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Reaching New Heights: Providing Consistent and Sustainable High Performance at the State Level

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

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Overview

It's no secret these are challenging fiscal times – particularly for state governments facing deep budget cuts, eroding tax bases and declining property values. Against this backdrop it is more important than ever for state governments to create a high-performing system that consistently maximizes public value by delivering services and fulfilling missions effectively and efficiently. But, programmatic silos, duplicative systems, slow innovation adoption, long procurement lead times, waste and improper payments to undeserving citizens and businesses, as well as looming retirements can undermine states' ability to assure the highest performance possible.

To combat these challenges, states are seeking smarter, more efficient ways to deliver greater accountability, effectiveness and productivity. One way to reach these goals is to deliver "high performance," which includes:

- More cost-effective delivery of government services
- A higher quality and level of services to citizens
- Greater focus on outcomes and results
- Effective use of personnel and technology

The National Association of State Auditors, Comptrollers and Treasurers (NASACT) works to identify how states can deliver high performance and achieve better outcomes while cutting the cost of service delivery. Oracle recently worked with NASACT to conduct a study that surveyed state auditors, comptrollers, treasurers and finance managers to identify how states can provide consistent and sustainable high performance. The results – which included responses from 18 states and two U.S. territories – show that while states are on the right path, they have many opportunities for improvement.

On Your Mark

Before states can take steps to improve systems and more efficiently deliver services, they need to evaluate how programs perform today. Unfortunately, many states are using time-consuming or antiquated tools to track program performance. Thirty-three percent of respondents say their state tracks program performance manually with spreadsheets, 29 percent track with legacy, homegrown analytical tools and 8 percent use commercial off-the-shelf (COTS) analytical tools. Shockingly, 17 percent of respondents say their state does not measure program performance at all.
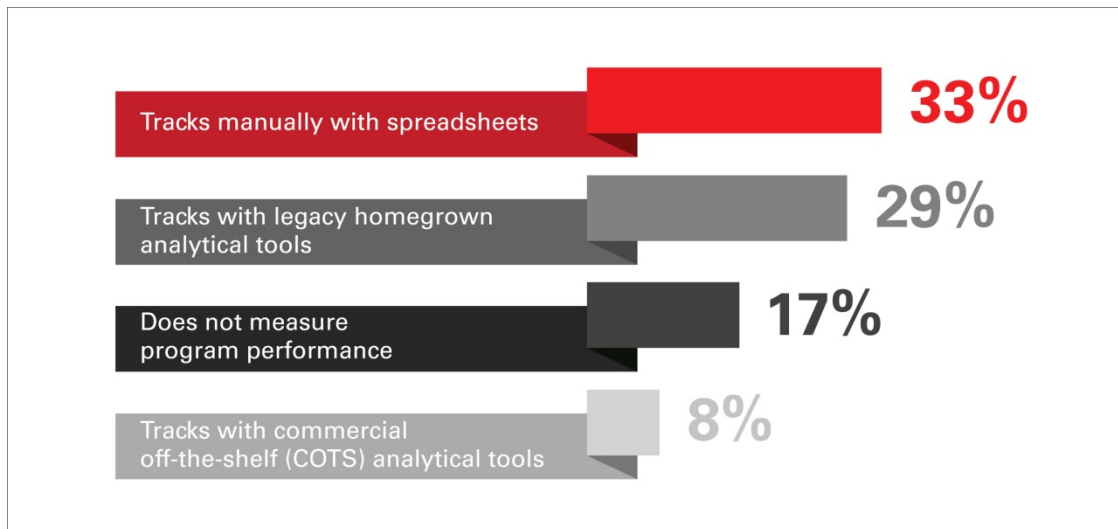
Figure 1. States' Methods of Tracking Program Performance

Without measuring to determine a baseline for program performance, it is difficult for states to know how, or if, they are improving. States should consider implementing more sophisticated performance management and analytical tools to improve efficiency (i.e. less time needed to aggregate/analyze data across disparate systems) and enhance visibility – helping them handle challenges like fraud and abuse.

Stepping Up the Game

To achieve high performance, states need efficient people, processes and technology. Technology can enable personnel to become more efficient and effective in critical areas such as measurement and automation, transparency and identifying and mitigating fraud and abuse. Adopting new technologies, such as cloud computing, can help states reduce costs and realize new efficiencies.

However, state governments face a number of challenges when it comes to achieving high performance. According to respondents, top barriers include budget and resource constraints; data analysis, a lack of which makes it difficult to analyze and measure program impact; bureaucratic processes; stove-piped legacy systems; lack of leadership and culture to fully embrace change needed to become high performing; looming retirements; and an increase in fraud and abuse.

According to respondents, the most important thing their state can do to move toward achieving high performance is invest in recruitment and talent management solutions to obtain and train the right resources. Respondents also suggest that states modernize technologies to provide staff with tools to increase performance, set clear metrics that align with organizational goals and implement analytical tools to pinpoint underperforming areas and suggest improvements.

While respondents clearly note that having the right people in place is critical, the right people without the right tools will not improve outcomes, cut costs or lead to mission success. States are seeking technology tools that enable personnel to spend more time focused on activities core to mission success and less time focused on administrative functions, tracking and measurement.

Aiming High

Cloud-based solutions offer states flexibility and scalability, lower capital costs and the opportunity to streamline operations – all central to achieving high performance. But states are split on the use of cloud-based solutions – 54 percent of respondents say their state is using cloud and 46 percent say their state is not. Of those using cloud, 17 percent have technical applications such as email and SharePoint in the cloud, and 13 percent are using cloud for business applications such as finance and human capital management systems. An additional 25 percent of respondents say their state is using cloud for a variety of purposes including technical and business applications.

Figure 2. States' Use of Cloud Computing Solutions

While some states are using cloud, they may be missing an opportunity for savings and efficiencies by failing to use cloud for infrastructure. Infrastructure as a Service (IaaS) frees up an organization's time and resources so it can focus on innovation in applications and solutions rather than simply maintaining its IT infrastructure. IaaS also reduces total cost of ownership, allowing states to shift precious resources from maintenance and support to more critical areas such as citizen service delivery.

States understand the benefits of cloud-based services. Fifty percent of respondents identify cost savings and efficiency as the primary reason for adopting cloud services. However, respondents also cite several hurdles to cloud adoption. Security concerns are the top challenge (46 percent) followed by regulatory barriers (21 percent), funding streams (17 percent) and the perception of outsourcing (17 percent).
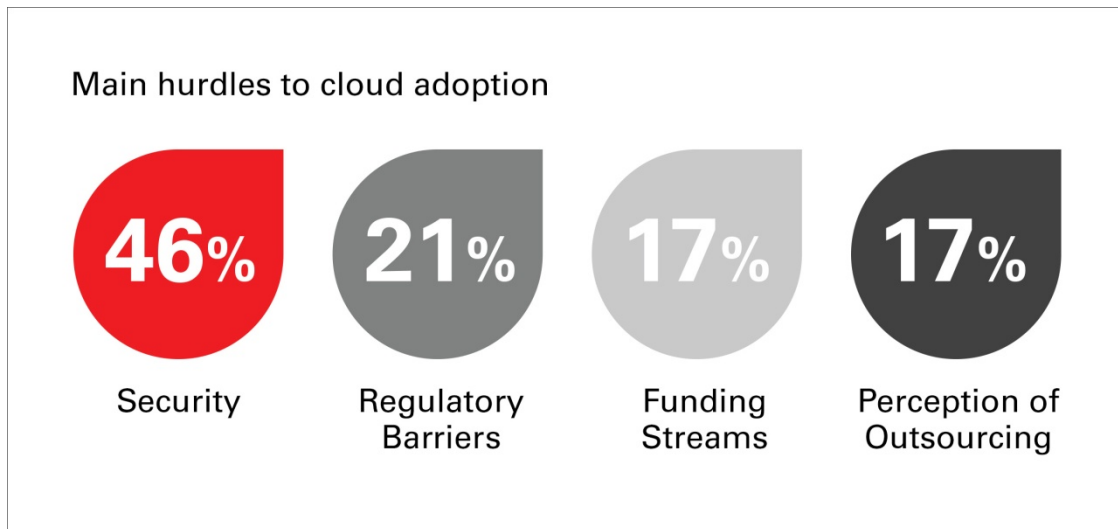
Figure 3. States' Hurdles to Cloud Adoption

Despite the challenges, many states have plans to adopt cloud solutions in the next five years. When asked what cloud solution they would consider adopting in the next five years, 42 percent of respondents said email, followed by document management (38 percent), human capital management (25 percent) and financial management (17 percent). Interestingly, 17 percent of respondents said their state is not considering cloud solutions in the next five years.

While email is a good place to start when moving to the cloud, states should look to move more applications and infrastructure into the cloud to streamline operations, realize cost savings and increase efficiencies. In addition, states should seek education about the benefits of cloud and best practices for adoption, which can help them make the leap to the cloud and start realizing these new benefits.

Keeping Score

States must comply with legislation and mandates, however, when tracking compliance the majority of states are not taking the easy road and leveraging automated tracking. When it comes to tracking of compliance with legislation similar to the Office of Management and Budget (OMB) Circular A-123 (internal controls) or Federal Information Security Management Act (FISMA), half of respondents said tracking is not automated. Of those states using automated tracking, none reported full automation. There is a similar trend when tracking compliance for the Improper Payments Act. Forty-two percent of respondents either don't automate tracking at all, or use tracking that is only partially automated.

When tracking Segregation of Duties definitions and compliance, automated tracking increases slightly with 25 percent reporting that compliance is partially automated. However, 58 percent of respondents reported that their state does not automate compliance tracking.

Compliance automation can greatly benefit state government mission owners and the bottom line. Not only does automating administrative processes save time and budget, it also provides real-time information on compliance status.

Foul Ball – Identifying Fraud, Waste and Abuse

Fraud, waste and abuse lead to inefficient spending, misuse of tax dollars and public distrust. Unfortunately, many states fall victim to fraud, waste and abuse each year. Employee fraud is the most common form of fraud experienced by states, with 71 percent of respondents reporting that their state has experienced it in the last one to two years. Sixty-seven percent of respondents said their state experienced recipient fraud in the last one to two years, and 63 percent have experienced expense-related abuse in that same time period. Provider fraud – vendors overcharging, billing for services not provided, etc. – is also fairly common, with 50 percent of states experiencing it in the last one to two years.

Respondents believe that provider fraud, recipient fraud and employee fraud are increasing. As a result, states are implementing measures to proactively detect fraud, waste and abuse. Thirty-three percent of respondents noted that their state is currently using or is planning to implement systems to detect fraudulent benefit payments during high speed processing. Other measures include utilizing fraud detection software to identify potential fraudulent activity at the account level (29 percent), enhancing internal reporting systems (25 percent) and requiring recipients to take action if fraud occurs (25 percent).

Respondents also identified a number of factors that contribute to fraud, waste and abuse in their state. These factors include loss of knowledgeable or insufficient staffing, lack of technology solutions to detect fraud, weaknesses in the internal controls environment, insufficient punishment, low barriers to entry to become a payee and easy access to account information.

To best prevent fraud, waste and abuse, respondents believe their state needs:

- More robust controls
- Technology solutions to detect and monitor fraud
- Segregation of duties
- Additional staff to investigate anomalies
- Stricter punishment

To combat fraud, waste and abuse, states should consider technology tools that can help them establish better tracking systems to detect fraud and identify the sources of waste – activities that create no value but add cost and time.

Visualizing a Win

Transparency is critical to ensuring tax dollars are spent appropriately, establishing public participation and collaboration as well as promoting government efficiency and effectiveness.

With increased Federal oversight, state government transparency is more critically scrutinized and more necessary than ever. Seventy-one percent of respondents say a comprehensive government transparency website is important or very important in their state. However, only 13 percent of respondents say all of their state's transparency information is easily available on a single public site. Forty-six percent say most information is available on a single site, and 42 percent say their information is disbursed on multiple sites.
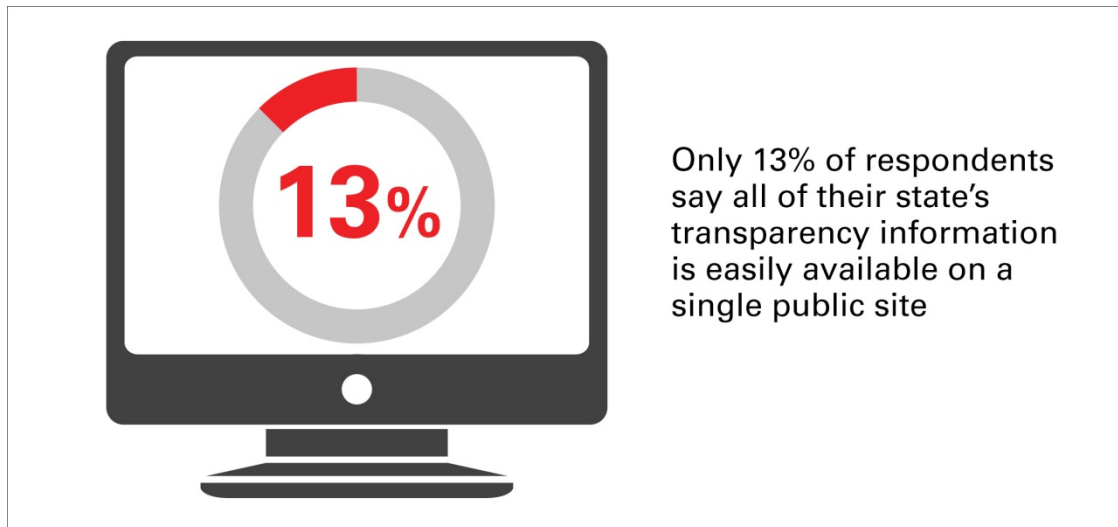
Figure 4. States' Availability of Transparency Information

Respondents report many obstacles to publishing transparency information to a website. The top obstacles are lack of staff and resources to publish and maintain content (54 percent) and redacting private/personal information (54 percent) followed by insufficient tools to post and update content (38 percent), limited analysis conducted on content to determine what to post (29 percent) and minimal engagement with citizens and stakeholders to confirm what content is most useful (21 percent).

Crossing the Finish Line

Clearly, states understand that to deliver greater accountability, effectiveness and productivity, they need to make improvements to people, processes and technology. To achieve high performance states need technology tools that empower personnel to work more effectively and efficiently across multiple layers of government – from program measurement to compliance tracking to identifying fraud, waste and abuse. These technology tools will help cut costs and free up personnel to spend more time delivering high quality services to citizens.

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

- **Evaluate current programs** – invest in performance management tools to determine how programs are performing today and where there is room to improve efficiencies

- **Examine technology options** – develop organization-wide priorities and then choose technology tools that align with goals and empower personnel to move beyond routine maintenance into innovation

- **Educate and share best practices** – work with and learn from early adopters to find new ways to use technology such as cloud computing, and share best practices to make technology implementations successful

- **Automate** – look for solutions that help automate tracking and compliance to save time and budget

- **Eliminate fraud and abuse** – deploy technology solutions to detect and monitor fraud and put more robust controls in place

Oracle – Working with State Governments to Optimize Performance

As state governments continue to grapple with budget cuts, programmatic silos, looming retirements and widespread systematic fraud and abuse, they must find ways to streamline processes and derive intelligence from a myriad of information sources. Oracle has significant experience in working with state governments to optimize performance across their organizations – ensuring accountability, enhancing service delivery and improving productivity and operational efficiency.

Oracle provides state governments with a breadth of comprehensive solutions for enterprise performance management; financial reporting; tax and revenue management; governance, risk and compliance; and fraud detection and analysis. With Oracle, states can:

- Leverage open, standards-based technology to integrate multiple transaction systems and data sources

- Automate and link strategic and financial management processes

- Enhance transparency while maintaining a clear audit trail

- Simplify and accelerate budget preparation, as well as support accurate forecasting

- Enable robust cost analysis while providing visibility into cost and revenue drivers

- Monitor program progress to align performance with goals

- Close and report financial results, more easily meet regulatory requirements, reduce compliance costs and improve confidence in the numbers

- Improve revenue collections and provide taxpayers with self-service capabilities

- Identify and reduce internal and external fraud to minimize waste and reduce costs

- Provide managers with sophisticated analytics capabilities for improved and accelerated decision making

- Leverage Oracle's modular and integrated offering to easily add new functionality as needs and budgets dictate

- Take advantage of flexible deployment options including on-premise, cloud or engineered systems designed for high performance and scalability

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Oracle Corporation
World Headquarters
500 Oracle Parkway
Redwood Shores, CA 94065
U.S.A.

Worldwide Inquiries:
Phone: +1.650.506.7000
Fax: +1.650.506.7200

oracle.com

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