

M-03-05, Consolidating and Standardizing Federal Civilian Payroll Processing

January 10, 2003

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MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Mitchell E. Daniels, Jr.
Director

SUBJECT:
Consolidating and Standardizing Federal Civilian Payroll Processing

The President's Expanding Electronic Government reform is focused on better using federal information technology spending to make the Federal Government more productive and responsive to citizens and business. In December 2001, OMB designated the Office of Personnel Management (OPM) as the managing partner to lead the e-Payroll initiative, a cross agency project to consolidate federal civilian payroll processing in light of numerous redundant IT investments. The President's FY 2003 Budget identified an objective of consolidating 22 federal payroll entities into two by Fiscal Year 2004. This memorandum provides an update on the status of the initiative. It also provides guidance for implementation of the e-Payroll initiative consistent with Section 5113 of the Clinger-Cohen Act of 1996 governing Federal IT investments.

Through you and your agency's support for this important initiative, agencies have documented good teamwork that resulted in a business case that will yield a better quality and more cost effective approach to government payroll processing. OMB approved the business case for e-Payroll. By consolidating duplicative payroll modernization efforts, the e-Payroll initiative should provide high quality service while saving over \$1.2 billion in future IT investment costs from economies of scale and cost avoidance.

In August 2002, OPM conducted an internal competition for consolidated payroll processing providers. OPM Director Kay Coles James approved the Source Selection Advisory Board (Board) recommendation that two partnerships be formed - one partnership between the Defense Finance and Accounting Service (DoD) and General Services Administration (GSA), and another between the National Finance Center (USDA) and the National Business Center (DOI).

I am pleased to report that OPM and the partnerships have reached agreement on how to proceed with the consolidation. In order to ensure that the e-Payroll Project achieves results in a timely and effective manner, OPM will create and lead a Program Management Office to: consolidate federal Executive Branch civilian payroll providers, migrate agencies to two payroll processing partnerships, standardize federal civilian payroll policy, and to enable the pursuit of competitive sourcing. Executive Branch agencies will proceed with the consolidation in the following manner:

- DoD, GSA, DOI and USDA will proceed with payroll processing migration, consolidation to two processing partnerships, and standardization under OPM's leadership, and pursuant to the Terms and Conditions of the Memoranda of Agreement negotiated between OPM and the payroll processing partnerships.
- Agencies who receive payroll processing from DoD, GSA, DOI or USDA will remain with those providers through September 30, 2004.
- Agencies identified to migrate to a new provider must confirm selection of a payroll processing provider with OPM no later than February 3, 2003.
- Agencies other than DoD, GSA, DOI and USDA shall not spend FY 2003 funds for modernization of payroll processing unless that IT investment facilitates the agency migration to one of the consolidated payroll processors. To this end, agencies must submit for advance review all such proposed expenditures to the e-Payroll Project Manager and to OMB's Office of E-government and IT for review with the OMB Resource Management Office representative for that agency. Any existing payroll modernization effort must be modified to comply with the e-Payroll Project plan.

I appreciate your agency's assistance and continued cooperation in this important project so that we can realize the President's goal of leveraging E-Government to enable agencies to operate more efficiently, thereby enabling the federal government to dedicate a greater share of its resources to the ultimate mission of serving the citizen. OPM Director Kay Coles James will soon publicly announce the selection of the federal e-Payroll partnerships and the roadmap for the consolidation.

The OPM e-Payroll Project Manager is Ms. Janet Dubbert, 202-606-4904, jdubbert@opm.gov. The OMB point of contact for this initiative is Mr. Stephen Galvan, Internal Efficiency and Effectiveness E-Government Portfolio Manager, 202-395-0368, sgalvan@omb.eop.gov.