



SFA Financial Management System
Concept of Operations
December 3, 1999



Agenda

Introduction

Approach

Gaps and Further Clarification

Considerations

Appendix



Student Financial Assistance (SFA*) has Identified three Strategic Objectives in the Modernization Blueprint to help it move to a Performance Based Organization (PBO):

- Improve customer satisfaction
Make the process of applying for financial aid Dramatically faster, easier, and more understandable for Customers and partners as well as more accountable to tax Payers
- Reduce unit cost
Use information technology to provide easy access to cost Accounting data and analytical tools that enable our employees to Identify and pursue potential savings
- Increase employee satisfaction
Have the latest resources available to help employees be successful

**Definitions and translation of all acronyms can be found in the Glossary and Acronym sections*



The Following Vision and Objective have been defined within the Financial Management area to achieve those Strategic Objectives:

Vision

Implement an integrated SFA Financial Management System (FMS) that complies with the Joint Financial Management Improvement Program (JFMIP), Modernization Blueprint, and other legislative and regulatory requirements in a timely, effective, and efficient manner

Objective

Design an integrated SFA FMS with long-term value that will include cost accounting and full subsidiary ledger structures to support SFA requirements and provide important management information



To support the financial management Vision and Objective, the following tasks have been defined:

<u>Task Name</u>	<u>Planned Due Date</u>
■ Validate the concept of operations	December 3, 1999
■ Develop SFA FMS system conceptual design	February 28, 2000
■ Develop financial analysis and business case <ul style="list-style-type: none">• Implementation plan*• Business case• Licensing options	March 31, 2000

** The implementation plan will include items such as a release schedule, estimates, and proposed pilot*



The First Task, Validate the Concept of Operations, was to analyze and provide recommendations on the following:

- The target SFA enterprise-wide FMS and its related functionality
- The target operations for each major program area, as they relate to FMS:
 - Overall SFA operations
 - Direct loan program operations
 - FFEL program operations
 - Pell program operations
 - Campus based program operations
 - LEAPP program operations



Agenda

Introduction

Approach

Gaps and Further Clarification

Considerations

Appendix



We used the following approach to validate the Concept of Operations:

- Reviewed and leveraged key documents
- Established team for preliminary validation
- Conducted business capabilities sessions incorporating “best practices” knowledge
- Conducted interviews across the major programs
- Cross referenced “TO BE” capabilities with JFMIP, Modernization Blueprint and other SFA objectives
- Utilized project management techniques
- Established guiding principles



The team reviewed and leveraged key documents to gain more in depth knowledge and understanding of the current operations.

Key documents reviewed:

- Target OSFA FMS concept of operations
- Modernization Blueprint
- Project Easy Access for Students and Institutions (EASI)
- Proposed SFA enterprise-wide organization packaged submission
- Federal and OMB requirements
- JFMIP requirements
 - Financial management systems compliance review guide
 - Core financial management systems
 - Direct loan systems
 - Guaranteed loan systems
 - Grant financial systems



We established a team to obtain additional program/operations knowledge.

- The following people provided business knowledge as well as confirmed requirements in key areas:
 - Cost Measurement: Bart Waggy, Jerry Ross, Russell Young, John Rabil
 - Internal Review: Faye Harris, Ann Clough
 - Analysis: Brenda Avoletta
 - Financial Partner: Tony Magro
 - Loan Portfolio Management: Paul Stonner
 - Budgeting: Dick Austin

- The following people provided on-going content knowledge and assisted with the development of the deliverables:
 - SFA CFO: Linda Paulsen, Ron Ackermann, Jon Bollinger, Cynthia Heath
 - SFA CIO: Alexandra Byers, Marguerite Roland



Over the last 4 weeks, the team conducted Business Capabilities Sessions to further understand and validate capabilities required by the FMS.

Preliminary meetings held:

- Funds Management
- Payment Management
- Receipt Management
- General Ledger Management
- Financial and Performance Measurement
- Cost Management
- Loan Portfolio Management
- Budget Analysis & Development



The team conducted interviews on SFA AS IS processes across the major programs: Direct Loan, FFEL, Campus Based, Pell, and LEAPP.

- Identified common business processes across SFA programs
- Consolidated detailed cross-program information around key business processes
- Documented understanding on source systems usage
- Presented level of detail currently captured by the source systems
- Identified potential source systems/business processes impact on the new FMS

- *Results are documented in the Process and Commonality document* -



In developing the TO BE capabilities, the team incorporated JFMIP, Modernization Blueprint and other SFA requirements.

- JFMIP Compliance Review
 - Confirmed identified compliance requirements against JFMIP

- Modernization Blueprint Review
 - Reviewed each Blueprint FMS requirement to form basis for questions during business capabilities sessions

- SFA Objectives Review
 - Ensured FMS vision supports the key objectives as outlined by JFMIP, the Modernization Blueprint, and the PBO
 - Validated against SFA enterprise-wide objectives from Organization Design team



The team utilized the following Project Management techniques:

- Utilized workplan to manage our resources and tasks
- Conducted weekly status meetings
- Established meeting schedule calendar
- Utilized Issue Tracking Mechanism
- Shared management responsibility between SFA and AC/Oracle



The team developed the following Guiding Principles for moving forward:

- Full compliance to JFMIP and other Federal legislation/regulations/guidelines
- Build a system that allows users easy access to timely, accurate information with appropriate security and controls
- Adopt process improvements that optimize Oracle Applications out-of-the-box functionality (minimize customizations) and/or other COTS as necessary
- Focus on a FMS that is Integrated versus Interfaced
- Design architecture for long-term value
- Focus on management and financial analysis
- Use 80/20 rule (Standardize as much as possible)
- “Buy a little, test a little, fix a little”



Using the described approach, the project team validated the Concept of Operations. The results of the validation are as follows:

- Gaps Identification and/or further clarification for the desired capabilities from the Concept of Operations
 - Funds Management
 - Payment Management
 - Receipt Management
 - General Ledger Management
 - Financial Management Reporting
 - Cost Management
 - Loan Portfolio Management
 - Budget Analysis and Development

- Considerations that are to be reviewed moving forward



Agenda

Introduction

Approach

Gaps and Further Clarification

Considerations

Appendix



The Concept of Operations contained high-level capability functionality. However, more detail was incorporated to address the following key questions associated with each of the core capabilities defined by JFMIP:

Funds Management

- What are the components of funds management?
- What are the requirements of the budget execution process, as it relates to funds management?

Payment Management

- What type of payments will need to be supported?
- Who are the receivers of payments?
- What are the differences between JIT and Advance funding?



The Concept of Operations contained high-level capability functionality. However, more detail was incorporated to address the following key questions associated with each of the core capabilities defined by JFMIP: (cont.)

Receipt Management

- What are the unique requirements for Receipt Management functions?
- What are the requirements for establishing intra/inter agency receipts?
- What are the requirements for loan and grant program receipts?
- What type of information is required (e.g. customer, account, reconciliation, etc.)?

General Ledger Management

- What are the major components of General Ledger management?
- What are some examples of outputs from the General Ledger?
- What are some of the preliminary requirements for the account code structure?
- What information will be sent to/from ED/Office of Chief Financial Officer (OCFO)?



The Concept of Operations contained high-level capability functionality. However, more detail was incorporated to address the following key questions associated with each of the core capabilities defined by JFMIP: (cont.)

Financial Management Reporting

- What are the different types of reports to be supported via FMS?
- What are some of the key requirements for financial management reporting?

Cost Management

- What are the cost management capabilities and who are its audience?
- What are the desired preliminary views/dimensions for cost?
- What role will some of the current origination systems/processes play?
- What are guiding principles for successfully implementing cost management?
- What are questions which will need to be addressed going forward?



The Concept of Operations contained high-level capability functionality. However, more detail was incorporated to address the following key questions associated with each of the core capabilities defined by JFMIP: (cont.)

Loan Portfolio Management

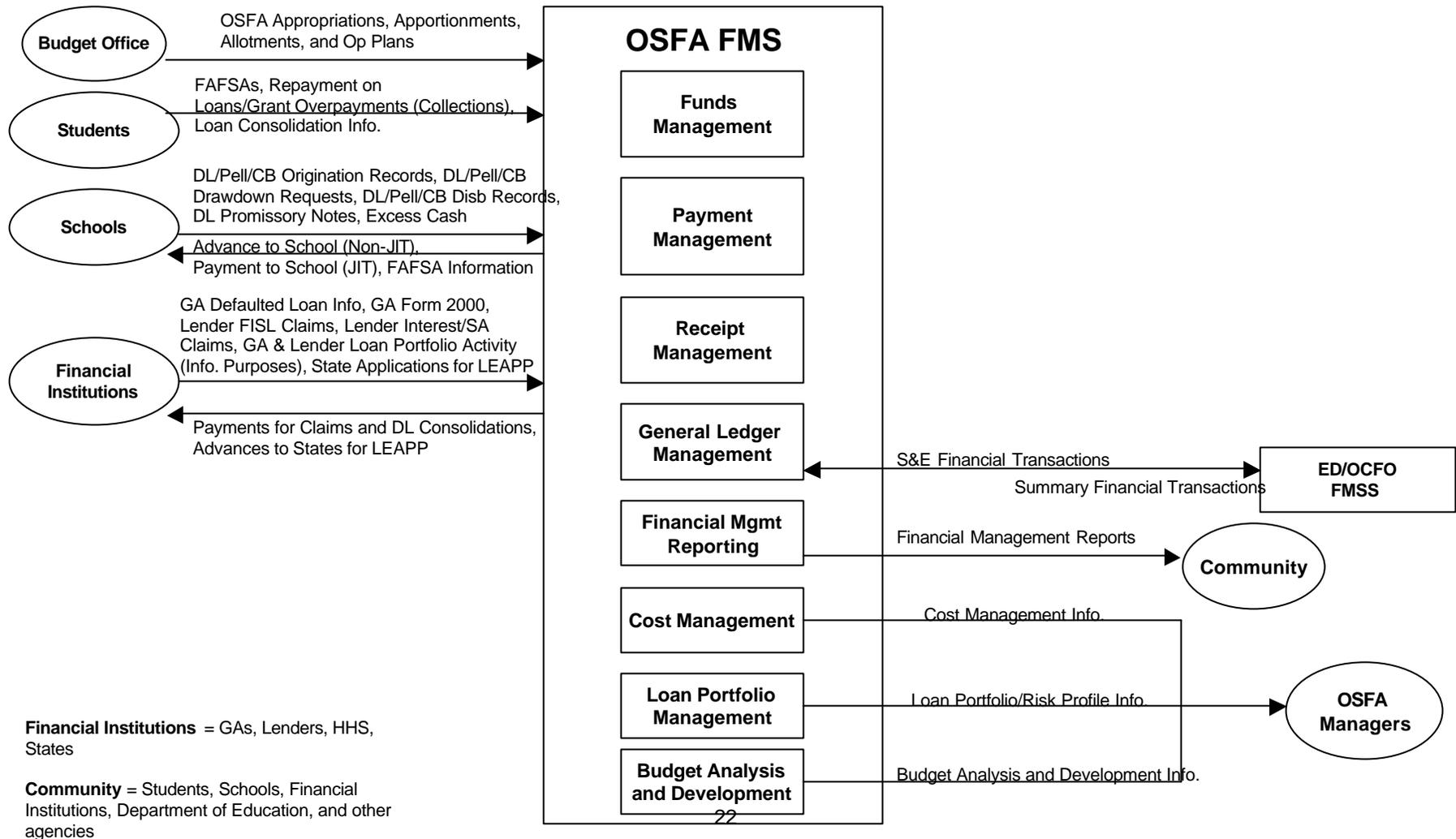
- What are the data capture needs for all Title IV loan programs?
- What are some of the Credit Reform information needs for the Loan Portfolio Management functions?

Budget Analysis and Development

- What are the requirements under the Budget Formulation Process?
- What are the requirements under the Financial Planning Process?



We validated the following FMS Model from the Concept of Operations:





The following critical components in the FMS model from the Concept of Operations were not included:

- Additional detail supporting core capabilities specified by JFMIP
- Data/Process capture and control
- Common language
- High level technical implications
- High level organizational implications

- The following pages summarizes each of the listed components. Further detail can be found in the Validation of Target SFA Financial Management System Concept of Operations document -



For each of the core capabilities, listed below is a sample of the additional detail which was incorporated into the Concept of Operations.

Funds Management

Funds management is the process of establishing funds control through out the SFA systems/sub systems architecture. Funds control implies the ability to track, record, and limit financial transactions both in the core financial system and any TO BE program systems

- Provide for on-line notification of funds availability prior to the distribution of lower level funding and the processing of commitment, obligation, or expenditure transactions
- Distribute, track, control, and report funds authorized at various funding levels, based on the SGL accounting classification structure, cost, and project structure

Payment Management

Payment management will provide a centralized point for disbursing and recording payables

- Ability to request and authorize payments
- Ability to integrate with funds management for verification of funds availability and provide appropriate internal control for the payment management process
- Ability to record obligations and expenditures and establish payables
- Ability to make the following payments*:
 - lenders for interest, claims, special allowances, and fees
 - guaranty agencies for reinsurance and fees
 - suppliers for goods and services
 - schools and states for loans, grants, and fees

** Further analysis is needed to determine which types of payments are to be processed under the core payment management.*



For each of the core capabilities, listed below is a sample of the additional detail which was incorporated into the Concept of Operations. (cont.)

Receipt Management

The fundamental requirements for Receipts Management include accounting for receivable activities identified for student loan management, miscellaneous, and operational receipt purposes.

- Maintain customer general information and account balance records
- Provide for a receivable* from an invoice or billing document
- Process receipts for loan repayments, collections, and miscellaneous receipt types
- Handle offsets and interagency/intragency transactions
- Generate customer account statements
- Allow for reconciliation both internally and externally

**Further analysis is needed to determine which types of receivables are to be processed under the core receipt management.*

General Ledger Management

General Ledger Management is the central function of the Core financial system. All transactions to record financial events must post, either individually or in summary, to the general ledger, regardless of the origin of the transaction. The general ledger is supported by subsidiary ledgers at various levels of detail.

- Post accrual and/or adjusting journal voucher entries as appropriate and month-end and year-end closing entries
- Ensure the capability to easily and efficiently drilldown to the source
- Store the statistical and memorandum data to be used for allocation and other performance based measurements and other activities
- Provide the capability to classify accounting transactions by the following structures:

Fund	Activity	Project	Organization
Program	Cost Center	Object Class	



For each of the core capabilities, listed below is a sample of the additional detail which was incorporated into the Concept of Operations. (cont.)

Financial Management Reporting

The core Financial Management system must provide ready access to the information it contains. That information must be easily available and understandable to personnel with varying levels of technical knowledge of systems and financial data

- Allow users to design reports and extract files for their specific requirements, and to perform table look-ups and expansion of codes when needed to clarify the information contained within the reports
- Provide for easy access to historical files for comparative, analytical, and trend information
- Support agency budget, accounting, financial management, etc.
- Provide consistent information including but not limited to budget formulation, budget execution, programmatic, financial management, performance measurement and financial statement preparation

Cost Management

Cost Management is a framework consisting of process and tools capturing, measuring, and reporting on cost

- Utilize activity based costing techniques to allocate costs based on activities performed
- Provide unit cost information across multiple dimensions (e.g., program, student, geography)
- Better understand cost variance through drill down and audit trail to both financial and operational cost drivers
- Ability to track and report on project related activities and their associated costs



For each of the core capabilities, listed below is a sample of the additional detail which was incorporated into the Concept of Operations. (cont.)

Loan Portfolio Management

The Loan Portfolio Management function must establish and report on the financial data associated with Direct Loans, and Lender and Guaranty Agency data. While the data stores for these transactions may be other systems, the financial impact of these transactions will be established in the SFA FMS. The primary financial data necessary to properly manage and track loans are: outstanding principal balances, accrued principal and interest data, collection data, and Credit Reform data.

- Identify specific groups of loans by Title IV loan programs (e.g., FFEL, Direct Loan, Perkins, FISL)
- Identify loans by loan type (e.g., Stafford Subsidized and Unsubsidized, PLUS, SLS, Consolidated)
- Distinguish, track, and report on types of Title IV loan programs

Budget Analysis and Development

The Office of Student Financial Assistance will perform all budgetary activities for SFA. These activities include establishing a baseline budget to be used in formulation of budgets for future fiscal years, tracking submissions, and performing revisions or modifications.

- Support all SFA budgetary requirements for all Program areas
- Coordinate with ED Budget Services Office budgetary processes
- Support the Financial Planning and Budget Formulation processes



Critical components not addressed in the Concept of Operations include Data/Process Capture & Control and Common Language.

Data/Process Capture & Control

Data/Process Capture & Control consists of a set of rules, data, and processes necessary to establish integration, control data quality and timeliness between source and FMS systems

- The data capture will verify that interfaces are correct and complete. Certain processes may be restricted until all required elements have been completed
- Validate the use of common language elements and where necessary, perform translation to common language elements, and or interpolate missing information
- Summarize information to the appropriate level to be tracked and reported

Common Language

The foundation of the financial architecture will need a common language which will promote information integrity and quality

- Data integrity will be ensured by a common language (e.g. data definitions, rules, processes, and procedures) through a centralized maintenance and distribution facility which is appropriately managed and controlled by a single user
- Examples of common language include:
 - ACCS
 - Regulatory reporting structure
 - Management reporting structure
 - Unit cost
 - Customer segment (e.g. single school identifier)
 - Program
 - Allocation rules and definitions
 - Policies and standards



FMS architecture requires several technical components to meet its requirements of accessible, timely, consistent, and complete information. The current environment's capabilities will be leveraged to the extent possible.

— *High Level Technical Components* —

- Finance and performance management application engines (e.g., Oracle financial suite)
- Integrated database architecture
- Common language facility
- Data capture facility
- Data warehouse / data marts
- Data access and reporting software/tools
- Network and communication to support distributed access
- N-tier technical architecture
 - Client Browser
 - Business Application
 - Data Layer

Solution requires coordination with SFA's Enterprise wide technical strategies and directions.

Components of the architecture will be supplied by commercial-off-the-shelf (COTS) suites of applications (e.g., Oracle financial suite and tools). Existing SFA applications will be utilized as part of the FMS Architecture.

The actual hardware and software components required for FMS Architecture will be detailed and estimated as part of the next tasks (Conceptual Design and Financial Analysis/Business Case).



Achieving SFA objectives with a new FMS architecture results in organizational implications. High level implications are identified below.

— High Level Organizational Implications —

- Develop new and or changes to processes (reengineering)
- Establish changes in roles and responsibilities
- Define required new skills, knowledge, and aptitudes
- Communicate and educate people on new/changed practices and techniques
- Organize people to be empowered to support end-to-end process
- Define clear accountability for results
- Link compensation, rewards, and recognition to performance measurements

In the above tasks the team will need to work closely with other initiatives currently underway to design and build the future organization to ensure these implications are addressed.



Agenda

Introduction

Approach

Gaps and Further Clarification

Considerations

Appendix



Moving forward, several key activities will need to occur:

- Establish an FMS Integrated Product Team (IPT)
- Integrate with other SFA initiatives
- Address functions/processes currently external to SFA
- Address key design issues



In order to move forward with the next tasks for FMS, the current team will need to be complemented with an IPT to help ensure project success.

Who makes up the FMS IPT?

- Representation from the school, student, and financial partner channel as well as other business areas (e.g., CIO, Analysis).
- Key stakeholders and executive champions through the SFA and ED organizations.
- Representation from areas external to SFA (e.g., ED CFO, IG, GAO).

What role will the IPT have?

- Provide program and technical knowledge and expertise as input into design phase
- Provide overall project direction and monitor project scope



The SFA FMS project will need to be coordinated with other SFA initiatives due to their cross dependencies. Some initiatives already showing common areas and dependencies to SFA FMS are listed below:

- Program Management Office (PMO)
- Access America
- Direct Loan Reengineering (DLR)
- Pell/RFMS
- Enterprise Engineering and Integration
- Organization Transformation



The project team identified functions/processes which are currently handled outside of SFA organization that should be addressed to meet the objectives of the PBO:

- System Integration and Organization concerns with:
 - *Budget Activities* - need to incorporate all steps of Budget Cycle (formulation to execution) for SFA
 - *Payments to Schools* - need the ability to bypass GAPS and pay directly through Treasury
 - *Front-End System Integration* - need to integrate all current subsystems within SFA
 - *P-note System* - need to be able to book a loan receivable prior to receiving the P-note and to reverse the booking if the P-note is not received within a specified period of time
 - *Excess Cash Process* - need the ability to bill a school when advances exceed disbursements over a specified period of time



The project team identified functions/processes which are currently handled outside of SFA organization that should be addressed to meet the objectives of the PBO: (cont.)

- System Integration and Organization concerns with:
 - *Travel System* - need the ability to handle travel payment requirements internally within SFA
 - *Payroll System* - need the ability to handle payroll requirements internally within SFA
 - *Department Receivables* - need the ability to handle department receivable requirements internally within SFA
 - *Contracts & Acquisitions* - need the ability to handle contracts and acquisition requirements internally within SFA



The next tasks for FMS will need to drive down more detail. Some key design issues which will need to be addressed by the team going forward are:

- Define common language such as the need for unique and single definitions of vendors/customers (Schools, GAs, Lenders, States, and others). Financial data and terminology will need to be consistent across disparate systems
- Identify assumptions
- Identify potential interfaces needed
- Identify system modifications which may be necessary
- Ensure the correct level of detail exists within FMS, while ensuring minimal redundancy



Agenda

Introduction

Approach

Gaps and Further Clarification

Considerations

Appendix