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Shifting Gears: Manual to Automatic

Statewide Financial Reporting and Performance Data Analysis Survey

Conducted by Oracle and the National Association of State Auditors, Comptrollers and Treasurers
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Overview

State governments face significant obstacles in financial data consolidation and reporting. Shrinking budgets require organizations to “do more with less” as they confront growing pressure to accelerate processes and improve the accuracy and quality of financial reports that address many needs – from meeting regulatory requirements, to planning budgets, to driving decisions that affect citizen-facing programs and services. Moreover, government financial statement users are demanding faster report delivery and more useful information.

At the same time, state finance managers must consider a vast range of complex financial reporting and consolidation requirements from a variety of sources, including audited annual financial statements, internal reports to executives and managers, and external reports to central budget offices, legislators, citizens, taxpayers and other interested groups. Additionally, states face multiple reporting mandates from the Governmental Accounting Standards Board (GASB), the Government Accountability Office (GAO) and the Office of Management and Budget (OMB) – all of which have a hand in driving changes to the Comprehensive Annual Financial Report (CAFR) rules as well as Federal and state unique legislative requirements.

The National Association of State Auditors, Comptrollers and Treasurers (NASACT) has worked diligently to shed light on this issue. For example, NASACT’s “Faster Financial Reporting Work Group” has studied the issue of more timely CAFR reporting. Oracle recently worked with NASACT to conduct

1 Governmental Accounting Standards Series: Concepts Statement No. 1 of the Governmental Accounting Standards Board, May 1987
a study that surveyed state comptrollers, financial reporting managers and accounting directors to identify specific challenges state governments face in accelerating financial reporting and optimizing performance data. The survey results – which included responses from 24 states – provide very clear feedback on what is working and what is not, as well as opportunities for improvement.

Lay of the Land

Despite the significant obstacles outlined above, many states are finding ways to get the job done. More than 62 percent of states surveyed give themselves an “A” or “B” for ability to deliver timely, useful financial reports to management. However, nearly 38 percent of states give themselves a “C,” ‘D,” or “F.” There are several factors driving this need of improvement. Not surprisingly, budgets are a roadblock – nearly 71 percent of states note that budget reductions have had an impact on their ability to support financial reporting requirements and demand.

In addition to budget constraints, many at the state government level use legacy, siloed IT systems and antiquated manual methods to consolidate their financial data across many departments and systems. For example, nearly 63 percent of states surveyed are using Excel spreadsheets or similar desktop tools, while almost 42 percent are using in-house or custom-built systems to consolidate data. As such, the consolidation process often requires a great deal of time and staff resources, which is particularly
problematic when preparing the CAFR – a thorough and detailed presentation of a state’s financial condition that reports on all activities and balances for each fiscal year. One third of states note that their CAFR process is extremely or somewhat inefficient and only four percent say that CAFR generation is completely automated. A recent report\(^2\) from the State Budget Crisis Task Force, which examined threats to near- and long-term fiscal sustainability in six U.S. states – California, Illinois, New Jersey, New York, Texas and Virginia – indicated that CAFRs are “far from user-friendly” and that, of the states surveyed, the shortest states’ CAFR was more than 200 pages long.

Drilling down further, 75 percent of the states note that it takes four to six months to complete and finalize the CAFR, while none of the states surveyed can complete the report in three months or less. However, two thirds of states note that they would like to complete and finalize the CAFR in fewer than 120 days. More efficient, accurate CAFR preparation would enable states to meet regulatory requirements more quickly; provide actionable, timely data to support budget decisions; and allocate staff to other critical activities.


**Figure 2. States’ Focus on Accelerating CAFR Creation**

**Going Automatic**

Unfortunately, manual processes persist. Nearly 71 percent of the states note that 25 percent to 50 percent of their financial staff’s time is spent on moving data or maintaining in-house developed routines to support the financial consolidation and reporting process. They spend a great deal of that time on manual data collection, re-keying data and double checking numbers.
However, there is a silver lining. While many states are mired down in outdated methods and manual processes, many are also evaluating their business processes and exploring new technology tools that will help them more easily integrate numerous data sources, automate reporting and consolidation processes and cut the development cycle time for CAFR generation. In fact, 71 percent of respondents are implementing or planning to implement software and/or technology tools to further automate report development, and 42 percent are already in the midst of an implementation.

![Figure 3. States’ Focus on Implementing Report Automation Tools](image)

By automating the financial data consolidation process, or at least parts of the process, states could see significant reductions in how long it takes to complete the CAFR and other reports – driving greater organizational efficiency and performance.

**Turbocharged Integration**

In addition to automating processes, states are also looking for an efficient way to compile and make use of information from various sources. Nearly 71 percent of states note it is somewhat or very challenging to integrate data from multiple sources for reporting – including enterprise resource planning (ERP) systems, mainframes and legacy systems.

States also say that they use a very diverse mix of solutions to generate the CAFR – noting Excel with Word/Publisher (63 percent), commercial off-the-shelf applications (45 percent) and internally developed/custom system (42 percent) as the top three selected solutions. So it is critical that reporting tools and technologies can accommodate disparate data sources and ensure compatibility with multiple platforms.
The Need for Speed – And Useable Data

The significant challenges noted above – including disparate, siloed systems; numerous data sources; and inefficient, manual processes for data gathering and consolidation – make it extremely difficult – if not impossible – for states to analyze their data and glean real intelligence from it. One quarter of states surveyed note that inefficient manual processes pose the biggest challenge for analyzing data, while 71 percent are using manual spreadsheets/desktop tools to analyze financial data. When asked which data analysis functionality they wished they had, the majority responded with interest in eliminating the need for rekeying data into spreadsheets and manually preparing reports.

Notably, one quarter of respondents noted they are not able to gain sufficient insight from their data and make use of it to drive actions or contribute to overall performance improvements. And only eight percent of respondents gave their organization an “A” when asked to grade their ability to effectively analyze financial data. Without integrated, consolidated systems in place for financial data consolidation and reporting, states are forced to manually connect the dots – a time-consuming, often error-prone process that leads to missed opportunities for real efficiency gains, streamlined regulatory compliance, greater financial transparency and more effective decision-making.

These challenges also impact state governments’ ability to deliver effective services – nearly 21 percent of respondents say their challenges divert time, money and resources from citizen programs or make it difficult to get timely information to managers who make decisions about funding and planning for these programs.

Charting a Path Forward

Clearly, state governments face significant challenges in financial data consolidation and reporting – resulting in far-reaching implications for financial transparency, staff efficiency, regulatory compliance
and effective government planning. In addition to accelerating and streamlining the reporting process, states need effective solutions to get actionable financial information – true intelligence – into the hands of their leaders to spur more informed decisions that drive program performance and efficiency for agencies and their constituents.

State governments should consider the following when charting a path forward:

- **Examine current processes** – define and develop organization-wide priorities and strategies that include information architecture and transition timelines
- **Evaluate technology options** – choose flexible financial management technology tools that enable states to start small and add new functionality when they need it
- **Open doors** – select open, standards-based solutions that enable integration between disparate systems and data sources
- **Think analytically** – invest in business intelligence solutions that provide financial managers with the timely information they need to make more effective decisions
- **Partner for success** – work with trusted technology providers that can help define information management strategies and architecture requirements to capture, secure, analyze, use and share data effectively and in real-time across the organization

**Oracle – Working with State Governments to Streamline Financial Reporting**

As state governments continue to face the daunting task of closing their books and reporting their financial results with confidence, they must integrate financial and operating results from multiple systems into one view – a “single version of the truth” – without delay. They must also provide their managers with the business intelligence they need. Oracle has significant experience in working with state governments to automate and streamline financial data consolidation and reporting, as well as deploy analytics solutions that drive real intelligence.

Oracle’s financial reporting and analysis solution runs on today’s most advanced Web technology – but it also has the flexibility to enable state finance departments to maintain the software for total control. With Oracle’s Hyperion financial reporting, consolidation and analysis solution for government – part of Oracle’s enterprise performance management suite – states can:

- Leverage open, standards-based technology to integrate multiple systems and financial data sources, even if they use different chart of accounts structure
- Automate the data gathering process, accelerate service delivery and enhance transparency
- Maintain a clear audit trail, providing confidence in the numbers
- Reduce close consolidation, close and reporting cycles by weeks or months
- More easily meet regulatory requirements and cut compliance costs
• Reduce the cost of CAFR production – which is critical considering declining state budgets
• Provide leaders with sophisticated analytics capabilities
• Add new functionality as needs and budgets dictate

State government organizations can quickly deploy these applications out of the box and extend them with Oracle's business intelligence product family – including Oracle Business Intelligence Enterprise Edition – to provide sophisticated analytics capabilities to drive faster, more effective decision making in state government.

State Accounting Office of Georgia Streamlines Consolidation and Reporting Across 175 Organizations

The State Accounting Office of Georgia is responsible for establishing statewide accounting and reporting standards and practices; operating and improving statewide financial and human capital management systems; preparing the state’s CAFR; and improving accountability and efficiency while reducing costs.

The organization implemented Oracle Hyperion Financial Management, replacing a legacy reporting system that had limited functionality and relied heavily on manually-intensive spreadsheets. The Oracle Hyperion system integrated with the state’s ERP system (Oracle’s PeopleSoft Financials) to streamline data gathering, analysis and reporting.

Results:
• Automated data loads for 175 organizations to provide a single version of the truth
• Centralized financial data and provided the office with the flexibility to roll up data in various ways, depending on specific reporting requirements
• Reduced the time needed to prepare the CAFR by two to three weeks, freeing staff to spend additional time analyzing data
• Allowed users to input, consolidate and access financial information quickly, easily and securely from any location using a standard Web browser
• Enabled the state to more efficiently analyze year-over-year trends and provide support for management discussion and analysis

“Today many public sector finance officials face the daunting task of consolidating their organization’s financial information using spreadsheets that are difficult to maintain and audit. We are ahead of the curve with Oracle Hyperion Financial Management, as it provides a single version of the truth – one view of financial results integrated from multiple systems – without delays.” – Kris Martins, Director, Financial Reporting, The State Accounting Office of Georgia
Contact Us

For more information about Oracle’s financial reporting, consolidation, and analysis solution for government, please visit oracle.com or call +1.800.ORACLE1 to speak to an Oracle representative.