Session E – How Enterprise Performance Management is Changing the Face of Financial Reporting and Streamlining the Close Process

Alan Skelton – Georgia State Accounting Officer
Kim Champion – President, Innofin Solutions
Bob Sabo – Director, Oracle Public Sector Strategic Programs

Moderator - Kinney Pointer - NASACT

Branson, MO
March 17, 2020
Safe harbor statement

The following is intended to outline our general product direction. It is intended for information purposes only, and may not be incorporated into any contract. It is not a commitment to deliver any material, code, or functionality, and should not be relied upon in making purchasing decisions.

The development, release, timing, and pricing of any features or functionality described for Oracle’s products may change and remains at the sole discretion of Oracle Corporation.
Program Agenda

• Welcome and Introductions
• Strategic Enterprise Performance Management Overview
• KIM SECTION
• ALAN SECTION
• Q&A
What is Enterprise Performance Management (EPM)

Enterprise Performance Management (EPM) software helps you analyze, understand, and report on your organization.

EPM refers to the processes designed to help organizations plan, budget, forecast, and report on financial activity as well as consolidate and finalize financial results (often referred to as “closing the books”). EPM solutions are primarily used by Comptrollers and the budget office, while other functional areas, such as HR, transportation, human services, and IT, use EPM for operational planning, agency level forecasting, cost analysis and reporting.

Other EPM functions include reconciliation, transaction matching, centralized organizational data management and narrative reporting.

EPM works with other application suites like ERP and HCM and uses that data for budgeting, forecasting and analysis.
Uncertainty has become the norm

- New financial reporting regulations
- Budget pressure, staffing shortages
- Aging business applications
- Increased pressure to produce financial data faster
- Multiple, error prone and disconnected spreadsheets
- Higher level of audit scrutiny
- Demands for public transparency
Siloed systems top finance’s challenges

70% want closer integration between planning and ERP systems

Source: ACPQ

48% finance managers rate non-integrated systems as their top challenge

Source: EPM Survey

31% cannot effectively incorporate financial planning and analysis into department/agency planning due to disparate systems

Source: EPM Survey

Sources: APQC 2019 Financial Management Priorities And Challenges, Feb. 2019
Oracle Value of EPM Survey, 2019
EPM Produce Results and Solves Problems

- **Improvement in forecast accuracy**: 15%
- **Increase in value-added analysis**: 27%
- **Improved communication and collaboration**: 53%
- **Increased use of rolling forecasts**: 28%

- **Reduction in time to close the books**: 20%
- **Reduction in time to produce management reporting**: 44%
- **Reduction in the use of spreadsheets for budgeting**: 71%
- **Decrease in manual adjustments**: 23%

Source: Oracle Value of EPM Survey, June 2019
Modern Close is Evolving

Intelligent performance management

<table>
<thead>
<tr>
<th>Time / Effort</th>
<th>Spreadsheets</th>
<th>Today: EPM</th>
<th>Future: IPM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Taking action on issues</td>
<td>Data analysis</td>
<td>Data manipulation and reconciliation</td>
</tr>
</tbody>
</table>
Enterprise Performance Management

**Private Sector**
- Budgeting, Planning, Forecasting, Cost Analysis and Financial Reporting concentrated in CFO
- Best in class companies – Less reliance on Spreadsheets, more use of purpose built applications
- Cost Analysis/ABC/Pricing Analysis core part of Company planning process
- EPM a key component driving company performance and financial results
- Using Enterprise Data Management, EPM consolidates information from multiple sources and applications

**Public Sector**
- Budget Office Budgets
- Comptroller responsible for financial analysis and reporting
- Agencies do forecasting and costing analysis
- Limited use of purpose built applications focused on forecasting and financial consolidation
- Extensive use of custom spreadsheets
EPM Cloud – Components

- Budgeting and Planning
- Forecasting
- Reconciliation
- Close Process
- Financial Reporting
- Cost Accounting/Modeling
- Enterprise Data Management
EPM Cloud Today: Enterprise Planning

**Planning**

- Deploy configurable budgeting and planning best practices for State organizations
- Pre-built modules and frameworks for rapid deployment
  - Financials, Project, Capital & Workforce
  - Scenario Modeling
  - Strategic Workforce Planning, IT Financial Management, Revenue Forecasting
- Scalability to support enterprise-wide volume and planning processes
- Labor, contract cost forecasting

**Narrative Reporting**

- Narrative Reporting for multiple report production use cases
  - Budget Books
  - CAFR
  - Monthly Legislature reports
  - Popular citizen facing reports
  - Department level reports e.g., Annual Transportation Report

**Costing and Cost Management**

- Use financial data to allocate and analyze costs from any department or source
- Department/Agency users own allocation models
- Supports Management ledger, Shared services costing, fee analysis and more
Why Cost Analysis for Government?

**Use Cases:**
- **Indirect Cost Allocations** – Develop and maintain rates. A87 - Eliminate consultant costs
- **Measure Cost of Government Services** – Fees, rates, chargeback, benchmarking
- **Analyze Options** – Privatization, shared services
- **Regulatory Compliance** – OMB Uniform Guidance
- **Performance Based Budgeting** – Match funding requests to outcomes
- **Decision Support** – Provide fact based cost information to managers and elected officials

**Who does Cost Analysis:**
- Indirect Cost Analysts
- Federal Program Managers
- Healthcare, Utility, Transportation Managers
- Budget Analysts
- Government Decision Makers
- Public/Private Initiative Managers.
- Shared Service – Internal Service Managers
EPM Cloud Today: 
Financial Close

Financial
Consolidation & Close

- Comprehensive built-in functionality to address state and component unit consolidation needs
- Configurable, with limited need for customization
- Extended close process management with intelligent process automation

Account
Reconciliation

- Statewide reconciliation process fully integrated into financial close
- Instant visibility into progress of reconciliation lifecycle
- Transaction Matching module for automated high-volume & complex reconciliations
- Monitor and analyze variances

Narrative
Reporting

- Narrative Reporting for multiple report production use cases
  - Budget Books
  - CAFR
  - Monthly Legislature reports
  - Popular citizen facing reports
  - Department level reports e.g., Annual Transportation Report
Technologies Influencing the Future of EPM

Robotic Process Automation
“Virtual workforce” that performs repetitive, clearly defined tasks

Machine Learning
Algorithms that use statistical analysis to assess diverse types of data and provide insight

Human Interface
Technologies that enable users to interact with information in new ways
Intelligent Process Automation in Financial Close

OPPORTUNITIES IN FINANCIAL CLOSE

- Account Reconciliations
- Financial Close Orchestration
- Statutory Reporting
- Autonomous Consolidation
Revolutionize Common Processes

Period close to financial reports – now

- Close Subledgers
- Preliminary Close Ledgers
- Reconcile Accounts
- Close Ledgers
- Consolidate Departments/Component Units
- Review and Confirm Financial and Mgmt. Reports
- Publish and Securely Share CAFR/financial Statements
- Update Financial Forecasts

Source: Oracle, 2019 modernbestpractice.com
AI: Business Processes Revolutionized

Period close to financial reports – a prediction

Source: Oracle, 2019

Intended for information purposes only, and may not be incorporated into any contract.
Embedded Intelligence & Automation

**INTELLIGENT PROCESS AUTOMATION**

Automate tasks related to account reconciliations, transaction processing, consolidation, close process orchestration, and disclosure management

**INTELLIGENT PERFORMANCE MANAGEMENT**

Inform planning decisions with predictive analytics and machine learning
EPM - Do What You Do...But Better

For state finance organizations to excel, they need purpose built applications for planning as well as financial close and reporting—all guided by proven best practices, and all accessible through the innovation and simplicity of a unified cloud experience.

Modern, cloud-based EPM applications can help you:

- **Optimize the financial close**
  In today’s changing environment, you need to adapt quickly to new requirements and deliver faster, more-accurate insights to all executives, legislatures, citizens and other stakeholders. Streamline the financial close, and report with speed and superior auditability.

- **Use budget, financial and other data to analyze and forecast financial information**
  Eliminate disconnected spreadsheets, manual processes, and fragmented reports. Align planning across the state, so that you can develop accurate forecasts for departments using connected information.

- **Satisfy all your financial reporting requirements**
  You can streamline the need for multiple reporting systems with the right EPM solution you can use EPM to consolidate information from multiple sources and be sure that the data you provide in your reports is accurate, complete, and up-to-date.

- **Manage change with enterprise data management**
  Whether you’re migrating applications to the cloud, managing applications in a hybrid environment, or spearheading major business and financial transformation, an enterprise data management platform in the cloud helps ensure data accuracy and integrity with the alignment of your data and master data.

- **Leverage AI and machine learning**
  The first generation of EPM worked to replace spreadsheets and enable analysis. The next generation of EPM minimizes the analysis phase to enable faster decision-making with intelligent performance management.
Kim Section
Alan Section
Q & A