



A Practical Approach to the Retirement Wave:

How federal CFOs can minimize the impact

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Introduction

Over the past decade, waves of baby-boomer retirements and budget-induced staffing reductions have put combined pressure on what were already lean public-sector financial teams. In a 2016 study underwritten by the advisory firm Grant Thornton, 90 percent of public sector respondents said human capital and workforce issues are the number one challenge for their organizations.¹

Increasing scrutiny over the use of public funds, a larger number of federal reporting mandates, and public demands for more comprehensive, transparent reporting are forcing understaffed teams to produce more work than ever.

If you're a leader managing this unprecedented situation, you have few avenues for guidance. Your workforce is retiring, you have smaller budgets, and you are getting asked to do more. You need tools and methods to streamline the financial reporting processes while preparing your office for a transition of leadership to a younger generation.

In this white paper, we cover what these issues mean for financial compliance and transparency, and how smarter technology and better processes can help teams improve productivity in the face of growing responsibilities. But first, let's take a step back and examine the factors contributing to these trends.

How did we get here?

Leaner teams

Several major factors are often cited when explaining the phenomenon of a shrinking or stagnant government workforce:

- The retirement of experienced, senior staff members—the so-called baby boomer retirement wave
- The reduction in force, or intentionally continued open vacancy of positions, due to budget reductions that stem from the financial crises of the last decade

- Fewer entry-level staff due to a perceived lack of prestige in government jobs among recent college graduates

Smaller talent pools obviously make it difficult for managers to ensure teams are adequately staffed with qualified, dedicated employees—ones who have the technical skills to produce an ever-increasing number of complex reporting documents.

Increased mandates

Complicating the issue, increased public scrutiny translates to a demand for higher quality reporting in a timely manner, with more transparency.

Reporting is no longer meant to just satisfy statutory requirements, but must also be forward-looking and contain analytical detail. These demands require flexible internal processes and tighter timelines, while simultaneously requiring more contributions from staff members at all levels.

An agency's credibility is measured by its financial reporting. And fiscal health and reporting managers, chief financial officers, and controllers are held to increasing levels of accountability for securing funding.

What the future holds

Publicly available data is quickly becoming an expectation, and the call for data transparency will continue to increase, not abate. Disclosure of expenditures through public portals are now the norm.

For example, legislative requirements such as the DATA Act will affect how grantees report in the near- and long-term. The DATA Act is pushing for the transition from standard document files to machine-readable standardized data for more complete disclosures and accessible information.

The Section 5 Grants Pilot is working to illustrate how this reporting will be done at the federal level. This is an important initiative for public-sector entities to follow in order to standardize reporting elements, eliminate duplication, and reduce compliance costs for federal award recipients.²

What can you do?

Let's put this into perspective. The following list is a snapshot of just some of the complex reports teams manage today. These often contain data and narrative from multiple stakeholders, departments, and program managers.

Budget Reports	Performance and Accountability Reports
Strategic Plans	FedRAMP Reports
Interim Reports	FISMA Reports
Council Presentation	Annual Performance Report
Statutory-Based Reports	Conference Reports
Citizen Reports	Agency Financial Reports
Quarterly Reports	

This naturally leads us to a critical question: How can struggling teams prepare today for the growing list of tomorrow?

One answer can be found in emerging technology. Technology is making waves in the public sector. Issues such as increased cybersecurity and open government/transparency portals are the topic of daily discussions. Early adoption of available technology better positions public sector agencies to handle the not-yet mandated or unknown technical requirements of the future.

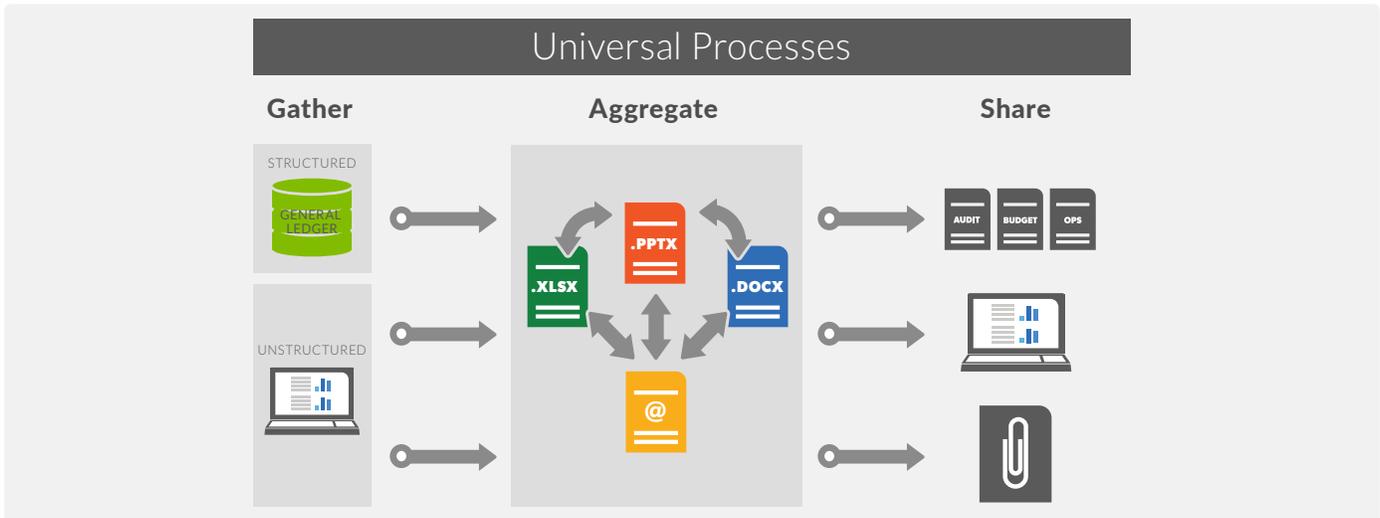
However, technology alone cannot fix a department or office that is already overworked or inefficient. Most teams would benefit from re-engineering their processes to remove roadblocks and enabling their members to more efficiently produce the work that is already required. This positions them to be better prepared for additional mandates.

How do we identify inefficiencies?

Before you can begin improving your processes, it is important to understand what they are today. By contrasting your current situation with what you want your future state to be, you will be more apt to build a scalable, sustainable process.

Universal Process Improvement Framework

Through working with hundreds of organizations, we at Workiva have found common challenges that reporting teams face. To help visualize this process, we developed the Universal Process Improvement Framework. It identifies three broad phases most organizations go through when reporting. This framework helps managers map their current reporting processes and identify their unique constraints quickly, simply, and cost-effectively.



1. Gather

In this first phase, source data is gathered from all of the places it exists. Often in the form of both structured and unstructured data, this phase involves discovering where the data is, requesting it from those who have access to it, bringing it all together into one place, and verifying its accuracy.

2. Aggregate

Once the data has been collected, it needs to be aggregated into a single format. This part of the process often involves manual labor, as data is cut and pasted from various sources and formatted correctly. At the end of this phase, all the data is in one place.

3. Share

In this final phase, aggregated data is curated for the needs of the end product—such as an annual audit report, a budget report, or a monthly performance report. Depending on the report, this phase may involve arranging selected data into tables, creating an infographic, or converting it into other formats.

The connective tissue between the phases is where much of the workflow takes place. What actions must happen in each one, and what are the things that delay the process from moving from one phase to the next?

Frequent constraints in financial reporting

Here are a few of the common constraints public-sector managers often uncover when applying the framework to their work:

- No change controls
- No reliable version control
- Process can't be duplicated
- Excessive manual labor
- Excessive formatting time
- Inconsistent numbers
- Inadequate time for reviews
- Duplicating work across different reports

In reality, these phases rarely progress in such a clean, linear fashion. During the aggregation phase, for instance, teams often discover that some data is missing, which means they have to go back and search for it. They may also question the accuracy of some of the data, requiring them to take additional measures to verify it. In the final phase, they often struggle with reconciling different versions and determining which changes should or should not be made. Each of these delays comes with a cost, both in time spent and also in the potential quality of the end result.

How can you use this?

Let's examine how these three phases apply to public-sector financial reporting.

Gather

Some of the details of a public budget or any of the numerous, routine reports agencies prepare are dependent on data that is maintained in the book of record, enterprise resource planning (ERP), or enterprise performance management (EPM) systems. However, a fair amount of information needs to be gathered from places other than ERP or EPM systems for complete reporting, such as: departmental data, performance information from process owners, statistical information, narrative and analysis, or component unit information being reported to the government.

Particularly for midsized to large organizations, there can be consolidations of departments or funds. The departments frequently produce stand-alone reports, which are partially or wholly used in the preparation of the parent organization's documents. The central organization frequently gathers this information via the sharing of files through email, or even fax. In the largest organizations, there can be hundreds of funds consolidated, leading to a nearly endless labyrinth of shared information with multiple revisions throughout the process.

Aggregate

Compilation methods for complex reports are remarkably similar among organizations, regardless of size, or affiliation (public versus private). Complex reports rely on traditional, tabular financial statements (Statement of Net Position, Statement of Activities, etc., and roll-forward schedules), and visual devices, such as charts and photographs, to relay detailed information. These are combined into a narrative format to develop the report for distribution to a broad audience of stakeholders with varied levels of technical knowledge.

Share

Combining data that is derived primarily from spreadsheets and databases with information drafted in word processing or presentation applications is challenging. It's fraught with opportunities for data integrity and version-control issues. Late revisions and adjustments to source data can propagate throughout the document.

Additionally, much of the data and its many dependencies (percentage increases, year-over-year flux, and associated descriptive language) have to be updated manually throughout the document. Because of the complexity of the documents, last-minute updates—which can be frequent—need to be managed by the most senior team members or even the reporting manager since they are among the few team members who understand the full impact of these changes.

Documenting the process

Documentation of an agency's processes is crucial when faced with staff attrition and the subsequent loss of institutional knowledge. The documentation of historical circumstances, maintenance of workpapers, and transfer of critical knowledge from team member to team member between reporting years is crucial to allow document preparation to occur in an efficient and expedient manner.

Why does it matter?

Let's look at who wants financial information. Below are some the groups and stakeholders who are interested in—and who truly benefit from—timely, accurate, and transparent information. The ability of these groups to appropriately assess the financial health of an institution can, in turn, benefit the institution itself.

- Constituents
- Congress
- U.S. Office of Management and Budget (OMB)
- Rating agencies
- Leadership
- Other stakeholders

Catering to all audiences

Reporting managers in public agencies are faced with a variety of challenges in producing meaningful, timely information for a varied audience. The same information may be required in different formats and detail depending on its audience. This reporting cycle can oftentimes leave teams in a constant battle to maintain multiple data sources for accuracy and meaningful analysis.

This challenge intensifies with increased public demand for transparent information, the difficulty faced by managers in hiring and developing qualified, technically competent team members. Reporting managers of all types face significant challenges in the production of mandatory and nonmandatory, or managerial, reporting.

Begin improving the reporting process

The most effective place to start is the process you are personally responsible for. The framework is designed to allow people within any larger process to examine the subprocesses involved and look for opportunities to improve efficiency.

Step 1: Collect and normalize data

Let the data collection process normalize your data for you—create common templates for all contributors to submit their data in a consistent manner. Templates can be used for both unstructured and structured data.

Step 2: Organize information

Organize and control collected information, so reporting teams can easily access and understand the continuously changing information needed to meet evolving stakeholder requirements.

Step 3: Create a single source of truth

Establish links between source data and all of its destinations. By connecting the data this way, when the source changes, the changes propagate through all of its destinations. This not only eliminates errors, but also provides evidence of an audit trail.

Step 4: Collaborate

Find an environment where users can work in parallel, removing the need to work one at a time throughout a process. Real-time collaboration enables information to be more readily available to those who need it.

Step 5: Review, approve, and sign off on the same document

Establish a review process where project teams can review contributor feedback in one active document. This enables geographically distributed teams to work together while building a cohesive story for management, stakeholders, and the board.

Step 6: House final reports in one location

Provide an environment where you can leverage your certified and trusted source information, and have it publish to narrative reports, dashboards, workbooks, and presentations. Again, this simplifies the process and reduces non-value added time.

Using technology

The legacy system that provides a “solution” for all things is now being replaced by purpose-built, niche technology tools that can integrate. Solutions need to be nimble and have the capacity to evolve to fit the evolving needs of your organization. With fewer team members, more reporting requirements, and unknown future reporting requirements, it’s critical to have technology that can easily mold to fit changing needs.

One central ecosystem

A cloud-based reporting system can help facilitate efficient, transparent processes like the one discussed above. A cloud reporting system maintains all necessary documents, regardless of the type of source document (spreadsheet, word-processing, or presentation-based), in a single panel that organizes related projects which share information or content.

You should also look for a system that allows you and your team to trace the history of data from collection through publication—where it came from, who has modified or handled it during processing, and who has approved it. You should also consider a solution that links that data across documents, so if a number changes at the source, it automatically updates in associated dependencies.

And at a minimum, the solution you use should provide granular document permissions. That is, give administrators the ability to control which users can access each project, file, or even document section.

With decreasing staff, reporting managers can utilize this functionality to train junior team members to assume greater responsibility in the reporting process and thereby eliminate the inefficiencies that are naturally created with the reliance on only the most senior team members.

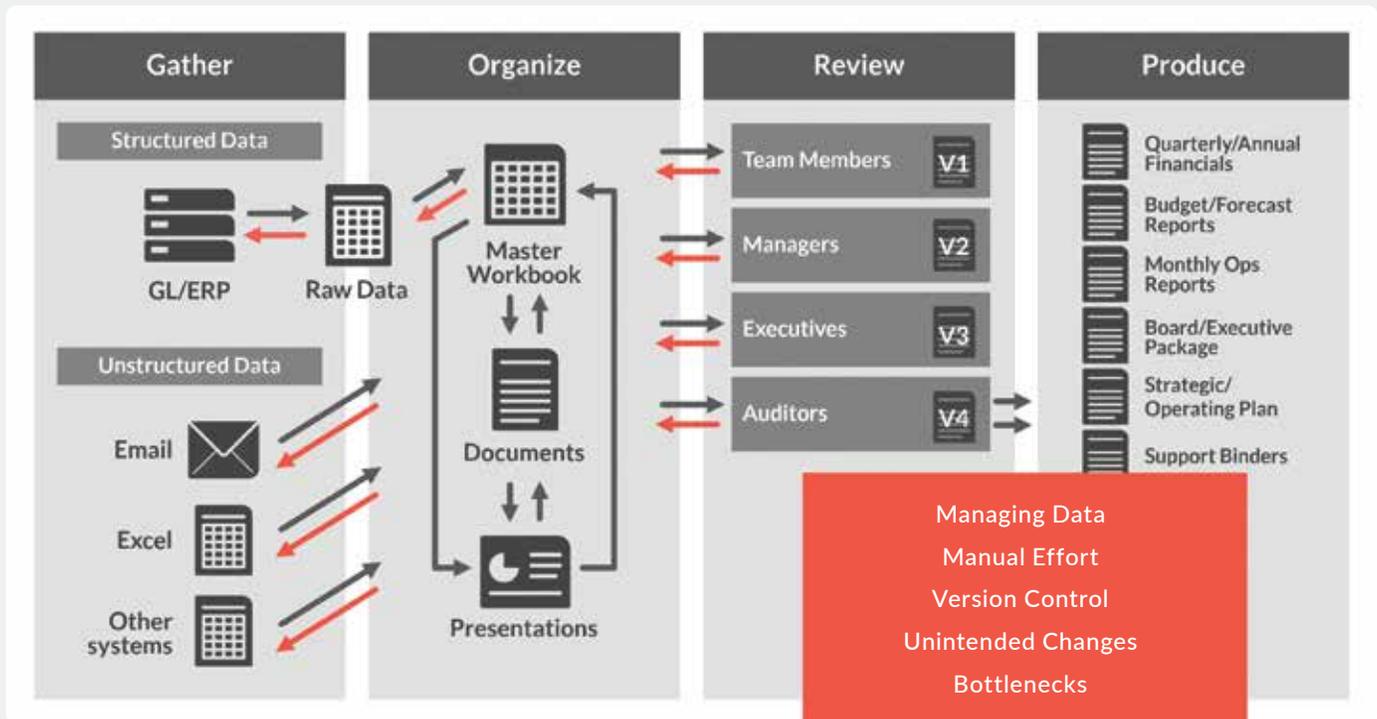
By engineering your process around smart features such as these, reporting managers can capitalize on the talents of individual team members and ensure that the transfer of knowledge from senior to junior staff is unencumbered by technological or bureaucratic bottlenecks.

Conclusion

By managing the twofold method for improvement around technology and process, you will better prepare your department for additional future responsibilities.

Below is a visual guide of how your reporting team should function with available technology compared to a typical process. How does your process compare?

Typical process



Efficient process



While the nature of your processes and the content they manage may differ, the core tasks we discussed remain the same. By mapping them against the Universal Process Framework and streamlining them with technology, reporting managers can capitalize on the talents of their entire teams and produce

documents that are more timely, usable, and credible for their constituents and governing bodies.

Ultimately, reporting managers face many challenges in the day-to-day requirements of their jobs. With an increasing demand for transparency in all matters related to local, state, and federal government reporting,

requirements will continue to increase. Combined with the challenges of attracting and retaining talented team members, reporting managers are forced to look for efficiencies wherever they can. New technology that is purpose-built to solve your challenges is a paradigm shift in how complex reports can be produced.

About the author



Cathlyn Coons

Cathlyn Coons is a Subject Matter Expert for the State, Local, and Education team. She has 20 years of professional accounting experience—10 years with SAIC and Sempra Energy, and 10 years with San Diego Association of Governments (SANDAG). Additionally, she taught at San Diego State University for four years in the College of Business, and later in Rhetoric and Writing Studies. She earned an MS in Accountancy from San Diego State University and a BS in Business Administration from University of North Carolina, Pembroke.

About Workiva

Workiva (NYSE:WK) created Wdesk, a cloud-based productivity platform for enterprises to collect, link, report, and analyze business data with control and accountability. Thousands of organizations, including over 65% of the 500 largest U.S. corporations by total revenue, use Wdesk. For more information, visit workiva.com.

Resources

¹"2016 Top Management Challenges for State & Local Government." (2016). Route Fifty. Retrieved from <http://www.routeifty.com/feature/management-challenges-state-local-government/?oref=NL>

²"Section 5 Grants Pilot." (2017). U.S. Department of Health and Human Services. Retrieved from <https://www.hhs.gov/about/agencies/asfr/data-act-program-management-office/section-5-grants-pilot/index.html>.

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