Delivering Financial Close Transparency: Financial Consolidation, Reporting, and Analysis Solutions for Federal Agencies
Executive Overview

Delivering High Performance Government

“The budget and financial reports provide information that the citizenry can use to hold the Government accountable, reporting on how and how well the Government has obtained, used, and managed its financial and other resources.” President Obama’s Analytical Perspectives Fiscal Year 2011.

Today’s Federal civilian agencies face a vast range of complex financial reporting and consolidation requirements, as well as ever increasing scrutiny by OMB, FASAB, auditors, and the public. Oracle Hyperion Financial Close Suite (OHFCS) for Federal civilian agencies provides a financial consolidation, reporting, and analysis solution that can add significant value to Enterprise Resource Planning systems (ERP), legacy, or other transaction systems. This solution enables flexible, accurate, auditable and rapid reporting along with integration to any technical infrastructure.

Introduction

Both external and internal financial reporting requirements for Federal agencies have become very complex. These requirements come from a variety of sources, including Federal agencies, standards setting bodies at the Federal Accounting Standards Advisory Board (FASAB) and independent organizations. Regulatory scrutiny continues to be very high—especially since the revision to the Office of Management and Budget’s (OMB) Circular A-123, influenced by the Sarbanes-Oxley Act and OMB Circular A-136, Federal Reporting Requirements. Oracle Hyperion Financial Close Suite (OHFCS) can help agencies automate the consolidation and reporting cycle. This solution delivers best practices and includes purpose-built features that will deliver the highest return on investment by improving the speed, accuracy, and quality of the financial close. Additionally, to deliver the most value, the finance
or accounting staff that compiles and creates the financial reports can and should administer and maintain this process.

Oracle Hyperion Financial Close Suite (OHFCS) acts as a consolidated system of record—it provides complete audit trails and permanent data storage for the consolidated results so that internal and external auditors can test and verify data. OHFCS also helps agencies with internal or management reporting, the process by which government agencies examine and analyze information about performance to plan for change.

OHFCS complements and integrates with various underlying transaction systems, including ERP and legacy systems. This solution provides comprehensive support for the entire management cycle from sub ledger close through trial balance, consolidation, elimination, reporting to ongoing analysis.
Management reporting is the business intelligence outcome that agencies gain from internal analysis that helps them monitor results and plan for change.

A fair assessment of an entity’s performance relies on information about all of the activities related to the economic resources that it controls.

FINANCIAL CONSOLIDATION AND REPORTING REQUIREMENTS

For most government agencies, it is challenging to aggregate historical results for monthly, quarterly, and annual reports. One of the greatest challenges is simultaneously meeting requirements for both statutory/legal and management reporting. Statutory reporting refers to the financial statement requirements, standards, and guidelines defined by Treasury, OMB and other standards setting bodies as well as Executive Orders, and acts of Congress. Management reporting is the business intelligence that agencies gain from internal analysis that helps them monitor results and plan for change.

These requirements, standards, and guidelines come from many sources, including:

- Federal Accounting Standards Advisory Board (FASAB)
- Office of Management and Budget (OMB) Circulars
- Federal Financial Management Improvement Act (FFMIA)
- Chief Financial Officer’s Act (CFO Act)
- President’s Management Agenda

To achieve the purpose of consolidated financial statements, Federal agencies must report as faithfully as possible the financial position, results of operations, and cash flows of their agency and its components. Underlying that purpose is the public’s need for transparency that represents relevant, reliable, and comparable financial information. This information is necessary to enable legislators and most importantly, the taxpaying public to assess an agency’s performance and effectiveness in administering its programs. A fair assessment of an entity’s performance relies upon information about all of the activities related to the economic resources that it controls.

For today’s government agencies, complying with statutory and management reporting requirements can be a daunting task. And without robust consolidation and reporting processes, it becomes difficult—if not impossible.
Oracle Hyperion Financial Close Suite (OHFCS) is an important component of EPM, enabling agencies to link strategies to plans, monitor execution, and gain insights to manage and improve performance.

FINANCIAL AND ENTERPRISE PERFORMANCE MANAGEMENT SOLUTIONS

Oracle Hyperion Financial Close Suite (OHFCS) is extremely effective in streamlining the financial close process even when implementing a complete Enterprise Performance Management (EPM) solution is not practical. However, a modular suite that integrates both Financial Close and other EPM applications (Performance Based Budgeting, Scorecarding, and Cost Modeling) provides the most comprehensive support for the entire management cycle of strategy management, planning, monitoring, analysis, and reporting with the fastest time to benefit. OHFCS is an important component of EPM, enabling agencies to link strategies to plans, monitor execution, and gain insights to help manage and improve performance.

Figure 1. Oracle Hyperion Financial Close Solution

Oracle Hyperion Financial Close Suite includes the following features:

- **Prepackaged features** that can be used “out of the box” quickly and cost-effectively
- **Flexible business rules** and powerful allocation rules that can support Net Cost Allocations
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- Robust data integration with the controls, validations, reconciliations, and audit trails of legacy applications and transaction systems
- Graphical drag-and-drop administration of the chart of accounts and dimensional hierarchies
- Automatic roll-up and conversion of disparate account structures to the U.S. Government Standard General Ledger or the transaction general ledger used by the state or local entity
- Preventive financial control mechanisms and sophisticated process management with automatic e-mail alerts
- End user–defined sub-ledgers and text messages for added analysis and collaboration
- Reports and graphics that are high-volume and preformatted
- “Built for the Web” functionality for ease of use and no PC client installation for end users
- Around-the-clock availability of mission-critical data
- Extensible Business Reporting Language (XBRL) reporting

Financial Close applications are often implemented as part of an effort to improve the organization’s financial close and reporting cycle. Why is a fast close so important? Not only is it the responsibility of government to report on how well the government has obtained, used, and managed its resources but it is also a requirement of the Federal government to close their books for audit. For example the Federal government’s fiscal year ends September 30 and Federal agencies must submit their audited annual financial statements to the Office of Management and Budget no later than November 15.

In addition to closing the books and conducting timely audits from an external perspective, speedy and high quality financial reporting is an indicator of good governance and is viewed favorably by the public. Internally, management will always want to know how strategies are tracking against expectations as soon as possible. A faster close maximizes the time available for managers to analyze strategies and possibly alter them.

How do organizations achieve world-class financial close and reporting performance? The fastest-closing organizations achieve success by implementing the following best practices that integrate, improve accessibility, improve efficiency, and maximize information:

Integrate
- Adopt a common chart of accounts across diverse general ledger systems. For example, the Federal government has adopted a standard general ledger (SGL)

From an external perspective, fast, accurate, and high quality financial reporting is an indicator of good governance and is viewed favorably by the public.
• Implement an integrated financial consolidation and financial data quality solution to more quickly collect data and reduce errors

• Integrate financial reporting with planning, balance scorecards, and financial modeling systems for continuous performance management

Improve Accessibility

• Empower the finance department with ownership of the data loading and mapping process

• Equip remote reporting sites to map, validate, and correct data as they load it to the common chart of accounts

• Enable Web-based reporting of internal results - making self-service finance a reality

• Enable electronic submissions to external stakeholders via Extensible Business Reporting Language (XBRL)

Improve Efficiency

• Regularly close systems that feed into general ledgers, rather than waiting until the period’s end

• Reconcile inter-agency balances frequently, rather than waiting until the quarter’s end

• Make top-line adjustments in a financial consolidation system, rather than going back and correcting local general ledgers and then reprocessing

Maximize Information

• Collect unstructured data related to financial information (such as variance descriptions and other qualitative information) as the trial balances are collected

• Sub-certify the results along with the trial balances - survey responses, testing results, and reconciliation documents submitted with the trial balances to improve confidence

• Conduct flash reporting on key performance indicators throughout the reporting period, using the financial consolidation system, performance dashboard, or scorecard system

Clearly, technology will play a vital role in supporting these processes and improving cycle times.

ADDING VALUE TO ENTERPRISE RESOURCE PLANNING SYSTEMS

Whether an organization uses a single-instance ERP or multiple ERPs, financial close applications can add significant value to the system. OHFCS can help limit the range of tasks that local general ledger/ERPs must perform. An organization can continue to dedicate its ERP system to its primary purpose of transaction processing and generating basic financial statements, and not assign it higher-level financial tasks such as complex allocations and management reporting. This model makes even
more sense in a government environment where different departments and agencies often have extremely unique and varied missions and requirements.

The Fastest Turnaround

Government managers continue to require the fastest possible turnaround on consolidation and reporting, planning, budgeting, and forecasting activities. These activities include statement preparation, funding analysis, reorganizations, and multidimensional modeling - all with 100 percent accuracy and complete audit trails. An EPM system fully maintained by the finance team will deliver the fastest turnaround and best accuracy in today’s dynamic government agency, especially where multiple general ledger/ERP systems are in place. In effect, OHFCS can be the consolidated system of record bringing together multiple disconnected transaction systems for a single set of consolidated results.

Because the finance or accounting staff that compiles, creates, reviews, and approves the financial reports also administers and maintains the financial close application, the package adds significant value. The IT staff are free to address other IT issues, and the finance staff can still respond quickly to new requirements. The issue of end-user empowerment and employee morale is also important. An empowered finance team that is not dependent on IT for assistance will improve morale and they will generally be more productive.

Self-Service Financial Analysis

Furthermore, managers throughout the extended organization need accurate financial information that is quickly configured to meet their requirements for comparative analysis. The best way to achieve this is through a “self-service” approach. Once the close has been completed in OHFCS, the results can be made available to the extended management team through a Web user interface. This interface has both formatted and ad-hoc reporting tools to help them in their day-to-day activities.

Improving Compliance

Most government executives and financial managers are very familiar with the demands that the financial regulations and oversight are having on their counterparts in the private sector. And they are also aware that similar requirements for internal controls are now being imposed on the public sector. OHFCS is specifically focused on improving internal controls and is a great help with SOX compliance in the private sector. As internal controls and reporting requirements become increasingly
stringent in the public sector, financial close applications, such as OHFCS will be of tremendous benefit to government agencies as well.

**TRANSITIONING TO A SINGLE ENTERPRISE RESOURCE PLANNING SYSTEM**

For organizations that are transitioning to a single general ledger/ERP approach, time does not stand still. Single-instance ERP systems can take years to implement. During that time, the agency will still need to publish financial reports and may undergo reorganization - and the political and oversight landscape could change dramatically. Robust financial close applications can help with the transition to single-instance ERPs by providing consistent processes and reports during the transition period. The agency can change underlying transaction systems independently when milestones are met and timing is best for the functioning of the organization, rather than being influenced by monthly or quarterly reporting requirements. And financial close applications can help with ongoing reorganizations as well, which may be driven by the ERP project itself.

When an agency reorganizes, there is typically a need to bring the financial statements of merging departments together quickly to support ongoing operations. It takes some time to integrate ERP systems, and it is not practical to tie this process to the entire ERP integration. OHFCS provides a solid and reliable technology framework for merging departmental financial statements quickly, and ERP integration can progress at its own pace. In addition, OHFCS controls processes and checks accuracy, keeping errors to a minimum during what can be a challenging time.

For these reasons, OHFCS can help ensure that a large-scale ERP project is a success. Because of the significant investment required in ERPs, senior managers carefully scrutinize these projects. Often, a breakdown or delay in the monthly or quarterly reporting is caused by attempting to use an ERP system as a consolidation and reporting application. Management might see this as a “red flag” that the ERP project is failing. In reality, it may be that the ERP project is progressing well, but the financial reporting and analysis functions are limited. OHFCS helps to ensure that periodic reporting and analysis continues to be satisfactory to senior management during the ERP transition.

And finally, ERP projects usually consume significant internal resources and involve costly consultants. OHFCS helps to ease the ERP project burden on the IT staff and helps to reduce the consulting cost of ERP projects. During the transition, the IT staff will need to continue to maintain the legacy systems. If consolidated legal/statutory and management reporting is handled by an empowered finance team with a robust financial close application in place, the organization will spend less money
Our latest release of Oracle Hyperion Financial Close Suite is a comprehensive, Web-based application that delivers global-collection, financial consolidation, reporting, and analysis in a single, highly scalable solution.

and fewer resources. This increases the likelihood that an ERP system will be implemented successfully, and that legacy systems will continue to be available as needed.

SUPPORT FOR GTAS

Now is the time for agencies to begin preparing to use GTAS (Government-wide Treasury Account Symbol Adjusted Trial Balance System reporting). GTAS will go into production December fiscal year 2012. Along with core Oracle ERP offerings, OHFCS provides significant value-added functionality to support this mandate. OHFCS can define and store crosswalks and mappings as well as handle certain edits and validations required by GTAS. Every civilian agency should be evaluating OHFCS for supporting their future GTAS reporting requirements. OHFCS facilitates data consistency and can enforce USSGL accounting.

CONCLUSION

Government financial reporting requirements come from a variety of sources and can be complex plus regulatory scrutiny has never been higher. There are various approaches to the consolidation and reporting cycle, but the Oracle Hyperion Financial Close Suite with its purpose-built features, will deliver the highest return on investment.

Packaged financial close applications are typically used by finance teams to structure and automate the monthly, quarterly, and annual aggregation of historical results and include best-practice methodology. Financial close applications such as OHFCS act as a consolidated system of record - providing audit trails and permanent storage of the consolidated results for internal and external auditors to test and verify data. But the OHFCS will also help organizations examine and analyze information about their organization to plan for change, collectively known as management reporting. OHFCS adds significant value because the finance or accounting staff that compiles and creates the financial reports can administer and maintain OHFCS. This solution can add value to both multiple and single ERP systems, and can help make the transition to a single ERP a success.

Oracle’s Hyperion Enterprise Performance Management Solutions (EPM) of which Oracle Hyperion Financial Close Suite is part is the recognized market leader for EPM solutions with more than 3,500 financial close application customers worldwide – many already exist in the Federal government. For more than 25 years Hyperion /Oracle has been a market leader in financial close solutions continuously innovating and responding to new market requirements.
Oracle Hyperion Financial Close Suite is a comprehensive, Web-based solution that delivers global-collection financial consolidation, reporting, and analysis in a single, highly scalable solution. It is part of Oracle’s Enterprise Performance Management System (EPM) that contains a comprehensive suite of EPM applications that enable high performing governments by delivering predictable results, improving confidence and compliance, and streamlining business processes to better enable efficient and effective government.

Figure 2: 25+ Years Delivering Regulatory Reporting with Evolving Compliance
Delivering Financial Close Transparency:
Financial Consolidation, Reporting, and
Analysis Solutions for Federal Agencies
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Author: Cindy Schwimer, John Green
Contributing Authors: Maurice Claggett, Dave Wilkinson

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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Hardware and Software, Engineered to Work Together