

Framing Our Future

The Office of the Chief Financial Officer Strategic Plan

2005–2009



ERNEST ORLANDO LAWRENCE
BERKELEY NATIONAL LABORATORY

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Strategic Plan
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Executive Summary

The Office of the Chief Financial Officer has developed a multi-year strategy to create a highly effective, efficient, and compliant business approach to support the scientific mission of Lawrence Berkeley National Laboratory (LBNL). The guiding principles of this strategy are to provide the greatest capability for the least cost while continually raising the standards of professional financial management in service to LBNL.

The implementation of this strategy will result in a five-year saving for LBNL of over \$30M. These savings will be achieved both by leveraging the human potential of highly trained professionals and by providing leading-edge technical tools to obtain more favorable prices when purchasing the Laboratory's goods and services. It is expected that the areas of action outlined in this document will be rolled out in a phased approach and be fully implemented by 2009.

The approach will provide:

- A more streamlined organization that is highly responsive to the needs of the LBNL community.
- Innovative financial and business leadership and services to enhance LBNL's support of the UC community, DOE, and all the Lab's customers.
- Solid financial stewardship that meets contractual agreements and assurances through control and objective accountability.
- Outstanding, accurate, and timely financial information and service in the OCFO areas of responsibility.
- Enhanced partnerships with DOE, UC, other labs, and outside sponsors. The OCFO represents the interests of the Laboratory by influencing external policy and decision making to shape our future and support our science. The Office focuses on integration and cooperation with all units of LBNL to achieve these goals.

The Strategy

The OCFO strategy includes the following areas of action:

- Achieve organizational transformation to obtain maximum cost reductions, efficiencies, and funding opportunities.
- Provide timely and accurate financial and resource reporting to enable scientific divisions to more accurately manage their budgets and workforce planning.
- Provide assurance that our financial controls are sound and of the highest caliber.

- Benchmark against like organizations to identify our strengths, weaknesses, and areas for improvement and cost reduction.
- Create and sustain partnerships that will make us more effectively serve all our internal and external customers.
- Develop human capital by enhancing training of our financial professionals and the greater Lab community.

Organizational Transformation

Organizational transformation is a core focus of the OCFO strategy for creating a highly efficient and effective approach to managing the Laboratory's cost of operations.

1. Supply Chain Management

We will create a supply chain management system that integrates procurement, receiving, transportation, property management, accounts payable, general ledger, and shipping and salvage into one seamless system (from purchase to property retirement).

The objective of supply chain management is to enhance the Laboratory's scientific competitiveness through optimization of business resources, processes, and activities, to save \$30M within the next 5 years, as committed to by UC under the Prime Contract, and to meet DOE small business subcontracting goals. Supply chain management comprises a series of initiatives focusing on the entire process from source to pay. These include organizational realignment, process improvement, opening of communication channels, improvement of electronic systems, and, through strategic sourcing, leveraging and reducing the institutional acquisition cost of products and services. The Supply Chain Management Council has been formed to plan, implement, and provide oversight of these activities.

Over the next 18 months we will develop our supply chain vision, strategy, roadmap, and plan. We will define data analysis, reporting, and metrics; design and implement an electronic ordering system (EOS); streamline purchasing and source-to-pay processes; and provide training.

2. Property

We will reengineer the current Property Management (PM) program into one that is fully decentralized and consistent with federal and departmental property management regulations and the requirements of Contract 31.

Property Management's roles and responsibilities will be redefined, and the current workload will be realigned and redistributed among and between divisions. Clearly defined lines of responsibility will flow from the highest senior management down through line management.

We will develop a detailed implementation plan in FY06 and begin assigning specific implementation tasks to working groups.

3. Travel Management Systems and Processes

The Travel Office will implement the GELCO 9.0 upgrade by the end of April 2006. The upgraded system will provide improved ease of use for all Lab employees. The Travel Office will also rebid the travel agency contract. As part of the process, alternative operating models will be analyzed to determine the optimal structure to deliver excellent customer service at the lowest possible cost.

4. Work for Others (WFO) Management

LBNL has a large portfolio of non-DOE work and has a strategic interest in increasing this portfolio. As DOE funding stabilizes or shrinks, the non-DOE-funded research work will become even more critical to furthering the scientific mission of the Lab. In addition, Lab-generated intellectual property is producing a growing stream of discretionary revenue that can be used to further long term Lab goals.

The resources and processes to manage private sector funding are currently split among divisions and departments. The OCFO will become a central resource for scientists interested in pursuing non-DOE funding opportunities. Systems will be utilized in a more efficient manner to enable proposals to be developed, routed, tracked, and submitted to our sponsors. As part of an ongoing strategy, we will continue to identify barriers and challenges and develop solutions in managing an increasing WFO portfolio.

In early 2006 we will develop a financial responsibilities matrix to manage private sector funding. By August 2007 development of a PI handbook and hands-on training to guide scientists in managing non-DOE projects will be complete. This will include input from non-OCFO organizations. Ongoing discussions with DOE on simplifying the entire process will be complete by August 2007.

Timely and Accurate Reporting

1. Budget System

Funds management is a critical business function at LBNL. Currently, the Laboratory does not have a centralized, integrated institutional system for managing and controlling funding. Implementation of an integrated funds management capability will ensure that adequate controls are implemented, and will reduce the risk of legal noncompliance. Project planning is a critical business function at LBNL, but the Laboratory's current project planning system, Janus, does not meet all of the divisions' requirements and does not address the Laboratory's institutional planning needs. Development of a new project and institutional planning capability will address these shortcomings.

The OCFO will implement a comprehensive budget system that will make critical institutional planning and management information available electronically and in a timely fashion, and will integrate it with other LBNL financial systems and DOE financial systems. We will provide advanced analytical tools for management decision support and facilitate the automation of data calls. This will make the Laboratory's funding information easily accessible on a timely basis. It will also facilitate project planning, budgeting, and execution, as well as the consolidation of planning information across the Laboratory for institutional reporting and analysis.

The new system will provide controls to ensure that data integrity is maintained and to enable legal requirements to be more easily managed and met, while reducing the use of informal and ad-hoc methodologies. It will ultimately end the reliance on departmental "shadow" systems.

In April 2005 a fit gap analysis was performed on Brookhaven National Laboratory's budget system, and we determined that it would be suitable for LBNL's budgeting needs. The implementation of the system's funds control component is the highest priority, and we anticipate this will be complete by the end of FY06. We will continue in FY07 with the Brookhaven system for local planning and institutional planning components.

2. Timekeeping—Weekly Reporting

Several recent assessments have identified instances of noncompliance with our time and effort reporting policies and procedures. Significant improvements are needed in timekeeping and effort-reporting practices, labor adjustments, and policies and procedures. The current electronic system does not allow for ease of use by our Lab and Campus community and provides no institutional or divisional ability to manage time.

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These issues affect the Laboratory's ability to track labor costs in a timely and accurate fashion.

After assessing current practices and identifying root cause issues, a redesign of the time and effort reporting system will be completed. This redesign will include a new business practice of time being reported on a weekly basis.

With a redesigned weekly time reporting system, LBNL will be able to manage labor costs more effectively. This work will result in a more efficient and user-friendly system of reporting time and costs that will be adopted by the entire Lab community. The culture shift from monthly to weekly reporting will be a challenge, but the benefit to the scientist will be significant.

The timing of weekly reporting is dependent on the successful implementation of the PeopleSoft HR upgrade. A firm project schedule cannot be estimated at this time.

3. Workforce Management and FTE Reporting

FTE data is not currently utilized as a tool for workforce management, primarily because FTE data is not linked at the project level and therefore is not a useful metric for divisional management. Nor is there a common understanding of the exact definition of an FTE. FTE data generated by project from productive hours data would be a powerful tool in managing a division's workforce, especially in the LBNL environment, where each PI makes localized hire and fire decisions based on short-term funding profiles.

At the aggregate level, FTE data would allow Lab senior management to shape the plan and strategy for the Lab's total workforce, as well as identify opportunities for policy changes. FTE data work also provides a key tool in validating and analyzing institutional overhead collections, since labor costs make up ~80 percent of the G&A base.

By the end of 2005, OCFO will define a calculation for an FTE. A calculation will be uploaded into BLIS to generate FTE data, and we will develop reports in BLIS containing FTE data by the end of March 2006.

4. Improved Decision Support

The Lab's financial reporting and analysis environment needs improvement so that decision makers, analysts, and other support staff have easier access to relevant and timely information. Additional data needs to be added to and integrated within the

institutional data warehouse. Standard financial reports do not exist and need to be developed and deployed. The FMS project tree currently only supports division requirements and needs to be changed and/or augmented to better support institutional reporting and funds management requirements. Budget and resource analysts and other business support staff need an improved set of data analysis and reporting tools supported by an effective training and IT support program.

We expect to have these system upgrades and standard reports developed by late 2007.

Assurance

As our sponsors' requests for assurances become more stringent, the OCFO needs to position the Laboratory to substantiate that our financial controls are sound and of the highest caliber. Implementation of OMB Circular-123 will be of the highest priority.

The OCFO will document financial processes and embark on a continual process improvement initiative. We will continue to develop financial policies and procedures that assure that the Lab remains in compliance with all federal, state, and UC requirements. We will continue to train and educate the Laboratory community on their responsibilities for financial management of Lab resources. We will develop a self-assessment tool to measure the strength of the internal control environment.

By having strong financial controls and a reputation for financial integrity, the Laboratory will be better positioned to attract future research dollars.

1. OMB-123

A draft plan for LBNL has been developed by the OCFO and the Contract Assurance Office. A comprehensive internal controls process review will be implemented over the next two years. FY06 assurances will primarily rely on existing audit and self-assessment work plus internal control reviews of high-risk processes. The LBNL plan will be finalized in FY06.

2. Disaster Recovery

OCFO is in the process of developing a financial disaster recovery and business continuity plan. Should a major catastrophic event occur, such as a large-magnitude earthquake or a wildfire, the Lab must be ready to carry out mission-critical operations

under very difficult circumstances. As this applies to the OCFO, we must be able to procure goods and services to rebuild and repair vital infrastructure, we must be able to pay for those goods and services, and we must be able to compensate our employees in a timely manner.

The OCFO will work with the Information Technology group to integrate our section of the plan with the work they have already done. This is a vital collaboration, because most of the OCFO work depends heavily on our IT systems. We will identify short-term and long-term needs to carry out these vital functions. We anticipate that this work will be finished by the end of June 2006.

Benchmarking

The OCFO will benchmark its financial processes and departments against other DOE labs and Hackett Best-in-Class organizations. We will be assessing the cost, head count, systems, and effectiveness of each of our departments against the benchmark organizations. We are doing this to help identify our strengths, weaknesses, and areas of improvement and cost reduction. This will enable the OCFO to anticipate an optimal workforce size. The benchmarking activity will also supply the OCFO with a set of metrics by which to measure our efforts in continual improvement.

This exercise in benchmarking will benefit the entire Laboratory by making us, as a support organization, more cost-effective and efficient, and will reduce the overall cost of doing business.

We will determine the appropriate labs to participate in our study, and an LBNL benchmarking team will be formed. The team will analyze data and identify trends, issues, and opportunities. Findings and recommendations from the team will be presented to the CFO.

Partnerships

The OCFO has been on an intensive mission over the last 24 months to re-establish the credibility and accountability of its internal operations. While we will continually improve our internal operations, we will be focused on developing a service orientation that results in scientists viewing us as a resource to help them obtain and manage their research dollars.

We will also continue to build and maintain strong relationships with our DOE

partners, customers, sponsors, and colleagues. We will examine the feasibility of “virtual” service centers to provide on-the-spot advice from subject matter experts to our customers. Starting in January 2006, we will initiate an outreach program to the scientific community to share their work with the financial community at quarterly town hall meetings so that the financial professionals will feel more “connected” to—and understand—the science they are supporting. Starting in June 2006, OCFO representatives will have regular brown bag meetings with the scientific divisions to exchange information and learn more about divisional concerns and issues.

The OCFO will work to strengthen its relationship with its DOE partners in the Berkeley Site Office (BSO) by scheduling regular meetings that include staff from both offices. We will have a presence at all relevant national meetings, such as FMSIC, accounting managers' meetings, budget officers' meetings, and national procurement managers' meetings, to further enhance relationships with colleagues and customers from across the DOE complex.

Human Capital

Human capital includes the entire life experience of the individual; the time, personal skills, capabilities, experiences, and knowledge of the individual. Utilizing the Web, the OCFO will continue—and enhance—our formal training of all financial professionals, and will create help desks to assist scientific staff. The OCFO will initiate workforce management programs to enhance core competencies and critical thinking, linking finance and business to their impact on science, and to make sure the right people have the right skills for all positions. The OCFO will continually assess those skills and develop our employees to meet required skill sets.

1. OCFO Training

The OCFO has developed an initial suite of training requirements for all financial professionals. This will be enhanced after review of the training needs identified in each employee's 2005 performance review. In addition, an assessment will be made to ascertain training needs in the future (prioritization and needs based on changing requirements).

The initial year of a five-year plan will also address basic areas of accountability and compliance of supervisors and managers (e.g., agents of the Lab, stewards of the public trust). This training will also include the general knowledge and understanding needed in the business of running the Lab.

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Besides designing and implementing the training program for the OCFO organization, the OCFO will develop a comprehensive outreach program for all staff at the Laboratory that have financial accountability.

2. Review Workforce Management Program

An important and significant area of focus for the OCFO senior leadership team over the next several years will be developing its people. A total value approach to workforce management will be implemented to ensure that the OCFO attracts and retains highly qualified financial professionals.

