



**A BUSINESS CASE FOR  
INDIAN HEALTH SERVICE**



**INTEGRATED FINANCIAL APPLICATION SYSTEM**

**Final Version**

**IHS ITIRB Approved: July 25, 2003**

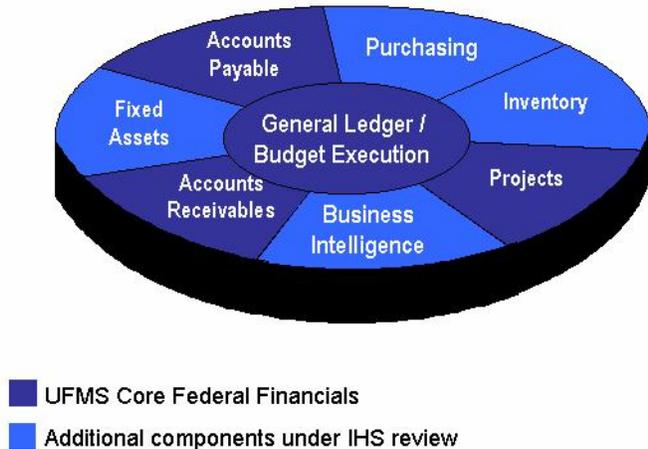
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## 1.0 Executive Summary

The Indian Health Service (IHS), an agency of the Department of Health and Human Services (DHHS), proposes to develop additional financial applications for integration and use with the Unified Financial Management System (UFMS). The Indian Health Service is responsible for providing comprehensive public health services to American Indian and Alaska Natives (AI/AN). Unlike many DHHS operational divisions, IHS provides face-to-face, direct patient care services in federal health care facilities. For a detailed agency profile see Appendix A.

The Integrated Financial Application System (IFAS) incorporates the UFMS modules (General Ledger, Accounts Receivable, Accounts Payable, and Projects), as well as adding the functionality of Fixed Assets, Purchasing, Inventory and Business Intelligence. The UFMS applications replace some of the functionality of the current Indian Health Service Administrative Resource Management System (ARMS), but do not replace the Purchasing, Travel Management and Training functionality. Additionally, Indian Health Service has immediate unmet system needs for a Fixed Asset, Inventory, and Business Intelligence applications. These needs are currently either unmet, or are being addressed by outdated or non-standardized applications at over 150 federal facilities.



The IFAS Project is a business transformation effort designed to integrate with the DHHS-wide financial management system as well as align the Agency's business

processes with modern technological capabilities. Successful execution of the project will dramatically enhance the IHS' ability to fulfill its mission and financial stewardship responsibilities. The project's objectives include empowering management by implementing a modern enterprise financial management system that will consistently produce relevant, reliable and timely financial information to support decision-making and cost effective business operations at all levels throughout the Agency. Additionally, the project will result in de-layering and consolidation of fiscal activities and staff at both IHS and the Program Support Center (PSC).

The IFAS is in keeping with the President's Management Agenda, the proposed Integrated Financial Applications System (IFAS) will modernize the IHS systems including the use of integrated systems to support daily operations, timely decisions and performance measurement. The proposed IFAS is designed to facilitate and automate daily operations and allow for financial management and performance measurement from headquarters down to the local facility and functional level.

The IFAS is consistent with Secretary Thompson's "One Department" vision because the basis for the system to be used is the same system chosen as the UFMS for the DHHS. The IFAS will be designed in coordination with the UFMS team and the Program Support Center (PSC) using the UFMS Budget and Accounting Classification Structure (BACS) to allow for ready migration to the UFMS to facilitate consolidated DHHS reporting. The IFAS will also provide IHS healthcare facilities and area managers the necessary management information and subsidiary systems to properly operate and oversee their facilities. Additionally, the system will allow for standardized supply and fixed assets inventories across the agency, establish standardized method of tracking supplies to improve billing, track costs of Environmental Health Projects, as well as assist the agency in completing accurate and timely cost reports to comply with Center for Medicare and Medicaid Services (CMS) requirements. Standardization of inventories and equipment will also reduce staff training time, reduce patient care errors and improve the quality of patient care.

The alternative selected for this project is a commercial off-the shelf software package that has been certified by the Joint Financial Management Improvement Program (JFMIP) for use by Federal Agencies and will result in a net benefit of \$17.8 million over five years. IHS will pilot in implementation of some of the non-UFMS applications for the DHHS. The IHS configuration could provide a base for use of these applications by other agencies in the future. Additionally, IHS' experience with the software will enhance the agency's ability to provide technical assistance to tribes who are purchasing commercial off-the-shelf integrated financial packages. Two recent 638 contractors have purchased the Oracle financials applications. Tribes receive contract support costs for financial systems and IHS' use of the Oracle financials could provide for a smooth transition of funds to tribal organizations.

## 2.0 Purpose of this Document

The Indian Health Service has completed a comprehensive evaluation to assess the feasibility of replacing its Administrative Resource Management System (ARMS) with new technology so as to improve financial and administrative support. Additionally, Fixed Asset and Inventory systems have been evaluated by the agency. The purpose of this document is to present the results of this evaluation as well as a set of recommendations on the most cost-effective approach for upgrading current service levels. If approved, these recommendations will form the basis for the development of a comprehensive implementation plan to affect their intent.

This Business Case uses the Exhibit 300 format as described in Section 300 — Planning, Budgeting, Acquisition, and Management of Capital Assets, OMB A-11.

## 3.0 Part I — Exhibit 300: Capital Asset Plan and Business Case (All Assets)

### 3.1 Project Background (PART I)

Agency	Department of Health and Human Services			
Bureau	Indian Health Service			
Account Title	Indian Health Service			
Account Identification Code	75-0390			
Program Activity				
Name of Project	Integrated Financial Application System			
Unique Project Identifier: (IT only)(See section 53.7)	009-17-02-01-01-1010-02			
Project Initiation Date	5/1/2003			
Project Planned Completion Date	11/1/2004			
This Project is: Initial Concept <input checked="" type="checkbox"/> Planning <input type="checkbox"/> Full Acquisition <input type="checkbox"/> Steady State <input type="checkbox"/> Mixed Life Cycle <input type="checkbox"/>				
Project/Useful segment is funded: Incrementally <input checked="" type="checkbox"/> Fully <input type="checkbox"/>				
Was this project approved by OMB for previous Year Budget Cycle?	Yes		No	✓
Did the Executive/Investment Review Committee approve funding for this project this year?	Yes		No	✓
Did the CFO review the cost goal?	Yes	✓	No	
Did the Procurement Executive review the acquisition strategy?	Yes		No	✓
Is this investment included in your agency's annual performance plan or multiple agencies annual performance plans?	Yes		No	✓
Does the project support homeland security goals and objectives, i.e., 1) improve border and transportation security, 2) combat bio-terrorism, 3) enhance first responder programs; 4) improve information sharing to decrease response times for actions and improve the quality of decision making?	Yes	✓	No	

**Capital Asset Plan and Business Case (Exhibit 300) OMB A-11, IFAS  
Indian Health Service – Integrated Financial Application System Business Case Analysis**

Is this project information technology (see Section 53.2 for a definition)?	Yes	✓	No	
For information technology projects only:				
a. Is this Project a Financial Management System (see section 53.2 for a definition)?	Yes	✓	No	
If so, does this project address a FFMIA compliance area?	Yes	✓	No	
If so, which compliance area?	Area: Several (e.g., Financial Sys, Travel, Inventory, etc.)			
b. Does this project implement electronic transactions or record keeping that is covered by the Government Paperwork Elimination Act (GPEA)?	Yes	✓	No	
If so, is it included in your GPEA plan (and does not yet provide an electronic option)?	Yes		No	✓
Does the project already provide an electronic option?	Yes		No	✓
c. Was a privacy impact assessment performed on this project?	Yes	✓	No	
d. Was this project reviewed as part of the FY02 Government Information Security Reform Act review process?	Yes		No	✓
d.1 If yes, were any weaknesses found?	Yes	N/A	No	N/A
d.2. Have the weaknesses been incorporated into the agency's corrective action plans?	Yes	N/A	No	N/A
e. Has this project been identified as a national critical operation or asset by a Project Matrix review or other agency determination?	Yes		No	✓
e.1 If no, is this an agency mission critical or essential service, system, operation, or asset (such as those documented in the agency's COOP Plan), other than those identified as above as national critical infrastructures?	Yes	✓	No	

	PY-1 and Earlier	PY	CY	BY	BY+1	BY+2	Total
		2003	2004	2005	2006	2007	
<u>Planning:</u>							
Budget Resources		\$1.1	\$1.0	\$0.3	\$0.2	\$0.2	\$2.8
Outlays							
<u>Full Acquisition:</u>							
Budget Resources		\$1.4	\$5.3	\$2.1	\$1.4	\$1.4	\$11.6
Outlays							
<u>Total, sum of stages:</u>		\$2.5	\$6.3	\$2.4	\$1.6	\$1.6	\$14.4
Budget Resources							
Outlays							
<u>Maintenance:</u>							
Budget Resources		\$0.3	\$1.6	\$0.5	\$0.5	\$0.5	\$3.4
Outlays							
<u>Total all phases:</u>							
Budget Resources		\$2.8	\$7.9	\$2.9	\$2.1	\$2.1	\$17.8
Outlays		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

## 3.2 Project Description (PART I.A.)

*1. Provide a brief description of this project and its status through your capital planning and investment control (CPIC) or capital programming “control” review for the current cycle.*

The Indian Health Service (IHS) proposes to develop additional financial applications for integration and use with the DHHS Unified Financial Management System (UFMS) in compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 and the JFMIP. The basis for the Integrated Financial Application System (IFAS) is a commercial off-the shelf software package that has been certified by the JFMIP for use by Federal Agencies. IHS will lead the DHHS in implementation of some of the non-UFMS applications. The IHS configuration could provide a base for use of these applications by other agencies in the future. Additionally, IHS' experience with the software will enhance the agency's ability to provide technical assistance to tribes who are purchasing commercial off-the-shelf integrated financial packages. The UFMS project incorporates the General Ledger, Accounts Receivable, Accounts Payable, and Projects applications. Additional functionality included in IFAS supports Purchasing, Travel Management, Fixed Asset, Inventory, and Business Intelligence applications. These needs are currently either unmet, or are being addressed by outdated or non-standardized applications at over 150 federal facilities.

The following subsections further clarify the functional scope of IFAS in several key areas.

### 3.2.1 Cost Management

#### 3.2.1.1 Revenue / Expense Matching

IHS is a federal agency with unique financial reporting needs. From 1991 to 2001, IHS appropriations for Personal Health Care increased 67%, while the revenues earned by IHS from Medicare, Medicaid, and Private Insurance collections increased 425%. Many IHS facility budgets are now funded one-third by third party collections. This growth in non-appropriated revenues has offered IHS the unique opportunity to utilize private sector type accounting methods and performance measurement tools. This transition to a Commercial-Off-The-Shelf package offers IHS a path to modernize and revitalize current processes.

The IFAS system will allow for the matching of revenues and expenses at the local facility functional level. IHS is currently unable to match revenues and expenses at the local functional level. For example, the current financial system does not allow for comparisons of pharmacy revenue and pharmacy costs. Statement of Federal Financial Accounting Standard No. 7, acknowledges that private sector accounting matches expenses with revenue in a manner that allows for a direct comparison of

effort to accomplishment that cannot be used by most government activities. IHS is a federal agency that can benefit from these private sector accounting standards if given the appropriate tools. IHS facilities without the appropriate local management tools to assess performance may lose patients (with private insurance, Medicaid, and Medicare) to private sector facilities.

The results of local revenue and expense matching will allow for improved motivation and productivity, by local managers – as owners, of their cost center’s revenue and expenses.

#### 3.2.1.2 Trend Analysis

Improved tracking of costs at the functional level will also allow for trend analysis of costs patterns over time including comparisons of costs to workload indicators. The Business Intelligence module will assist with this analysis and integration of performance data with financial information.

#### 3.2.1.3 Benchmarking

The IFAS functional level reports will allow for comparisons of local performance to performance of facilities of similar size elsewhere in IHS, other Federal facilities or the private sector.

#### 3.2.1.4 Cost Reports / Rate Setting

IHS reimbursement rates are based on the costs of each facility. However, reports that adequately document these costs are difficult to obtain under the current system. The proposed IFAS will modernize this process to more accurately and systematically obtain these costs. The IFAS project will assist the agency in documenting direct costs and with the allocation of overhead and indirect costs at various levels within the facility. The comparisons of the billed amounts to expenses as the functional level will allow IHS to improve rate setting for functions that are not receiving appropriate reimbursements.

### 3.2.2 Asset Management

#### 3.2.2.1 Accelerated Audit Timeframes

The IFAS Fixed Asset module will facilitate the standardization of processes used to record, depreciate and track fixed assets within the agency. IHS currently does not have a standard system being utilized by the field in a consistent manner. This lack of standardization has resulted in increased year-end audit timeframes and efforts.

#### 3.2.2.2 Equipment and Inventory Standardization

While IHS does currently have an equipment inventory system, this system does not allow easy comparison of equipment types across the agency. The systems are locally maintained and data is transmitted and processed, on a periodic basis, to the

national level. The consolidated IFAS will standardize nomenclature (descriptions) of equipment and inventory and provide opportunities for improved consistency and cost efficiencies across the agency. Additionally, standardized equipment will result in reduced training time for medical providers and reduced patient care errors.

#### 3.2.2.3 Improved Accountability

The Inventory module of the IFAS project will improve the facility's ability to track supply inventories and to ensure that the supplies used are appropriately reflected on the facility's cost report as well as included in the billing process. The module will also assist the facility in maintaining appropriate levels of supplies, which are neither excessive nor under-supplied. This will result in decreased waste as a result of a more efficient procurement and tracking system.

### 3.2.3 Performance Measurement

#### 3.2.3.1 Comparative Reporting

The Business Intelligence module will enable IHS to integrate financial and performance data and to evaluate performance based on comparisons to similar sized IHS and private sector facilities. The system will also provide reference points for appropriate staffing levels. For example, facilities with a similar number of inpatient days could be compared for staffing levels and costs.

#### 3.2.3.2 Integration of Financial and Performance Data

The Business Intelligence module of the IFAS project will also allow for the integration of financial and performance information. For example, lab costs could be compared to the number of lab tests performed to calculate cost per test with a subsequent comparison to other IHS, federal or private sector facilities costs per lab test. Pharmacy salary expenses can be related to the number of prescriptions issued, the total pharmaceutical cost of the facility, and the number of prescription errors.

#### 3.2.3.3 Improved Decision Making

The IFAS reporting mechanisms will allow for private-sector-like performance reports at the local facility level as well as in aggregate at the Area and Agency levels. This improved reporting will facilitate decision making at all levels. For example, a request for additional staff can be evaluated by comparisons to industry standards for a facility with a similar patient load.

## *2. What assumptions are made about this project and why?*

### **Labor Benefit**

The labor benefit is derived from implementing a modern COTS Enterprise system across the functional areas. This single system will allow IHS to reduce and/or avoid redundant costs associated with duplicate accounting business processes. Thus, personnel time spent on existing accounting and business process activities could be

redirected to other mission critical activities and or reduced through attrition. In addition, it is easier to maintain uniform business rules, data standards and accounting policies and procedures across IHS, and to communicate directly with the new centralized Department Financial reporting system. IHS will comply with FFMIA and JFMIP by replacing various existing and obsolete systems.

The labor benefit includes the functional areas of Financial Accounting, General Ledger Management, Funds Management, Payment Management, Receipt Management, Cost Management, as well as Fixed Assets Tracking and Inventory. The proposed system will transform business processes to allow the de-layering of finance activities and improved field access to data/reports at the operational level. All system configurations will be aligned with the UFMS effort in order to facilitate migration to the unified system.

#### **Non-Labor Benefits**

Decommissioned portions of ARMS, which reside at 14 different Area and Headquarters systems, will be replaced by IFAS. Costs for system Development, Maintenance and Enhancement (DM&E) spending should decrease by this consolidation of resources annually.

Stand-alone shadow systems are a variety of software applications used to supplement the inadequacies of the existing Property and Supply systems, which are to be decommissioned. They will provide a related savings when the decommissioned systems are replaced.

Inspector General audit costs are the annual costs to audit component agency financial statements. Per the UFMS, it was determined as much as 25 percent of this cost could be reduced by the Agency having a common set of business rules, policies and procedures as part of the UFMS implementations. Additionally, IHS audit costs for 2002 are anticipated to increase by \$200,000 due to issues with ARMS and the Fixed Assets process. By standardizing the processes, auditors will not have to audit the IHS Areas against variable and inconsistent business processes and procedures resulting in a reduction of audit issues.

IFAS will include interfaces to all IHS specific applications such as RPMS and the Fiscal Intermediary. This will alleviate the need to develop duplicate interfaces that are already planned in the UFMS system. An interface with the IHS Resource and Patient Management System (RPMS) will be required to facilitate the accrual of revenue to the correct cost center, to automate billing of supplies, and to provide productivity data for the Business Intelligence module.

Purchasing functions of the current IHS Contract Health Services Management Information System (CHSMIS) will be replaced by Oracle purchasing module. Additional functionality of CHSMIS will be incorporated into the RPMS.

The UFMS bi-directional crosswalk will be utilized by the IFAS project to facilitate

the exchange of information between IFAS and CORE. CORE will remain the official accounting record for the agency until the UFMS conversion date for IHS slated for FY2007.

The IFAS will include a training management system, which may be accommodated by purchasing a portion of the vendor's HR package.

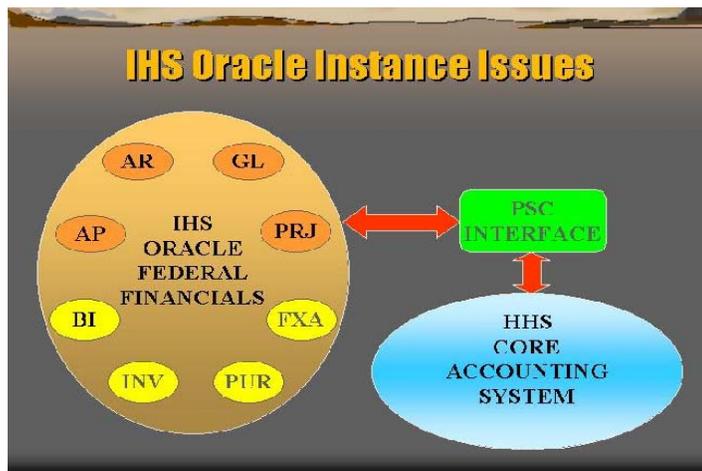
Cost estimates do not include the cost of current IHS staff that will assist the project through implementation (approximately 12–15 FTE through 2005).

IHS will utilize the Oracle software licenses from the UFMS project for the pilot year. Applications and Database Licenses will be purchased for the IHS national implementation where not already purchased by UFMS. Business processes may require changes so that only one-fifth of IHS staff interacts with the travel and finance systems directly.

It is assumed that a separate travel system can be run on existing equipment and that existing computer room facilities are adequate. Selection of the travel system for IHS will be aligned with the national E-gov travel initiative.

IHS will have the flexibility to access all levels of data by existing as a separate set of books within UFMS. Data for the Accounting Point, Service Unit, Facility, and Cost Center levels will be acquired through expansion of the UFMS BACS segments to accommodate agency specific requirements.

**3. Provide any other supporting information derived from research, interviews, and other documentation.**



### 3.3 Justification (PART I.B.)

**1. How does this investment support your agency's mission and strategic goals and**

***objectives?***

The IFAS is consistent with Secretary Thompson’s “One Department” vision because the basis for the system used will be the same system chosen as the UFMS by the DHHS. The IFAS will be designed in coordination with the UFMS team and the Program Support Center (PSC) using the UFMS Budget and Accounting Classification Structure (BACS) as the basis. This will allow for ready migration to the UFMS in order to facilitate consolidated DHHS reporting. The IFAS will also provide IHS healthcare facilities and area managers the necessary management information and subsidiary systems to properly operate and oversee their facilities. Additionally, the system will allow for standardized supply and fixed assets inventories across the agency, improve billing for supplies, track costs of Environmental Health Projects, as well as assist the agency in completing accurate and timely cost reports to comply with Center for Medicare and Medicaid Services (CMS) requirements.

The investment also supports the IHS Strategic Plan and Business Plan. Both management documents call for an improved fiscal system, which provides decision support data for the field as well as more accurate cost report data. (See IHS Strategic Plan Objective 3.3 and IHS Business Plan Finance Goal 2.1)

***2. How does it support the strategic goals from the President's Management Agenda?***

In keeping with the President’s Management Agenda, the proposed Integrated Financial Applications System (IFAS) will include the use of integrated systems to support daily operations, timely decisions and performance measurement. The proposed IFAS is designed to facilitate and automate daily operations and allow for financial management and performance measurement from headquarters down to the local facility and functional level.

The IFAS Project is a business transformation effort designed to integrate with the DHHS-wide financial management systems. Successful execution of the Program will drastically enhance the IHS’ ability to fulfill its mission and financial stewardship responsibilities. The Program’s objectives include empowering management by implementing a modern integrated enterprise financial management system that will consistently produce relevant, reliable and timely financial information to support decision-making and cost effective business operations at all levels throughout the Agency.

***3. Are there any alternative sources in the public or private sectors that could perform this function?***

Yes.

***4. If so, explain why your agency did not select one of these alternatives.***

Alternative Fixed Asset, Inventory and Business Intelligence modules are not ORACLE integrated and would require development of interfaces as well as the

ongoing maintenance of these interfaces. Asset reconciliation controls would also be necessary with alternative systems.

Existing commercial healthcare financial systems do not fit a Government healthcare financial process without further development, revisions, and increased costs. Likewise the current Government healthcare financial systems have been developed specific to the Department or Agency that developed the systems. It is the IHS perception that this initiative is in keeping with Secretary Thompson’s “One Department” vision because the system to be used is the same system chosen as the UFMS for the DHHS. The IFAS will be designed in coordination with the UFMS team and the Program Support Center (PSC) using the Budget and Accounting Classification Structure (BACS) to allow for migration to the UFMS to facilitate consolidated DHHS reporting while addressing the financial needs of our healthcare system.

***5. Who are the customers for this project?***

The customers will be IHS field users including the hospital and clinic operational staff and CEO’s. Additionally, the Area Office and HQ support staff and management will utilize the new modules for daily operations and management oversight. The Program Support Center and various components within the DHHS will also be customers. IFAS customers will be at all levels of the agency and include IHS program staff, purchasing agents, contract officers, finance officers, property and supply officers, property custodial officers and personnel.

Tribes and tribal organizations will also be customers of the improved data resulting from the new system.

***6. If this is a multi-agency initiative, identify the agencies and organizations affected by this initiative.***

This will be a multi-agency system in that the IFAS will integrate into the UFMS. IFAS is consistent with Secretary Thompson’s “One Department” and will be the same system chosen as the UFMS for all agencies within the DHHS. The IFAS will be designed in coordination with the UFMS team and the Program Support Center (PSC) using the UFMS Budget and Accounting Classification Structure (BACS) to allow for migration to the UFMS and to facilitate consolidated DHHS reporting.

***7. How will this investment reduce costs or improve efficiencies?***

The IFAS will consolidate administrative and IT functions from 14 ARMS and Headquarters systems into one agency system. This consolidation will assist IHS in meeting its business needs by standardizing the majority of financial and administrative functions. The overall impact of this consolidation will improve performance and patient care. The Inventory module will allow for improved tracking and billing of supplies and the Fixed Assets module will allow for the proper tracking of government assets and will assist the agency in reducing the number of audit concerns. The project will be designed in coordination with the UFMS team and

the UFMS BACS segments to allow for consolidated DHHS reporting. Anticipated benefits include:

- Systems consolidation
- Reduced staffing in multiple areas
- Reduced hardware and support costs
- Increase in Data Quality, Data Capture and Data Integration
- Improved data exchange and decision support
- Increased business consistency with the DHHS
- Increased compliance with FFMIA and Electronic Commerce
- Reduced Audit Timeframes and costs

**General Ledger Application:** The general ledger application will provide IHS facilities with the appropriate matching of revenue and expenses, by function, at the local level. The IFAS will also enable comparisons to the prior year for revenue and expenses as well as allow for benchmarking to other similar sized facilities, including the private sector. Finally, IFAS will assist in determining the actual costs of IHS programs. Properly documented costs are important in CMS rate negotiations and in tribal consultations regarding program costs.

**Purchasing/Accounts Payable Applications:** These two applications will be necessary to replace the purchasing and accounts payable functionality of the current IHS Administrative Resource Management System (ARMS), which will be eliminated under the UFMS project. IFAS will be part of the Agency's Electronic Commerce initiative for improved functionality in sending electronic purchase orders to suppliers after all necessary approvals are obtained, online purchase card statement review and approval, electronic receipt of vendor invoices, as well as online cost allocation of group purchases. The module will also automate the purchasing functions including on-line receiving reports.

**Inventory:** IHS does not currently have a standardized supply inventory system. Various facilities have implemented off-the-shelf products, which may or may not interface to CORE. The IFAS will provide a standardized application that will interface to the General Ledger system as well as the RPMS billing system. This will allow for the proper matching of supplies expense to the appropriate cost center as well as allow for proper billing of supplies to patient accounts. This new application will alleviate many non-standard manual processes currently used in IHS facilities. Additionally the module will assist IHS in maintaining appropriate supplies inventory levels, which are neither excessive nor under stocked.

**Projects:** The Projects application will be used by IHS to enhance cost data on several different types of projects and applications. This module will facilitate IHS cost reporting, tracking of construction expenses, and allocations to tribal 638 contractors and compactors. For example, the application will be used to track costs

of Environmental Engineering projects in an agency-wide standardized method. Additionally, the module will allow the IHS to track payments, at a national level, to each tribal organization. Often these payments are made from several different accounts and costs centers and are difficult to track, in total, by tribal organization.

**Business Intelligence:** The Business Intelligence application provides report capability that will match costs with business data to assist IHS managers in assessing daily performance for key indicators. This will allow informed decision-making regarding staffing, productivity, services and supplies on an instantaneous basis. For example, the module will allow for the matching of cost and productivity data such as pharmacy costs per patient visit.

**Accounts Receivable:** The Accounts Receivable application will be integrated with the General Ledger and allow for tracking of receivables, including summary totals of medical receivables, by facility and by payor type.

**Fixed Assets:** IHS does not have a standardized Fixed Asset system. The Agency auditors have recommended the implementation of a fixed asset system with adequate reports and automated depreciation calculations. This should facilitate any internal or Departmental depreciation report preparation. The integrated interface to the General Ledger will facilitate the regular reconciliation of the subsidiary ledger to the asset accounts. Additionally, the module will allow for standardization of equipment and nomenclature at the national level.

### 3.4 Performance Goals and Measures (PART I.C.) (All Assets)

Fiscal Year	Strategic Goal(s) Supported	Existing Baseline	Planned Performance Improvement Goal	Actual Performance Improvement Results	Planned Performance Metric	Actual Performance Metric Results
2005	Strengthen internal controls by implementing standard business rules, data standards and accounting policies across IHS.	Generate Quarterly Asset Reporting	Monthly Asset Reporting		Date of CMR Reports	
2005	Reduce audit timeframes	6 Month Report Preparation	6 Week Report Preparation		Audit completion date	
2005	Eliminate redundant and outdated financial systems by implementing an integrated IHS-wide system.	Replace SAMS, NECOP, FoxPro, Morris, ARMS, CHSMIS systems.	One system – IFAS		Number of systems in use.	

### 3.5 Program Management (PART I.D.)

1. Is there a program manager assigned to the project? If so, what is his/her name?		Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Name: Ms. Sandra Winfrey		Title: Albuquerque Area Executive Officer			

2. Is there a contracting officer assigned to the project? If so, what is his/her name?		Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Name: Diego Lujan		Title: Contracting Officer			

3. Is there an Integrated Project Team?		Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
3.A. If so, list the skill set represented.					
Specific areas of expertise on both the government and contract teams will include:					
Oracle Experienced Project Manager (Contractor)					
IT Technical Representative					
Field Program Representative (Area Contracting or Finance Officer)					
HQ Process Owner					
Advisory Team (Remaining Area Contracting and Finance Officers)					

4. <i>Sponsor/Owner:</i>		Yes	✓	No	
Name: Mr. Duane Jeanotte		Title: Director, Headquarters Operations (Acting)			

### 3.6 Alternatives Analysis (PART I.E.)

**1. Describe the alternatives you considered for this project. Describe the results of the feasibility/performance/benefits analysis.**

Alternative	Description
Alternative 1 – Current Systems	Alternative 1, also referred to as the “status quo,” maintains the 14 existing Area ARMS systems without investing in consolidation. Each Area Office continues to maintain its current ARMS and feeder systems. Alternative 1 requires maintenance of separate systems including 14 Administrative Resource Management Systems, fixed assets and inventory software and hardware. The continued use of the current ARMS and non-standard Fixed Asset applications that does not meet the Agency Business needs or audit requirements. The current system is unable to perform funds checking and funds status reporting due to batch-feed method of processing data. The current operations do not allow the IHS to fully meet the FFMLA.
Alternative 2 – Standardization Using Multi-System integration	Alternative 2 will standardize multiple commercial and proprietary systems used for data capture and submission to the DHHS system of record. This alternative requires on-going licenses and maintenance of these systems and the interfaces to provide the level of data required. This approach could result in the use of proprietary technology that might require system specific enhancements to a commercial application and the development of proprietary interfaces before any data can be sent intra-departmentally. This alternative could provide some level of consolidation even though the data would originate from a variety of systems.
Alternative 3 – Standardization using Oracle Financials Integrated modules.	Alternative 3 consolidates Area Office systems into a core financial system that is consistent with DHHS’ UFMS. This alternative will align IHS with the UFMS for standardization, centralization internal to the Agency, and consistency with the DHHS. This approach allows for the long term cost savings for IT operations by consolidating business operations from 14 different ARMS/Fixed Asset/inventory systems into one system that will integrate into the DHHS’ accounting system and reduce audit exposures.

**2. Summarize the results of your life cycle cost analysis performed for each investment and the underlying assumptions.**

**Alternative 1** requires the operation of multiple systems at different geographical locations, 14 Area Offices and Headquarters. This alternative maintains the 14 existing purchasing, travel and training administrative systems without investing in consolidation. In this alternative, each Area Office continues to maintain its current ARMS and non-integrated and non-standard property and supply systems.

Alternative 1 requires on-going maintenance and support of multiple systems. Current property and supply systems are at the end of their life cycle and are no longer supported in the field. These systems will require multiple enhancements, functionality and integration with each other and interface to the UFMS Departmental systems.

**Alternative 1 Five year Costs (Existing System)**

**Labor costs:** \$64.4 million is based on the DHHS' UFMS cost estimates for maintaining the existing staffing levels plus additional labor costs for the IHS property and supply systems. Labor cost represents the cost required for labor to support the existing systems. The cost for the current property and supply processes is estimated at \$0.48 million per year, derived from the following: ½ FTE for Property & Supply staff for each of the 12 Area and two Headquarters Offices (calculated using GS9 step 5 rate).

**Labor Cost Increase:** \$11.2 is based on the UFMS business plan.

**Audit Cost:** \$3.6 million includes an increase of \$200,000 per year in addition to the \$2.6 million cost estimated by UFMS. This is based on 2002 audit costs.

**System Costs:** \$31.2 million consists of \$7.7 million for hardware, software and telecommunications support and maintenance. Current financial system costs of \$4.7 million annually are costs not reflected in the labor cost categories, yet directly related to maintaining the current systems.

**Shadow System Costs:** \$8.9 million is based on the UFMS shadow system cost associated with ARMS (\$1.9 million), CORE (\$5.0 million) and hardware and commercial software licenses for the current property and supply systems (\$2.0 million).

**Payment Penalty Cost:** \$1 million is based on the DHHS estimates for UFMS.

**Alternative 2** could result in the use of proprietary technology or the procurement of commercial applications that might require multiple system specific enhancements. This alternative requires the development of proprietary interfaces before any data can be exchanged with UFMS. The modification of proprietary systems is compounded by the data requirements and mandates for sharing information with the DHHS' systems of record. This endeavor becomes very costly because of the need to adapt and operate a proprietary or commercial system independent of UFMS.

**Alternative 2 Costs over 5 years**

**Labor costs:** \$63.2 million is based on the DHHS' UFMS cost estimates for maintaining current staffing levels (less the labor cost savings) with additional phased in FTE to maintain multiple systems (\$2.7 million).

**Labor Cost Increases:** \$11.2 is based on the UFMS business plan.

**Audit cost:** \$2.6 million is based the DHHS UFMS cost estimate.

**System Costs:** \$23.1 million reflects the system hardware, software and telecommunications support of the Oracle financials (\$17.8 million) with an additional funding for inventory and property systems (including integration, interfaces and operations) to capture, retrieve and submit required data to UFMS (\$5.3 million). Training costs for these systems are included.

**Shadow System Costs:** Costs are eliminated due to standardization of systems.

**Payment Penalty Cost:** Costs are eliminated due to standardization of systems.

**Alternative 3** addresses the objectives of the President's Management Agenda and government-wide initiatives to improve financial performance, expand electronic government, and provide the foundation for the integration of budget and performance. This alternative also provides uniform, integrated financial information for the Agency in alignment with the DHHS. Implementing IFAS will reduce costs and mitigate security risks associated with maintaining existing systems, as well as provide timely and reliable information for management purposes. The alternative allows current internal systems issues to be addressed in the near term and provides for the consistency of operations with the DHHS in the long term. This alternative resolves multiple internal and external systems problems and provides an opportunity to operate with one of the JFMIP certified Financial Systems already identified by the DHHS for future use across all OP DIVS. It also provides for the consolidation and centralization of hardware and software support, standardization of business systems operations, and the replacement of multiple systems across the agency. Alternative 3 will institute a common set of business rules, data standards, and accounting policies and procedures, thereby addressing the Secretary's vision for "One Department." In addition, a consolidated financial reporting capability will be implemented to produce timely and reliable Agency and DHHS-wide financial statements and management reports. These resulting capabilities will provide increased financial operations efficiency and reduced financial operations costs. In addition, this alternative ensures delivery of key financial and management benefits sooner, including allowing the Agency to comply with the requirements of the Federal Financial Management Improvement Act.

**Alternative 3 Costs over 5 years**

**Labor costs:** \$62.4 million is based on the DHHS' UFMS cost estimates for

maintaining current staffing levels (less the labor cost savings) with additional FTEs to maintain the integrated property and supply functions of the system (\$2.0 million).

**Labor Cost Increases:** \$11.2 is based on the UFMS business plan.

**Audit cost:** \$2 million is based on savings from a consolidated system with comprehensive data captures which is expected to improve data quality, standard data sets and processes and therefore reduce audit preparation time and cost.

**System Costs:** The \$17.8 million reflects agency costs for the Oracle financials and associated systems. This includes \$320,000 in training costs.

**Shadow System Costs:** Costs are eliminated due to standardization of systems.

**Payment Penalty Cost:** Costs are eliminated due to standardization of systems.

**Table 1: Baseline Costs In Millions x 5 years**

Cost Elements*	Alternative 1	Alternative 2	Alternative 3
Element 1 Baseline Labor Costs	\$ 64.4	\$ 63.2	\$ 62.4
Element 2 Labor Cost Increases	\$ 11.2	\$ 11.2	\$ 11.2
Element 3 IG Audit Costs	\$ 3.6	\$ 2.6	\$ 2.0
Element 4 System Costs	\$ 31.2	\$ 23.1	\$ 17.8
Element 5 Shadow System Costs	\$ 8.9	\$ 0	\$ 0
Element 6 Payment Penalty Cost	\$ 1.0	\$ 0	\$ 0
<b>Net Total</b>	<b>\$120.3</b>	<b>\$100.1</b>	<b>\$ 93.4</b>

**3. Which alternative was chosen and why? Define the Return on Investment (ROI).**

While other solutions certainly exist, the IFAS Project Team believes **Alternative 3** represents the most feasible and cost-effective solution based on the Agency’s requirements and available technology. Alternative 3 addresses the DHHS’ requirements for a unified financial management approach, adheres to the FFMIA legislation and will allow IHS to increase standard processes and improved decision making. In addition to the previously mentioned benefits of implementing this recommended solution, this alternative directly aligns the IFAS with the DHHS UFMS strategic goals and mission statement.

**Alternative Project Cost, ROI and NPV Comparison**

Decision Criteria	Status Quo	Alternative 2	Alternative 3
<p><b>Financial</b></p> <p>Total Cost (through FY'07)                      Total Benefits (through FY'07)                      Net Present Value                      Return on Investment</p>	<p>\$120.3 million                      \$ 0.0 million                      N/A                      N/A</p>	<p>\$ 25.8 million*                      \$ 37.0 million+                      \$ 9.6 million                      29%</p>	<p>\$ 19.8 million*                      \$ 37.6 million+                      \$ 15.4 million                      38%</p>
Benefits	<ul style="list-style-type: none"> <li>Requires minimal initial cost outlay</li> <li>Requires no change to the existing IHS culture or procedures</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with Federal Financial Managers' Integrity Act (FFMIA)</li> <li>Adheres to the President's Management Agenda</li> <li>Adheres to Secretary Thompson's vision for "One Department"</li> <li>Responds to the Inspector General's (IG) recommendation to implement an integrated financial management solution</li> <li>Provides long-term cost avoidance and returns</li> <li>Addresses many of the weaknesses identified in the Agency audit</li> <li>Provides improved accountability for government assets</li> <li>Supports billing of supplies/third party reimbursements</li> <li>Improves accuracy of cost reports</li> <li>Provides improvements in program management resulting in better information, reporting and analysis</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with Federal Financial Managers' Integrity Act (FFMIA)</li> <li>Adheres to the President's Management Agenda</li> <li>Adheres to Secretary Thompson's vision for "One Department"</li> <li>Responds to the Inspector General's (IG) recommendation to implement an integrated financial management solution</li> <li>Provides long-term cost avoidance and returns</li> <li>Addresses many of the weaknesses identified in the Agency audit</li> <li>Provides improved accountability for government assets</li> <li>Supports billing of supplies/third party reimbursements</li> <li>Improves accuracy of cost reports</li> <li>Enables benchmarking and performance assessments.</li> <li>Provides improvements in program management resulting in better information, reporting and analysis</li> </ul>
Risks	<ul style="list-style-type: none"> <li>Non-compliance with Federal Financial Managers' Integrity Act (FFMIA)</li> <li>Non-compliance with the President's Management Agenda</li> <li>Non-compliance with Secretary Thompson's vision for "One Department"</li> <li>Does not reduce the numerous outdated legacy systems</li> <li>Does not addresses</li> </ul>	<ul style="list-style-type: none"> <li>Increased or competing demands for staff resources throughout the life of the project</li> <li>Possible changes to project scope, or "scope creep"</li> <li>Possible data conversion challenges from legacy systems to the new core accounting system</li> <li>On-going interfaces to UFMS</li> </ul>	<ul style="list-style-type: none"> <li>Increased or competing demands for staff resources throughout the life of the project</li> <li>Possible changes to project scope, or "scope creep"</li> <li>Possible data conversion challenges from legacy systems to the new core accounting system</li> </ul>

Decision Criteria	Status Quo	Alternative 2	Alternative 3
	many of the identified material weaknesses in the Agency audit <ul style="list-style-type: none"> <li>Increased potential for additional “cuff” systems to meet financial needs</li> </ul>		

\*These costs reflect only new systems and additional staffing costs.

+Benefits for each alternative were calculated based on the UFMS estimated savings for labor and replaced systems.

The technique used to evaluate investment alternatives was Net Present Value (NPV) - taken from the UFMS Business Plan. The NPV is calculated by applying a discount rate to a data series representing the future net benefit of the IFAS project by year. In this case, a discount rate of 3.1 percent was applied to the annual net benefit (total annual benefit minus total annual cost) from FY 2003-7. The calculation of NPV should be equal to, or greater than zero, i.e., that the discounted benefits be at least as great as the discounted costs.

*Are there any quantitative benefits that will be achieved through this investment (e.g., systems savings, cost avoidance, stakeholder benefits, etc)? Yes If so list them.*

- Improve financial systems effectiveness and efficiency:** The Agency will achieve significant tangible benefits by replacing redundant and technologically outdated financial systems with an integrated, modern, web-based system. IFAS will establish the foundation for the integration of administrative systems through the standardization of global design elements. Additionally, IFAS will allow for the standardization of finance activities, which will result in de-layering, better field access to data, and reduced finance staff.
- Provide enhanced management empowerment:** UFMS will produce accurate, timely, reliable, and relevant financial information to help DHHS managers and leaders make fact-based operational decisions.
- Increase compliance with legislative mandates and regulatory requirements:** By implementing a well-designed IFAS, the DHHS will improve its ability to satisfy legislated financial management mandates (such as those stipulated in the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, the Government Management Reform Act of 1994 and the Federal Financial Management Improvement Act of 1996) and comply with applicable Federal financial management system requirements promulgated by the central agencies and the JFMIP.
- Improve management internal controls:** IFAS will strengthen the DHHS’ internal controls through the institution of a secure system designed around

standard business rules, data requirements, and accounting policies.

- **Increase Economies of Scale:** Among other significant benefits, IFAS will provide the Agency with single points of data entry and accelerated end-of-year financial reporting by reducing and/or replacing labor-intensive procedures with automated consolidated reporting capabilities.
- **Maintain “clean” audit opinions:** IFAS will drastically contribute to helping the Agency continue to achieve unqualified audit opinions on annual financial statements by instituting stringent controls over financial transactions, data flows and the processing of financial information. In addition, due to the organizational size of IHS, it is critical that IFAS is implemented to positively contribute to a DHHS wide clean opinion.
- **Enhance financial systems architecture:** By designing and implementing IFAS using a widely accepted COTS product, the IHS will implement a software platform and architecture that is conducive to more effective maintenance and configuration management.

***B. For alternative selected, provide financial summary, including Net Present Value by Year and Payback Period Calculations:***

YEAR	PY-1 and Earlier	PY 2003	CY 2004	BY 2005	BY+1 2006	BY+2 2007
Net Benefit	0	(\$ 1.02)	(\$ 3.10)	\$ 6.04	\$ 7.56	\$ 8.32
Payback	0	(\$ 1.02)	(\$ 4.12)	\$ 1.92	\$ 9.48	\$ 17.80

***4. What is the date of your cost benefit analysis?*** Date: April 18, 2003

### 3.7 Risk Inventory and Assessment (PART I.F.)

#### 3.7.1 Assessment and Mitigation Strategies

The IFAS Program will be a systems consolidation and conversion effort. IFAS will eventually support hundreds of users processing thousands of transactions annually from numerous sites across the country. In addition, the IFAS implementation will require coordination with multiple IHS Area Offices and Service Units, a number of which currently operate their own Administrative systems. Some risks or negatively impacting factors can be reliably predicted for a major financial system effort. The project managers can plan for and readily devise mitigation procedures for “common” or inherent risks and factors. The IHS IFAS Program management team shares the responsibilities to identify and effectively mitigate program risks. The following is a summary of risks that are inherent in projects of the size and complexity of the IFAS effort:

- **Competing demands for staff resources:** Management must be willing to

dedicate the requisite resources to the IFAS effort. The IFAS Program requires the dedication and training of a significant number of skilled staff resources at the site implementation level. IHS also needs to dedicate a combination Headquarters and Area Office staffs to provide the necessary level of subject matter expertise. This risk will be mitigated by a detailed project planning document and daily tracking of risks, resources, and deliverables. In the event that the project deviates from the plan, management will take corrective action.

- **“Scope creep”:** Failure to clearly define the scope of a systems conversion project--and “stick to” the defined scope--is a serious risk to the success of the project. Such risk is particularly acute with complex Agency-wide implementations. “Scope creep” occurs when significant changes are made to the original implementation plan, usually resulting in additional cost and extension of deadlines. Often administrative and financial systems are developed in a piecemeal fashion over many years. This can result in the antiquated systems that are highly customized to fit entrenched business processes to which end-users became quite accustomed. User demands for highly customized systems run counter to the efficiencies inherent in a COTS financial package. This risk will be mitigated by a comprehensive scope document (using insights learned from the UFMS team) and a rigid change management procedure.
- **Data conversion and associated data clean up:** Converting and cleansing administrative and financial and related data in current systems for input and integration into a new system often poses serious risks and challenges. Since data structures, code descriptors, and business rules may be significantly different between current systems and the new financial management system, data may not be directly compatible and easily converted to the new system formats and architecture. Significant amounts of data mapping, manipulation and “cross-walking” may be required, thereby increasing the risk of compromising data integrity. Significant up-front planning will mitigate this risk and any issues will be resolved during the side-by-side testing of the new system.
- **Non-alignment with UFMS:** The IFAS team must work closely with the Area Office, Headquarters and UFMS teams in order to assure the final IFAS product can be readily migrated to the new DHHS system. This risk will be mitigated by development of a communications plan that includes frequent meetings with the UFMS team and exchange of architecture, layout, and table designs.

Date Identified	Area of Risk	Description	Probability of Occurrence	Strategy for Mitigation	Current Status as of the date of this Exhibit
3/27/2003	Resources	Competing Resources	10%	Project Management	
3/27/2003	Change management	Scope Creep	15%	Project Management	
3/27/2003	Data Information	Data Conversion	15%	Data Conversion Planning and Management	
3/27/2003	Strategic	Resistance to Changes in Administrative Systems	10%	Involvement of IFAS Team with Area Office and UFMS Teams.	

*1. What is the date of your risk management plan? Date: To be completed*

### 3.8 Acquisition Strategy (PART I.G.)

*1. Will you use a single contract or several contracts to accomplish this project?*

Single  Multiple

IHS will use Oracle Federal Financials COTS and Oracle business toolsets for the software solution for implementing IFAS across the Agency. IHS will use the DHHS' HHS-wide procurement delivery order with WWT (IHS-NIH-NLM Delivery Order No. 467-FZ-201480, May 31, 2002) and the WWT GSA Schedule Contract No. GS-35F-4194D to acquire discounted Oracle database and application software products, maintenance, and technical support for IFAS under the provisions of FAR 8.404. The IFAS hardware, and some support services will be acquired using existing contract vehicles and purchase orders.

IHS may chose to use the System Integrator Contract awarded for Planning, Design and Implementation of IFAS using the NIH NITAAC CIO-SP2 Contract, Task Order Number IHS-NIH-NLM-2002-C-2060-T-00 with multiple option years. IHS may use Consultants to provide team members who are experienced in the UFMS ERP software product and its installation, configuration and customization; in software, hardware and business systems architecture; and in business process business transformation.

**1.A. If multiple contracts are planned, explain how they are related to each other, and how each supports the project performance goals.**

IHS will use the existing DHHS contract vehicles available for the UFMS project. These have already been awarded and the UFMS project has worked to enhance the vendor relationships and cross communication.

**2. What type(s) of contract(s) will you use (e.g. cost reimbursement, fixed-price, etc.)?**

Type: Fixed Price Delivery Order No. 467-FZ-201480

**2.A. For cost reimbursement contracts, define risk not sufficiently covered by the risk mitigation plan to require this type of contract.**

Not applicable

**3. Will you use financial incentives to motivate contractor performance (e.g. incentive fee, award fee, etc.)?**

Yes  No

**4. Will you use competition to select suppliers?**

Yes  No

**5. Will you use commercially available or COTS products, or custom-designed products?**

Yes  No

The DHHS-wide procurement delivery order with WWT (IHS-NIH-NLM Delivery Order No. 467-FZ-201480, May 31, 2002) and the WWT GSA Schedule Contract No. GS-35F-4194D to acquire discounted Oracle database and application software products, maintenance, and technical support for IFAS under the provisions of FAR 8.404.

**6. What is the date of your acquisition plan?** Date: To be completed after ITIRB approval and assurance of funding.

**7. How will you ensure Section 508 compliance?**

The Indian Health Service (IHS) has confirmed with the vendor (and will include in the associated contracting documents, where applicable) that this system (software and hardware) is 508 compliant. Additionally, the newly revised IHS Manual has a policy section that will require IHS to maintain 508 compliance for this and other information technology projects. IHS will submit the IFAS to any 508 compliance testing that the UFMS team is doing for that system.

For any outputs that may be web-based, IHS maintains a policy of reviewing websites for compliance with rules and regulations at two separate stages of site development.

During the first stage, when a site is first published, the site developer and a member of the IHS Web Team jointly prepare the content using our agency's Section 508 compliant template. When the site is ready for deployment to a production server, it is certified to meet or exceed Section 508 rules (using industry accepted toolsets). Further, it is tested for usability and compliance with the IHS best practices and guidelines, which conform to current federal rules and regulations. Only after this certification process is a site published. The second stage of review occurs when a site receives a major upgrade or if the content changes significantly. The content or areas of a site that change significantly become subject to the full review process described in stage one.

### 3.9 Project and Funding Plan (PART I.H.)

#### 3.9.1 Description of Performance-based System (PBMS) (PART I.A.1.)

***Which performance based management system that meets ANSI/EIA Standard 748 will you use to monitor and manage contract and project performance?***

Currently, the IHS uses a variety of tools to meet the ANSI/EIA Standard 748. IHS uses a combination of Project management tools (policies, plans, and commercial software) to meet the Earned Value Management System (ANSI/EIA Standard 748) guidelines. Through the use of a Project Charter, Scope Document, Communications Plan, Quality Management Plan, Change Management Plan, Microsoft Project, and other tools, IHS is able to manage the project performance. The contracts are additionally managed through work breakdown structures and associated cost estimates used to create cost and schedule of milestones for development projects and maintenance expenditure forecasts to measure the performance of operational initiatives. Performance is measured against the planned cost and schedule of milestones. IHS intends to use performance based contract management.

#### 3.9.2 Original Baseline (PART I.A.2.) (OMB-Approved at Project Outset)

***What are the cost and schedule goals for this phase or segment/module of the project (e.g., what are the major project milestones or events; when will each occur; and what is the estimated cost to accomplish each one)? Also identify the funding agency for each milestone or event if this is a multi-agency project.***

Description	Cost (in millions) and Schedule Goals				
	Schedule		Duration	Planned Cost	Funding Agency
	Start Date	End Date	Days		
Planning	1/2003	6/2004	325	\$2.8	IHS
Albuquerque Area Office Project	7/2003	7/2004	260	\$6.0	IHS
Implementation at all Areas	7/2004	7/2005	260	\$4.8	IHS

***D. Briefly describe how this initiative supports the identified Lines of Business and Sub-Functions of the Federal Business Architecture.***

This project enhances both the financial and asset management records for the IHS. This initiative will provide for data, systems, and software standardization to support business functions in alignment with DHHS. This supports the Federal Business Architecture. Specifically: the business area of "Services to Citizens", sub-function "Public Asset Management", sub-element "Public Facilities"; the business area of "Services to Citizens", sub-function "Revenue Collection", and sub-element "Debt Collection"; business area "Support Delivery of Services", sub-function "Business Management of Information", sub-element "Information Collection"; business area "Support Delivery of Services", sub-function "Controls and Oversight", sub-element "Program Monitoring"; and business area "Support Delivery of Services", sub-function "Planning and Resource Allocation", sub-element "Budget Execution".

***E. Was this project approved through the EA Review committee at your agency?***

Yes

***F. What are the major process simplification/reengineering/design projects that are required as part of this initiative?***

Eventually the 14 Area and Headquarters financial ARMS, Fixed Asset and Inventory systems will be consolidated into one system. This will reduce operational and maintenance costs of having multiple systems with separate hardware and software at each Area Office and multiple Service Unit Field sites. IFAS will integrate multiple business process requirements in a manner consistent with the DHHS' "One Department" initiative. The IFAS allows IHS to meet both short range and long range IT and business plans and goals.

***G. What are the major organization restructuring, training, and change management projects that are required?***

This project will not result in organizational restructuring. Some IHS staff responsibilities will be centralized to support IFAS operations. All procurement, finance, property, supply and management, business office staff will need to be trained on the new system. New policy and procedure considerations will impact business process. The IFAS will be piloted at the Albuquerque Area Office initially but will eventually include all Area Offices and Service Units. The IFAS implementation team will include team members from all IHS Areas. No major change management projects are needed.

***H. What are the Agency lines of business involved in this project?***

This project will involve all finance, purchasing, inventory, and property management functions within IHS. Specific software packages will be used to enhance these business lines' performance. These include:

**General Ledger Application:** The general ledger application will provide IHS facilities with the appropriate matching of revenue and expenses, by function, at

the local level. The IFAS will also enable comparisons to the prior year for revenue and expenses as well as allow for benchmarking to other similar-sized facilities, including the private sector facilities. Finally, IFAS will assist in determining the actual costs of IHS programs. Properly documented costs are important in CMS rate negotiations and in tribal consultations regarding program costs.

**Purchasing/Accounts Payable Applications:** These two applications will be necessary to replace the purchasing, accounts payable and training functionality of the current IHS Administrative Resource Management System (ARMS), which is scheduled to be eliminated under the UFMS project. Improved functionality includes electronic Purchase Orders to suppliers, Online Purchase Card Statement review and approval, electronic receipt of vendor invoices, and online cost allocation of group purchases.

**Inventory:** IHS does not currently have a standardized supply inventory system. Various facilities have implemented stand alone, off-the-shelf products, which do not interface with the Agency financial system. The IFAS will provide a standardized enterprise application that will interface to the General Ledger system as well as the RPMS billing system. This will allow for the proper matching of supplies expense to the appropriate cost center as well as allow for proper billing of supplies to patient accounts. This new application will alleviate many manual processes currently used in IHS facilities.

**Projects:** The Projects application will enhance the IHS cost reporting abilities by assisting with overhead cost distributions. Additionally, the application will be used to track costs of Environmental Engineering projects in an agency-wide standardized method.

**Business Intelligence:** The Business Intelligence application will be used to assist IHS managers in assessing key indicators. This will allow informed decision-making regarding staffing, productivity, services and supplies.

**Accounts Receivable:** The Accounts Receivable application will allow for tracking of receivables, including summary totals of medical receivables, by facility and by payor type.

**Fixed Assets:** IHS does not have a standardized Fixed Asset system. The Agency auditors have recommended the implementation of a fixed asset system with adequate reports and automated depreciation calculations. The integrated interface to the General Ledger will also facilitate the regular reconciliation of the subsidiary ledger to the asset accounts.

***I. What are the implications for the agency business architecture?***

The consolidated system makes available needed data for day-to-day business decisions. We will not know the full implications until the target business enterprise

architecture is defined via “One Department.”

## **4.0 Additional Business Case Criteria for IT (PART II — Exhibit 300)**

### **4.1 Data (PART II.A.2.)**

***A. What types of data will be used in this project?***

Financial, vendor, procurement, property, and supply data will be used by the IFAS.

***B. Does the data needed for this project already exist at the Federal, State, or Local level? If so, what are your plans to gain access to that data?***

No

***If so, what are your plans to gain access to that data?***

Not Applicable

***C. Are there legal reasons why this data cannot be transferred?***

No

***If so, what are they and did you address them in the barriers and risk sections above?***

Not Applicable

### **4.2 Application and Technology (PART II.A.3.)**

***A. Discuss this initiative/project in relationship to the application and technology layers of the EA. Include a discussion of hardware, applications, infrastructure, etc.***

The IFAS will include business-driven, functionally integrated applications that support business and performance objectives. The applications are structured across horizontal service lines that, independent of the business functions, can provide a leveragable foundation for reuse of the application capabilities, components, and business services.

The technology (network and hardware) supports the delivery of the application capabilities. The technology elements collectively support the adoption and implementation of a component-based architecture, and are proven products and toolsets that will be used by DHHS.

***B. Are all of the hardware, applications, and infrastructure requirements for this project included in the EA Technical Reference Model?***

Yes

*If not, please explain.*

Not Applicable

### 4.3 Security and Privacy (PART II.B.)

*NOTE: Each category below must be addressed at the project (system/application) level, not at a program or agency level. Referring to security plans or other documents is not an acceptable response.*

The goals for IHS IT security and critical IT infrastructure protection are 1) improve the reliability and availability of critical IT services and; 2) protect the integrity and confidentiality of critical and sensitive assets. The core of this IT security plan focuses on projects designed to achieve the following aims:

- Ensure a robust enterprise security program
- Ensure common standards and practices, and
- Ensure that new or potential security vulnerabilities are swiftly identified and addressed.

During the first year, IHS will conduct a risk assessment, install a multi-tier computer virus protection system, and complete vulnerability scans of critical systems and a perimeter protection review. The DHHS has recently awarded two contracts. IHS will use one of these security services contract to allow for the deployment of Intrusion Detection System (IDS) agents across the IHS based on their unique requirements.

***II.B.1. How is security provided and funded for this project (e.g., by program office or by the CIO through the general support system/network)?***

***A. What is the total dollar amount allocated to security for this project in FY04?***

\$79,000

Note that security costs are sometimes not easily identified because of improved technology which embeds improved security functionality, and therefore it is assumed that approximately 2% of the FY 04 cost can be attributed to the embedded security measures inherent to the labor and procurement expenditures and FY 03 activity. Additionally, Oracle has intrinsic security elements or features within the application, but these are included in the overall cost of the application.

***II.B.2 Does the project (system/application) meet the following security requirements of the Government Information Security Reform Act, OMB policy, and NIST guidance?***

Yes  No

**A. Does the project (system/application) have an up-to-date security plan that meets the requirements of OMB policy and NIST guidance? What is the date of the plan?**

Yes  No  Date: \_\_\_\_\_

**B. Has the project undergone an approved certification and accreditation process? Specify the C&A methodology used (e.g., NIST guidance) and the date of the last review.**

Yes  No  Date: \_\_\_\_\_

**C. Have the management, operational, and technical security controls been tested for effectiveness? When were most recent tests performed?**

Yes  No  Date: \_\_\_\_\_

**D. Have all system users been appropriately trained in past year, including rules of behavior and consequences for violating the rules?**

Yes  No

**E. How has incident-handling capability been incorporated into the system, including intrusion detection monitoring and audit log reviews?**

This system is currently in the planning and design stage. This system will be required to conform to the IHS AIS Security Program as follows:

**Incident Response Capability**

The IHS has demonstrated the ability to respond to security incidents in a manner that protects information systems affected by the incident. IHS has obtained the Norton Antivirus software for PCs, servers and e-mail for the agency. Distribution of Computer Emergency Response Team (CERT) alerts to Agency network representatives is also a part of the security program initiative. IHS plans to follow the DHHS Guidance on Establishing Computer Security Incident Prevention and Response Capabilities (CSIRC). This system will use all the tools available within the IHS for incident identification, intrusion detections, and audit log reviews.

**Are incidents reported to GSA's Fencer?**

Yes  No

**F. Is the system operated by contractors either on-site or at a contractor facility?**

Yes  No

**If yes, does any such contract include specific security requirements required by law and policy?**

Yes  No

These specific security requirements are defined in the specific policies and procedures for IHS IT staff.

***How are contractor security procedures monitored, verified, and validated by the agency?***

The contractor must provide a documented copy of their security policies and procedures, which are reviewed, verified, and validated, by the Program Integrity and Ethics Program, and Contracting. All contract employees have a background check in accordance with the position and function they fill. All appropriate and applicable Agency and DHHS Security polices and procedures must be complied with and will be monitored through a documented performance based contracting quality assurance plan.

***II.B.3 How does the agency ensure the effective use of security controls and authentication tools to protect privacy for those systems that promote or permit public access?***

This system will not promote or permit public access.

***II.B.4 How does the agency ensure that the handling of personal information is consistent with relevant government-wide and agency policies.***

During the planning, design, implementation and final certification and accreditation, this system will be evaluated for conformance to government-wide and agency policies related to the handling of personal information. Incorporating the security throughout the implementation process reduces the risk associated with the accreditation process for IFAS by designing security considerations into system. These activities will include the following:

- Develop security requirements and security plan for IFAS
- Establish policies, practices and procedures for the establishment, control, and maintenance of user accounts, passwords and the associated permissions and responsibilities granted to each user (including system administrators, database administrators, and IFAS users). These procedures will be based upon OMB Circular No. A-130, which provided guidance for computer security.
- Develop and implement security components for systems, technical infrastructure and networking
- Establish policies, practices and procedures for access to the application and database servers
- Establish back-up and recovery, archiving, and off-site storage policies, practices and procedures
- Develop all the required documentation for security certification
- Support security testing and system accreditation

***II.B.5 If a Privacy Impact Assessment was conducted, please provide a copy to OMB.***

No Privacy Impact Assessment was performed by IHS.

**4.4 Government Paperwork Elimination Act (GPEA) (PART II.C.)**

***II.C.1 If this project supports electronic transactions or record keeping that is covered by GPEA, briefly describes the transaction or record-keeping functions and how this investment relates to your agency's GPEA plan.***

This system is not a covered record keeping system covered by GPEA and the project is not part of the IHS GPEA plan.

***II.C.2 What is the date of your GPEA plan? Date:***

***II.C.3 Identify any OMB Paperwork Reduction Act (PRA) control numbers from information collections that are tied to this investment.***

Not applicable.

**5.0 Recommendations**

The development of IFAS, as reflected in alternative three would be the best option for the Indian Health Service. This alternative takes advantage of and uses Oracle products that allow IHS to modernize and standardize systems and software. The use of an integrated financial application will assist the agency to comply with the President's Management Agenda initiatives. The IFAS initiative will apply across the organization and down to a local healthcare facility level. This enterprise approach will allow performance comparisons of IHS facilities with other federal facilities, and the private sector. This system will enable the IHS to track revenue and expenses on a local cost center basis, streamline the procurement process, maximize the amount of supplies that are billed for, and standardize and automate the fixed assets/supply inventories and Environmental Health project costs. IFAS will provide for more accurate and timely preparation of cost reports for CMS. IHS facilities need the appropriate local management tools to assess and measure their performance and develop cost effective practices. The proposed system will also decrease training costs due to the standardization of equipment, systems, and processes.

Many IHS facilities now receive over one-third of their funding from non-appropriated sources. In order to maintain and increase that funding, IHS facilities must measure performance compared with private sector facilities. IHS patients with Medicaid, Medicare and Private Insurance eligibility may choose private sector facilities if IHS is not competitive. Any loss of this revenue could result in the reduction of basic services at IHS facilities. IFAS will allow healthcare facilities to adapt to the changing business environment for healthcare and the Federal

Government. IFAS provides the functionality and technical data configuration to enable IHS to meet its' mission and goals of providing quality healthcare to American Indians and Alaska Natives while streamlining and de-layering the business process.

## 6.0 Appendix A: Agency Profile

The Indian Health Service (IHS), an agency within the Department of Health and Human Services (DHHS), is responsible for providing comprehensive public health services to American Indians and Alaska Natives (AI/AN). The provision of health services to AI/AN is closely tied to the special Government-to-Government relationship between the Federal Government and Indian Tribal Governments based on Article 1, Section 8 of the United States Constitution and has been further defined through numerous treaties, laws, Supreme Court decisions, and Executive Orders.

The IHS working in partnership with Tribal Governments, manages an Indian health care system which is the largest provider of health care services for AI/AN. The distinctive nature of the Indian health care system reflects the people served. There are approximately 1.6 million AI/AN throughout the United States. The IHS serves over 560 tribes and Alaska native villages in 35 states, each a community with its own strong sense of individual identity and cultural heritage. Tribal and spiritual leaders partner with health care providers to identify problems, plan and implement community health initiatives, and evaluate programs.

The scope of direct services provided is determined by medical priorities, community assessment of needs, the level of appropriated funds, and other resources generated locally. The direct services are augmented through the purchase of medical services from more than two thousand private providers through the Contract Health Services (CHS) program. Patients may be referred for episodic care to private sector hospitals and providers when the needed services are not provided within the Indian health care system.

The Indian health care system consists of four distinct components all striving toward the common mission of better health care for Native people. First, are the tribally managed programs where tribal governments have chosen to manage their health delivery system through Self-Governance compact agreements with the IHS. Second, are the tribally managed programs where tribes have chosen to manage their health delivery system through Self-Determination non-procurement contracts with the IHS. Third, are the Urban health programs designed to meet the unique needs of the urban-based Native population through "Buy-Indian" contracts. Fourth, is the group of health care programs managed directly by the IHS. In most areas of Indian country, the Indian health care system is a blend of these four service delivery models.

### ***Tribal Self-Determination/Self-Governance***

Tribal governments may exercise their sovereign rights through the Indian Self-

Determination and Education Assistance Act (Public Law 93-638, as amended) Titles I, V, or VI contracts or compacts, by choosing to have the IHS retain the operation of health programs, or through any combination of these options.

Approximately one-half of the IHS appropriation is administered through Tribal Governments through Self-Determination contracts, Self-Governance compacts or a combination of these agreements.

### ***Urban Programs***

An increasing percentage of AI/AN now reside in urban areas. There are 34 Urban projects serving approximately 330,000 AI/AN who are primarily located in metropolitan areas such as Denver, Los Angeles, San Francisco, Dallas, Seattle and Boston. These projects range from limited community health outreach and referral services to comprehensive primary health care centers.

### ***IHS Direct Programs***

The IHS directly manages health care delivery through 12 regional or Area Offices. These 12 Area Offices are further defined by local administrative units called ***service units***. A service unit is the basic health organization for a geographic area, similar to a staff model health maintenance organization (HMO). These geographic areas may be centered on a single Federal reservation or other tribal boundary, though some service units cover several small reservations while large reservations may be divided into a number of service units.

### **IHS Funding**

The IHS is not an entitlement program (automatically funded from year to year) with a defined patient benefits package like the Medicare and Medicaid programs. Rather, IHS is funded through discretionary (optional) appropriations that vary from fiscal year to fiscal year. Typically, Federal spending for mandatory programs (such as Medicare and Medicaid) increases by 8 to 11 percent, while Federal spending for discretionary programs (such as IHS) increases by only 2 to 6 percent annually. This results in a progressive reduction in the capacity of the Indian health care system to compete in the mainstream health care industry.

The IHS fiscal year (FY) 2002 annual appropriation was approximately \$2.8 billion. Funding has not kept pace with medical inflation and population growth, thus health services delivery is becoming more and more dependent upon third party revenues to fund its various programs.

### **Vision, Mission, Goals, and Values**

The vision for the IHS paints a picture of what the organization wants to become and

serves as the compass that shows the direction in which the organization is headed.

**VISION**

**Our vision is for an Indian health care system that provides the best comprehensive health system in the world.**

The IHS mission statement is intended to communicate the purpose of its business to those both inside and outside the organization.

**MISSION**

**The mission of the Indian Health Service, in partnership with American Indian and Alaska Native people, is to raise their physical, mental, social, environmental and spiritual health to the highest level.**

The goals of the IHS forge an unbreakable link between the organization’s actions and its mission.

**GOALS**

- **To provide high quality, comprehensive, culturally appropriate personal and public health services to American Indians and Alaska Natives, and**
- **To eliminate all health disparities that exists between American Indians and Alaska Natives and the general population.**

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The Business Plan Workgroup identified three global values that guide the direction of the Business Plan:

“Patient Care Comes First”

“Honor Tribes”

“Excellence”

Components of each global value were identified by the Business Plan Workgroup. The illustration below represents the interrelationship between the global values and their components.



Figure 1. The interrelationship between the global values and their components.

## 7.0 Appendix B: Mandatory Requirements

To meet JFMIP Security requirements, the core system must:

- Have integrated security features that are configurable by the system administrator to control access to the application, functional modules, transactions, and data. The application's integrated security features should be compliant with the National Institute of Standards and Technology (NIST) Security Standards. (TH-01)
- Ensure that the agency's access policies are consistently enforced against all attempts made by users or other integrated system resources including software used to submit ad-hoc data query requests or to generate standard reports. (TH-02)
- Require the use of unique user identifications and passwords for authentication purposes. Passwords must be non-printing and non-displaying. The application must allow the enforcement of password standards (e.g., minimum length and use of alpha, numeric and special characters.) The application must also allow for the establishment of a specified period for password expiration and accommodate prohibiting the user from reusing recent passwords. (TH-03)

- Enable the system administrator to define functional access rights (e.g., to modules, transactions, approval authorities) and data access rights (e.g., record create, read, update and delete) by assigned user ID, functional role (e.g., payable technician) and owner organization. (TH-04)
- Permit the system administrator to assign multiple levels of approval to a single user, but prevent that user from applying more than one level of approval to a given document in order to conform to the principle of separation of duties. (TH-05)
- Allow the system administrator to restrict access to sensitive data elements such as social security numbers and banking information by named user, groups of users, or functional role. (TH-06)
- Maintain an audit logging capability to record access activity including:
  - All log-in/log-out attempts by user and workstation,
  - User submitted transactions,
  - Initiated processes,
  - System override events; and
  - Direct additions, changes or deletions to application maintained data. (TH-07)
- Provide the ability to query the audit log by type of access, date and time stamp range, user identification, or terminal ID. (TH-08)