



Statement of

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Mr. Chairman, Ranking Member Towns, I am Wayne Bobby, Director of Solutions for Finance and Administration at Oracle Federal. I appreciate the opportunity to appear before you today, and ask that my entire prepared statement be made a part of the record.

Mr. Chairman, Oracle is the world's largest enterprise software company. We provide information management software solutions to 98 out of the Fortune 100, and to hundreds of departments and agencies in federal, state and local governments. Oracle began twenty-six years ago as a project within the intelligence community to better manage its vast quantities of information simply and securely. Whether the information management challenges revolve around the finances of a US multinational enterprise, or the most sensitive data held by our US intelligence community, Oracle has been an industry leader in providing innovative solutions to meet these challenges.

I must confess that I have been engaged in the unique challenges of Federal Financial Management for almost as long as Oracle has been in existence. Prior to joining Oracle Corporation in 1997, I spent seventeen years in support of financial management systems and operations at the Department of State.

I am proud of my years of service in the federal government. One of the reasons why I joined Oracle was how much the people there valued the partnerships they have with the federal government. Central to that partnership is working with the Office of Management and Budget and the program office of the Joint Financial Management Improvement Program (JFMIP) to ensure that Oracle's Federal Financial Management solutions are in line and responsive to the needs of federal agencies and departments. We support the software certification process established by the JFMIP. It is a necessary and integral part of the overall federal financial management reform effort. It sets a minimum baseline that all vendors have to satisfy in order to be qualified to serve the financial systems needs of federal agencies.

The JFMIP certification process has evolved and matured over the years. The process is now far more thorough and comprehensive than it was initially. Oracle's Federal Financial applications have been certified with JFMIP since 1996 and we have a team of professionals located in Reston, Virginia who are totally dedicated to this effort.

Today, Oracle financial applications are implemented or are in the process of being implemented at more than forty departments and agencies in the federal government. For instance, Oracle Federal Financials are "live" within the many organizations that make up the Department of Transportation as well as the Department of Education. Both of these cabinet-level agencies received a clean audit opinion of their agency financial statements for Fiscal Year 2002. Within the Department of Defense community, Oracle financial applications are in production at the Military Sealift Command, the Military Traffic Management Command, and the TRICARE Management Activity, just to name a few. With the start of a new fiscal year, Oracle Federal Financials has recently begun implementations at the Social Security Administration, the Department of Veterans Affairs, the Peace Corps and the National Institutes of Health.

Simply implementing the latest and greatest software solution on financial management is not a panacea – whether you're in the private or public sectors. That is certainly true within the federal government, where the challenges involved in achieving a clean audit opinion on an agency-wide financial statement and satisfying numerous accountability requirements are much more involved than simply installing and using commercial off-the-shelf software.

Let me explain what I mean. For many agencies, the decision to purchase and implement a new financial management system is a huge step. As you well know Mr. Chairman, many agencies today are running on financial management systems that are ten to twenty years old. Those systems, including many that pre-date the 1990 Chief Financial Officers Act, are primarily transaction-based systems used to process high volumes of data. They were never designed to meet today's financial reporting or performance management requirements. The personnel involved to define requirements and select the new financial management system may have never been involved in that process before in their careers. In most cases, those same people have ongoing financial operations responsibilities, which limits the amount of time they can dedicate to implement a new financial system. The project or program manager assigned to such an important role may have never managed a project of this magnitude before in their career.

In addition, agency decisions to move ahead and implement new administrative systems are often done in functional silos. In other words, the financial management organization gathers requirements and purchases a new financial system; the human resources organization does the same thing for human resources; and the logistics and procurements organizations each are off doing the same sort of activity, and so on. All of these organizations have their own best intentions in mind. However, all of these organizations and activities have a financial impact on the agency or department. It would be far more productive to analyze the financial impacts and requirements across all of these disciplines and program activities. However, gaining consensus and coordinating a program of that size is far more complex than doing them individually. What results then is a number of disparate administrative solutions that require expensive interfaces and workarounds to maintain and support.

Clearly, its not just legacy systems that need updating, but legacy approaches – the tendency to stovepipe, and the complexity involved in attempting to link these stovepipes together. The problem is not unique to the public sector. Oracle itself operated in a similar fashion when I joined the company in 1997. For us, it required a paradigm shift away from a functional, fragmented structure to a more enterprise approach toward information management. This is critically important, because what we often found were customers who would take today's enterprise oriented commercial software and attempt to modify it to work in yesterday's functional system. They were trying to make the software work to further perpetuate their old processes. We faced those tendencies as well. JFMIP was designed to ensure software adapts to meet today's requirements. Similarly, practices and processes have to adapt as well.

Let me leave you with three ideas on how an effective enterprise approach can be utilized to solve the fragmentation challenge. These ideas involve access, standardization and sourcing.

When our CEO, Larry Ellison, made the decision to apply our enterprise software to our own company, financial information was everywhere – on different databases in different operations in different offices all over the globe. The same problem exists in the federal government. While mutual functions among agencies will help eliminate redundancies and reduce costs, a simple data model – a single source of truth -- can make these agencies both cost and mission effective. For example, there was plenty of information about the 9/11 plotters scattered throughout our law enforcement and intelligence systems, but no way to bring that information together real-time. A simple, unified data model containing information on suspected terrorists is better than 100 disconnected databases scattered all over the globe. The same certainly is true in financial management. A common data model provides seamless integration between products; eliminates the need for complex messaging and replication; allows for department-wide transactions; and ensures accurate, consistent and timely information.

Having access to the same data helps different entities within one agency, and even across agencies to standardize data models – so that information means the same thing to all who access it. When the same agency’s financial management, human resources, and procurement teams each attempt to automate their own individual tasks, they inadvertently create barriers that prevent agency wide managers to utilize that information for budget and project planning.

For example, last year, the Center for Disease Control launched the Public Health Care Information Network – a long-term commitment to modernizing, streamlining and integrating our fragmented public health reporting infrastructure. For this network to work, common data standards, such as accepted definitions for patients and diseases, are needed for information to flow seamlessly from a radiologist, to a general practitioner, and from there to an insurance company. Industry-developed standards also are important in protecting a person’s privacy, and giving patients access to their medical records.

Finally, in an era of tight budgets and downsizing, we at Oracle believe a case can be made to outsource financial systems. For instance, let me ask you what on its face is an obvious question: What is the core mission of the State Department? The answer is easy: To carry out functions, programs and operations critical to achieving the foreign policy goals of the United States. Is it the mission of the State Department to maintain and operate its very own financial systems operation center, independent of other similar centers operated by other federal agencies and departments? Of course not. In fact, is it necessary for **every** federal agency and department to maintain a financial systems operations center? We don’t believe it is, and for the same reason it isn’t necessary for every Oracle field office to have its own financial systems operations center, or its own human resources center. Imagine the cost efficiencies that could be achieved if one financial systems operations center was able to serve multiple federal agencies. Yes, it

would reduce staff, operations, and systems support costs. Yet, even more important, it would allow these agencies to get back to their fundamental missions.

Mr. Chairman, today's testimony from the GAO and the JFMIP certainly leave one with the impression that we have a long way to go to achieve financial management reform. While that may be true, having seen this effort as a federal employee and now as a private federal partner, I truly believe the federal government, collectively, has come a long way in terms of financial systems solutions. Yes, software implementations are not easy – it's not as simple as pointing and clicking your way to financial management. That's true in the private sector and in the public sector.

What is a positive development is the move by the federal government toward commercial off-the-shelf software. That in and of itself is a paradigm shift that has reduced costs. The federal government rightfully recognizes that it's not in the business of writing code and maintaining application solutions. It has effectively 'sourced' the cost and burden of this mission to the private sector, and in so doing, helped to fuel a highly competitive, productive and more mature software industry.

The JFMIP is a sound and responsible approach to ensuring the federal government gets what it wants from its software suppliers. In the long run, it will lead to better financial management products. We believe the fundamental challenges to achieve real success focus on three paths to potential success: simple data models, common standards, and fewer operational components.

Unquestionably, the federal government, as a whole, needs to 'get the joke', so to speak, on financial management; however, does every single agency have to get the joke? Wouldn't it be much easier, and less costly, if instead of many entities within all these agencies having to learn how to achieve the goals of FFMIA, we relied on a few entities within a few agencies to achieve these goals on behalf of everyone else? We at Oracle believe it is worth a try.

Thank you again, Mr. Chairman, for holding today's hearing. I look forward to answering your questions and working with your subcommittee on this very important topic.