management Solutions version 8.8, and Savantage's product, Altimate version 3.0 are currently being tested.

The testing process is designed to ensure software functionality improves over time and addresses changes in federal functional requirements. Since the PMO was given testing responsibility in 1999, the Core Requirements have been more rigorously defined and the testing has been made more comprehensive to require software to better support government needs. Concurrently, the number of core financial management software

products has dropped from 11 on the then mandatory GSA schedule to the current 4, with the potential of 6 products, after this round of testing is complete.

The Value of the Certification Process as it Relates to Private-Sector Vendors

As opposed to the earlier “closed” testing process, the private-sector vendors now have one source for information about federal core requirements. In addition, the PMO has partnered with various Treasury processing organizations to provide vendors with test facilities to ensure that their products meet Treasury processing requirements prior to test and/or implementation in agencies.

Centralized certification leverages the federal community’s ability to ensure that the software offerings remain up to date with changing federal requirements and, consequently, reduces agency cost and risk associated with customization. However, the testing process does not assess the suitability of a FMS application for all potential operating environments and does not address computing performance (e.g., user capacity, response time, transaction throughput). Consequently, the certification process should be considered entry criteria for federal use. Agencies must still perform due diligence in evaluating the best fit among potential products to their specific needs.

Finally, vendors that cannot produce products that meet federal core requirements are not allowed admission to the Federal market. This benefits those private-sector vendors that are committed to the Federal market and provides a more level “playing field” for those that offer software products that in fact do meet the Federal Core Requirements.

An indicator of the impact of a strong testing protocol is the availability and use of COTS by Federal agencies. A comparison of 1999 and 2003 data for civilian agencies² is instructive. In this period, COTS FMS software products were improved to include greater functional complexity to meet federal funds control and reporting requirements. Civilian agencies reported much greater rate of use of core systems without modifying

² Source: Office of Management and Budget, Financial Management System Inventory, 2003.

source code. The most notable change is for systems in development. In 1999, only 2 of the 8 core financial systems in development (**25** percent) relied on “pure” COTS. In 2003, 10 of the 13 systems in development (**77** percent) rely on “pure” COTS.

Systems “in development” highlight the direction of change for core financial systems. Of the 199 core financial applications that were operational, being phased in, or in development in civilian agencies in 1999, only **18** percent were uncustomized COTS, an additional **27** percent of applications were COTS with modified source code, and **55** percent were agency developed applications. By 2003, the “pure” COTS made up **27** percent of the 200 core financial management system applications in operation, being phased in, or in development by civilian agencies, customized COTS accounted for **28** percent, and agency developed applications dropped to **46** percent of the total.

Vision of the JFMIP PMO’s Continuing Role as Systems are Implemented

The JFMIP Program Management Office will continue to leverage federal resources for the benefit of all departments and agencies. Accordingly, the government achieves efficiencies by having a dedicated body that manages the process of defining, interpreting, maintaining and testing federal core system requirements on behalf of all agencies. The test generates objective evidence that an FMS application can support all functionality defined as mandatory in the JFMIP *Core Financial System Requirements* document.

The development of core requirements and the measurement of software compliance is a continuous process of communication between the Federal community and private sector vendors. Federal requirements will continue to evolve. For example, the recently established requirement, under the e-government integrated acquisition environment initiative, that vendor file information come from the central contractor registration (CCR) system will be included in the 2004 incremental test. Through this process the JFMIP Program Management Office will help ensure that new federal requirements are effectively and efficiently communicated to vendors in a manner that they can

incorporate the functionality into their baseline products. The established JFMIP testing and qualification process helps ensure that future COTS versions offered to the government will support evolving federal requirements.

Mr. Chairman, I am pleased to be able to participate in this hearing today and look forward to continuing to contribute to the government's progress in improving financial systems and financial management. This concludes my prepared statement. I would be pleased to respond to any questions that you or other members of the subcommittee may have.