



COST ANALYSIS AND SPENDING REDUCTIONS

As Congress finalizes phase two of major spending reductions, federal financial managers face tough decisions and hard work to develop and implement the necessary budget cuts. Now is a critical time for every organization to take a close look at spending before the start of a new fiscal year. Alvarez & Marsal (A&M) stands ready to provide expertise and analysis to evaluate spending and implement changes. Our operational heritage in commercial restructuring and turnarounds, along with a hands-on approach and relentless focus on execution yields real results.

THE A&M ADVANTAGE

Alvarez & Marsal offers a unique perspective on cost analysis. Our approach successfully blends our financial and operational heritage in turning around distressed companies with our public sector expertise serving federal agencies, state Medicaid agencies, public school districts and bankrupt cities. We quickly and effectively identify the root cause of problems and lead the implementation of sustainable solutions.

For federal agencies, A&M works closely with management to not only address current budget challenges but also to develop an operational capability to understand and think critically about spending. Our approach applies to three main areas of financial activity: optimization, allocation and reduction. By fully exploring each area, it is possible to change an agency's cost structure while minimizing the impact on, and potentially enhancing, the performance of core program and administrative support areas. A&M's goal is to build a sustainable blueprint for the future for each organization with which we work.

MANAGING THE MISSION – DELIVERING ON COST REDUCTIONS

Litigation Intelligence

A&M's work spans government organizations and commercial entities. In each case, we utilize a systematic, fact-based approach designed to provide transparency and

historical perspective on spending. We develop a rigorous financial model that forms a foundation for building scenarios and determining the impact of potential changes.

Key Steps to our Approach:

- Examine the spending record contained in the general ledger to assess historical costs, trends and significant areas of cost.
- Review information from other key systems (including contracts, payroll, programs, and budget) to obtain insight into specific spending categories.
- Assess whether spending distribution is aligned with comparable organizations based on readily available information and identify reasons for potential anomalies.
- Develop and implement scenarios to balance and optimize costs in the short-, mid- and long-term based on projected budget changes & mission requirements.
- Create an approach that enables an organizational capability for proactive ongoing review and rebalancing of costs in a sustainable way.
- Build implementation plans considering priorities, risks & internal capacity to transform.
- Execute and monitor implementation activities and rapidly address areas in which changes are not having the intended impact.



The goal is to build a sustainable blueprint for the future.



CAPABILITIES

A&M delivers fact-based analysis, planning, and implementation leadership and support. Among our projects, A&M led a drive to consolidate multiple programs across agencies to deliver a coordinated function, which resulted in a potential savings of \$5 billion over a five-year implementation period. At the same time, our team enhanced service coordination, quality and administrative control. A&M currently assists federal and state agencies to address fiscal consolidation, real estate property management, and service optimization to support mission delivery in the following sectors:

- Energy
- Environmental Management
- Health and Human Services
- Education
- Insurance and Financial Services

Regardless of organizational focus, the value in A&M's commercial turnaround approach to solving agency-specific requirements includes ready to execute plans, validated scenarios and risk-based analysis supporting implementation.

ABOUT ALVAREZ & MARSAL

Alvarez & Marsal is a global professional services firm specializing in turnaround and interim management, performance improvement and business advisory services. A&M delivers world-class consulting, operational and industry expertise to management and investors seeking to accelerate performance, solve problems and maximize value across the corporate and investment life cycles. Founded in 1983, the firm is known for its distinctive restructuring heritage, hands-on approach and a relentless focus on execution and results.

A&M's Public Sector Services Group provides financial and operational performance improvement, business and organizational transformation, real estate and IT strategy and planning services to federal, state and local and education clients.

To learn more, visit www.alvarezandmarsal.com

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