



OHIO SHARED SERVICES

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SHARED SERVICES

“Shared services” refers to the concentration of an organization’s administrative and support activities in a single unit. For example, a shared services center may process all accounts payable transactions for its client agencies, rather than the agencies processing the transactions themselves.

According to [PricewaterhouseCoopers](#) (PwC), shared services are not the same as centralization. PwC notes that centralization is typically a top-down approach driven by the corporate headquarters with little participation by the organization’s business units. In a shared services model, however, the shared services center and business units work together to agree on services provided, costs, and metrics for measuring success.

ISSUE

Describe Ohio Shared Services, including how it was formed and what services it provides. Additionally, provide examples of shared services centers in other states.

SUMMARY

[Ohio Shared Services](#) (OSS), a division of the Ohio Office of Budget and Management (OBM), is a business processing center that processes common administrative transactions for state agencies and vendors. Its services are accounts payable, travel and expense reimbursement, vendor maintenance, a contact center for answering agency and vendor inquiries, and enterprise content management (e.g., document management). According to OBM, OSS’s accounts payable services have produced about \$24.9 million in total savings since the office was created in 2009, with most client agencies realizing at least 30% savings for this function. This report describes OSS’s development, how it works with client agencies, its governance structure, and certain output measures.

Because we found few examples of other states with shared services agencies similar to Ohio’s, we expanded our search to include the federal government and higher education. The report provides a selection of shared services centers in other states, the federal government, and higher education institutions.



OHIO SHARED SERVICES

Development

Ohio developed its shared services model in response to a [benchmarking report](#) prepared at the state's request by a private firm in 2008. The report examined Ohio state agencies' performance across several categories of back office functions and found that the state's delivery was significantly more costly and had longer processing times than the organizations that it was compared with. The comparator organizations were largely from the private sector and were of similar size and complexity to Ohio's state government.

The state launched OSS in 2009 with the goals of reducing costs and improving the effectiveness and quality of its delivery of back office functions. It initially staffed the office with state employees who voluntarily transferred from other agencies. The state did not lay anyone off when creating OSS; it relied on attrition and retirements to reduce the number of employees working in back office functions. (In 2009, 35% of the employees working in these functions were eligible to retire in the next five years.) Additionally, the state worked with the Ohio Civil Services Employee Association to form a new job classification, the shared services associate, as well as a performance-based pay plan that was unique to OSS.

OSS is authorized by a state statute that allows the OBM director to operate a shared services center to consolidate common business functions and transactional processes. The statute authorizes OSS to serve state agencies and political subdivisions, but it currently serves state agencies only (Ohio Rev. Code § 126.21(D)).

Agencies' Use of OSS Services

OSS processes travel and expense reimbursement for all state agencies in Ohio, including the legislative and judicial branches. It also provides accounts payable services for all 28 of the state's cabinet-level agencies and is currently conducting a pilot program for their accounts receivable transactions. Agencies' use of other OSS services (e.g., enterprise content management) is voluntary.

Initially, agencies' use of OSS for accounts payable transactions was optional; in its first two years of operation, eight agencies moved accounts payable transactions to OSS. However, in 2011 the state's newly elected governor required all cabinet-level agencies to move accounts payable transactions to OSS. These transitions took place in waves of about three agencies apiece over a period of about two years.

Transition Process. When agencies move services to OSS, they work with an OSS agency integration team in a six-phase transition process. The team meets regularly with the client agency to gain an understanding of its procurement, payment, and receivable processes. According to OSS, it generally takes 12-16 weeks to complete the transition process, which consists of a two-week planning phase, three-week analysis phase, three-week design phase, one-week build phase, two-week test phase, and one-week deployment phase.

The client agency's relationship with OSS is governed by a service level agreement, which specifies, among other things, the services OSS will provide, transaction costs, the metrics by which OSS's performance will be measured (i.e., key performance indicators), and the client agency's responsibilities (e.g., approval of payment vouchers). OSS meets regularly with client agencies to provide customer reviews, service management scorecards, contact center trends, and customer surveys.

Although cabinet-level agencies must use OSS for accounts payable transactions, OSS does not necessarily process all of a client agency's transactions; it processes only those specified in the service level agreement. (Most agencies keep unique or complex transactions in house.) Using a tiered pricing structure, it charges agencies a per-transaction cost specified in the agreement; agencies receive discounted pricing as they increase their utilization of OSS services.

Governance

OSS's work is governed by a four-layer governance structure. The top layer is a governance council composed of agency chief executives and union representation. The council focuses on the overall vision for OSS, such as service offerings and investment decisions.

Immediately below the governance council is a CFO council, which consists of state agency chief fiscal and chief procurement officers. The CFO council addresses the policy measures necessary for implementing the governance council's decisions.

The third layer is a process council, which is formed with staff from OSS and client agencies. The process council focuses on OSS's end-to-end workflows and processes and may escalate major issues to the CFO council.

The last layer is composed of the service level agreements OSS enters into with client agencies.

Outputs and Cost Savings

Table 1 lists OSS's output in several categories over the past five fiscal years.

Table 1: OSS Outputs

Category	FY 11	FY 12	FY 13	FY 14	FY 15
Accounts Payable Transactions	75,671	95,377	137,266	160,960	184,999
Accounts Payable Utilization Rate by Client Agencies	49.2%	56.7%	70.4%	74.9%	91.5%
Travel and Expense Reports	83,526	81,372	80,152	82,770	82,088
Calls to OSS Contact Center	39,719	34,575	34,929	36,236	37,163
First Call Resolution Rate	94%	91%	82.5%	72.4%	N/A*
Vendor Maintenance Requests	36,837	30,250	26,750	20,467	20,201

Source: [OBM annual reports](#)

* Reported a 72.3% "service level" (percentage of calls answered within 30 seconds)

According to OBM, OSS's accounts payable services have produced about \$24.9 million in total savings since the office was created in 2009, with most client agencies realizing at least 30% savings for this function. OBM derived this number by using agencies' accounts payable costs before they moved to OSS to calculate a baseline total (approximately \$73.9 million across OSS's client agencies) and comparing it with actual accounts payable costs after agencies moved to OSS (about \$49 million across OSS's client agencies).

OBM noted that, generally, the state's larger agencies have been more successful than the smaller agencies in achieving or exceeding the 30% savings target. It also noted that the most successful agencies were those that complemented the transition to OSS by examining and changing their own business processes.

OTHER SHARED SERVICES EXAMPLES

Other States

We did not find any states that provide shared services to the degree that Ohio does, but we found four that provide shared human resources services. Table 2 lists these states and the names of their shared services centers, which generally serve fewer agencies than OSS.

Table 2: Examples of Shared Human Resources Services in Other States

State	Shared Human Resources Services Center
Kentucky	Cabinet for Health and Family Services, Office of Human Resources Management
Illinois	Administrative and Regulatory Shared Services Center Public Safety Shared Services Center
Pennsylvania	Human Resources Service Center
Virginia	Department of Human Resources Management Shared Services Center

Connecticut

While Connecticut does not officially have a shared services center, the Department of Administrative Services (DAS) has a Small Agency Resource Team (SmART) that provides human resources, payroll, affirmative action, and business office services to certain state agencies, as shown in Table 3.

Table 3: DAS SmART Unit Agencies and Services

Agency	Human Resources	Payroll	Affirmative Action	Business Office
Department of Administrative Services	X	X	X	X
Department of Agriculture	X	X	X	X
Department of Consumer Protection	X	X	X	X
Department of Economic and Community Development	X	X	X	
Department of Housing	X	X	X	
Department of Rehabilitation Services			X	
Office of the Governor	X	X	X	X
Office of the Lieutenant Governor	X	X	X	X
Office of Protection and Advocacy for Persons with Disabilities	X	X	X	X
State Library	X	X	X	X
Teachers' Retirement Board	X	X		

Source: DAS

Federal Government and Higher Education

Because we did not find many examples of other states with shared services agencies similar to Ohio's, we expanded our search to include the federal government and higher education institutions.

The federal government has multiple shared services agencies, each of which seeks to increase its transaction volume by marketing its services to other federal agencies. Currently, four centers are designated as [official "federal shared services providers"](#) (FSSP) for financial management. The FSSP distinction is significant because in a 2013 [memorandum](#), the U.S. Office of Management and Budget directed all executive branch agencies to use, with limited exceptions, a shared service solution for future modernizations of core accounting and financial management systems. In October 2015, the Department of Housing and Urban Development became the first cabinet-level agency to move core financial systems to a shared service provider when it joined the Treasury Department's Administrative Resource Center.

In higher education institutions, a shared services center generally performs services on behalf of departments, schools, and other administrative units. For example, rather than having each school, department, and administrative unit process its own accounts payable transactions, a shared services center would centrally process accounts payable transactions for each of these entities.

Tables 4 and 5 show examples of shared services centers in the federal government and higher education, respectively.

Table 4: Examples of Shared Services Centers in the Federal Government

Shared Services Center	Designated as an FSSP?	Services
Department of Agriculture National Finance Center	Yes	Financial management
Department of Health and Human Services Program Support Center	No	Administrative operations, financial management, occupational health, procurement management, and real estate and logistics
Department of the Interior Business Center	Yes	Acquisitions, financial management, human resources
Department of the Treasury Administrative Resource Center	Yes	Financial management, human resources, information technology, procurement, travel
Department of Transportation Enterprise Services Center	Yes	Financial management, information technology
NASA Shared Service Center	No	Financial management, human resources, information technology, procurement

Table 5: Examples of Shared Services Centers in Higher Education

<i>Institution</i>	<i>Services</i>
University of California Berkeley	Business and financial services, human resources, information technology, research administration
University of California Davis	Finance, human resources, payroll
University of Kansas	Accounting, human resources, research administration
University of Michigan	Finance and human resources
University of Missouri System	Accounts payable
University of Texas Austin	Pilot program involving finance, human resources, information technology, and procurement
University System of Georgia	Human resources
Yale University	Financial management and transactions processing

HYPERLINKS

<http://www.ohiosharedservices.ohio.gov/>

http://www.ohiosharedservices.ohio.gov/about/doc/State_of_Ohio_Hackett_Benchmark_Report.pdf

<http://www.obm.ohio.gov/Communications/annualreports.aspx>

<https://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-08.pdf>

https://www.fiscal.treasury.gov/fsservices/gov/fit/fit_fssp.htm

<https://www.pwc.com/mx/es/csc/archivo/2014-02-shared-services.pdf>

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