

## Office of Management and Budget Circular A-87

### OMB Circular A-87 Regulations

The Office of Management and Budget Circular A-87 established “Cost Principles for State, Local, and Indian Tribal Governments.” The guidelines require “governmental units to assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.” In order to achieve compliance, governmental units must establish a scaleable system and universal processes that provide a consistent method to track costs and automate provisioning and chargeback of services,

which are provided by one governmental agency to another, so that they are properly allocated to Federal awards.

Although OMB A-87 does not dictate specific process improvements or implementations of technologies, it does require that *“All central service cost allocation plans and related documentation used as a basis for claiming costs under Federal awards must be retained for audit in accordance with the records retention requirements contained in the Common Rule.”*

### OMB Circular A-87 Compliance Overview

The true hidden cost of compliance lies in the fact that many government agencies have failed to leverage new methodologies, processes, or readily available packaged technologies.

In the pursuit to meet OMB Circular A-87 requirements, government agencies are applying manual and disparate solutions, and are increasing reliance on personnel overtime to appease this legislative requirement. These short-term solutions expose government agencies to additional risks and are not sustainable from a cost and efficiency standpoint. Government agencies that continue to rely on manual controls or silo-based

approaches must now re-address their “just get it done” approach to build long-term, sustainable solutions that include automated, streamlined, and secured operations.

This whitepaper illustrates why government agencies should view the OMB Circular A-87 guidelines as an opportunity to initiate new performance management methodologies. Such methodologies proactively identify and replace inefficient processes and alleviate unnecessary overhead costs associated with manual operations and disparate silo-based approaches.

## OMB Circular A-87 Proactive versus Reactive Approaches

OMB A-87's regulations and recommendations relate to the development and implementation of a forward-thinking performance management plan. In the pursuit of compliance, government agencies should investigate available technologies and examine performance management strategies that will accommodate legislative compliance, as well as yield initial and ongoing measurable hard dollar and soft dollar (i.e. improved customer service) benefits.

Many government agencies currently maintain service support and service

delivery transactions and associated costs in disparate spreadsheet and database applications. The proliferation of spreadsheets (a.k.a. spreadmarts) and discrete databases (a.k.a. datamarts) eventually leads to inconsistencies in data storage and additional overhead maintenance costs. The integrity of the data becomes questionable, and the good intentions of OMB Circular A-87 compliance and/or a sustainable performance management strategy succumb to the continual repair of corrupted data.

## OMB A-87 Compliance as a Derivative of a Performance Management Strategy

Performance management encompasses the establishment of business goals and organizational alignment to meet such goals. The goals of leveraging an enterprise management solution are to capture and analyze operational statistics that will help to improve overall operational efficiencies in accord to the performance management strategy. The goals to continually reduce costs and improve efficiencies are reinforced by the requirements outlined in federal regulations like the OMB Circular A-87. These goals should be defined in terms of Service Level Policies related to business

requirements and operational resources. The performance management goals set the standard that operational managers aim to achieve.

Developing, justifying, and sustaining a performance management strategy requires a clear understanding of the data, the monetary value related to the support operations, and the performance-related metrics required in evaluating the processes.

## Using Performance Indicators to Validate and Improve Operations

The implementation of a performance management strategy requires a sample of Key Performance Indicators (KPIs) that have been reviewed by both management and end-users, including service request throughput, Mean Time to Repair (MTTR) as it relates to frequency and type of trouble tickets, internal labor support activities, procurement costs, distribution of physical assets, documentation of communication infrastructures and financial ownership of provisioned services. Over time, it is

important to collect historical data to support long-term trends and analysis. Using enterprise-level software tools can ease the complexity of this process while saving time and money simultaneously. After a thorough analysis of the performance metrics, recommendations for improving processes can be made. Compliance with OMB Circular A-87 is a natural derivative of this process.

## Summary

The re-examination of business processes offers a cost-benefit equation that is superior to a continual dependence on manual or paper-based reactive solutions and therefore, significantly simplifies the compliance process. Government agencies

that utilize appropriate enterprise-level, software-based controls that establish audit trails and enforce consistent service delivery ultimately save time, distress, and most importantly, money.