

Accounting Transformation in Government

A Path to Modernization



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What is Accounting Transformation?

...and how do we approach it?

Accounting Transformation Foundations

What it is Simply put, it's about revamping how your accounting department works to better support your organization's goals.

What it does Transformation isn't just a quick fix -- it's about creating lasting change. We're talking about making fundamental, sustainable improvements that will benefit your accounting team and your entire organization for years to come.

How it's achieved We start by understanding your current situation and then develop a tailored plan comprised of quick wins and longer-term initiatives to achieve your desired future state for the accounting department.

What it accomplishes Transformation goes beyond addressing isolated problems. It aims to create a more efficient and effective accounting function that supports the overall success of the business.



Accounting Transformation De-Mystified

Transformation Journey

Existing State

- ▶ Reactive to the organization's business environment
- ▶ Reliance on yesterday's way of executing
- ▶ Inefficient workflow that is dependent on non-centralized laborious manual processes
- ▶ Limited data visibility or potential discrepancies
- ▶ Lack of integration with other systems
- ▶ Unexplained turnover in Accounting Dept

Desired State

- ▶ Agile & responsive to change
- ▶ Optimized and standardized process to execute, regardless of the situation
- ▶ Ability to be proactive
- ▶ Process transparency and clear team member expectations
- ▶ Retainage of Company IP & foundations for staff development

Expected Benefits of the Journey

Efficiency & Productivity

- Streamlining workflows and leverage technologies

Cost Reduction

- Process optimization to minimize time and effort spent

Strategic Decision Making

- Shift focus to analysis and interpretation of results

Timely and Accurate Reporting

- Improve data sourcing and accelerate reporting cycles

Compliance & Risk Management

- Identify regulatory requirements and reduce risk of errors or fraud

Adaptation to Growth

- Ability to scale to meet transactional volume and complexity



Transformation Objectives and Outcomes

Gain Strategic Insight

- Understand key business drivers.
- Identify areas for improvement.
- Support data-driven decision making.

Eliminate Inefficiency

- Automate repetitive tasks.
- Streamline workflows.
- Reduce manual data entry.

Achieve Rapid Results

- Improve reporting speed and accuracy.
- Gain quicker access to critical information.
- Enable faster decision-making.

Empower Your Team

- Develop a skilled and engaged workforce.
- Foster a culture of continuous improvement.
- Improve employee satisfaction and retention.



Key Components of Accounting Transformation



Current State Assessment (Foundation)

- ▶ **Purpose:** Evaluate existing processes, systems, controls, and resource allocations
- ▶ **Outcome:** Identify potential gaps, known inefficiencies, and opportunities for improvement.

Define Future State (Vision)

- ▶ **Purpose:** Define the ideal future state for the finance function, considering strategic goals and desired outcomes.
- ▶ **Outcome:** Develop a clear roadmap for achieving the desired future state, including prioritized initiatives and a timeline for implementation.

Key Components of Accounting Transformation



Process Optimization and Redesign

- ▶ **Purpose:** Identify and eliminate inefficiencies in key accounting processes to improve productivity and accuracy.
- ▶ **Outcome:** Streamlined workflows, reduced manual effort, and improved data quality in areas such as accounts payable, receivables, and month-end closing.

Technology & Delivery Model Assessment

- ▶ **Purpose:** Evaluate and select the optimal technology solutions and organizational structure to support the transformed finance function.
- ▶ **Outcome:** A robust technology roadmap and an organizational structure that maximizes efficiency, agility, and scalability.

Key Components of Accounting Transformation



Implementation

- ▶ **Purpose:** Minimize disruption and maximize adoption of new processes and technologies.
- ▶ **Outcome:** A successful and seamless transition to the new operating model with minimal disruption to daily operations.

Continuous Improvement

- ▶ **Purpose:** Evaluate and select the optimal technology solutions and organizational structure to support the transformed finance function.
- ▶ **Outcome:** A robust technology roadmap and an organizational structure that maximizes efficiency, agility, and scalability.

Key Components of Accounting Transformation

Managing Change

Managing Change

- ▶ **Purpose:** Secure organizational buy-in and ensure a smooth and successful transition to the new operating model.
- ▶ **Outcomes:**
 - ▶ Clear and consistent communication plan developed and effectively implemented.
 - ▶ All impacted employees receive adequate training and support.
 - ▶ Potential resistance to change is proactively addressed and mitigated.
 - ▶ A positive and supportive environment is created to foster the adoption of new processes and technologies.



Key Transformational Success Factors

To successfully transform government accounting, it's crucial to prioritize strong leadership, compliance, citizen focus, data security, and continuous innovation.

Strong Leadership and Collaboration

- ▶ Secure strong sponsorship and collaboration from key stakeholders across different government agencies and departments.
- ▶ Establish clear lines of communication and coordination to ensure alignment and avoid duplication of efforts.

Compliance and Regulatory Adherence

- ▶ Ensure all transformation initiatives comply with relevant government regulations, laws, and standards (e.g., GAAP, GAAS, OMB Circulars).
- ▶ Maintain strict controls and audit trails to ensure transparency and accountability.



Key Transformational Success Factors

Citizen Focus

- ▶ Prioritize initiatives that improve service delivery to citizens, such as faster tax refunds, efficient grant processing, and transparent financial reporting.
- ▶ Ensure that all changes are made with the best interests of citizens in mind.

Data Security and Privacy

- ▶ Implement robust data measures to protect sensitive citizen data and comply with data privacy regulations (e.g., GDPR, CCPA).
- ▶ Ensure that all data handling and storage practices comply with government security standards.

Continuous Improvement and Innovation

- ▶ Foster a culture of continuous improvement and innovation within the accounting function and regularly refine processes to meet evolving needs and challenges.
- ▶ Explore and implement emerging technologies such as AI, machine learning, and blockchain to improve efficiency and effectiveness.



Is Now The Right Time To Transform?

In our experience the right time to transform Accounting is **when the risk of not transforming is greater than the risk of change.** Here are some ways our government clients recognize it is time to transform ...

- ▶ Budget Cuts/Revenue Shortfalls
- ▶ Aging Infrastructure
- ▶ Compliance Challenges
- ▶ Citizen Dissatisfaction
- ▶ Lack of Data-Driven Decision Making
- ▶ Difficulty Attracting and Retaining Talent
- ▶ Increased Scrutiny from Elected Officials, Oversight Boards, or the Public



Group Discussion

What area within your government or the industry as a whole most needs transformation?



Importance to the Public Sector

Importance in the Public Sector

These initiatives are critically important because it drives efficiency, accountability, and transparency while supporting effective decision-making and sustainable governance.

- ▶ **Enhancing Transparency and Accountability**
- ▶ **Helping to Ensure Regulatory Compliance**
- ▶ **Supporting Strategic Decision-Making**
- ▶ **Increase Operational Efficiency and Cost Savings**
- ▶ **Enable Resilience and Adaptability**

***Not** just about modernizing financial systems – its about enabling better governance, ensuring fiscal responsibility, and improving overall quality.*



Enhancing Transparency and Accountability

- ▶ **Demonstrate Prudent Use of Resources**
- ▶ **Commitment to Evidence-Based Results**
- ▶ **Texas Comptroller – Transparency Stars Program**
 - Traditional Finances
 - Contracts and Procurement
 - Economic Development
 - Public Pensions
 - Debt Obligations
 - Open Government and Compliance



Helping to Ensure Regulatory Compliance

- ▶ Median financial statement issuance timing has moved back by 13%
- ▶ One example of a state response to this is North Carolina the state auditor moved the due date back two months to December 31st
- ▶ Reporting requirements also continuing from ARPA and other federal program funding
- ▶ Transformation is especially beneficial when regulatory compliance is decentralized



Supporting Strategic Decision-Making

- ▶ Urgent vs Important
- ▶ This is arguably the biggest area where the staffing shortage in state and local governments has made an impact



Increase Operational Efficiency and Cost-Savings

- ▶ DOGE and its impacts on the federal government flow through to state and local governments
- ▶ States, including Florida, are creating their own state departments of DOGE
- ▶ Transformation can be done in a thoughtful way with the focus on the “e” in DOGE, efficiency



Enable Resilience and Adaptability

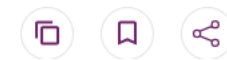
- ▶ The technology area of accounting transformation is key to enabling resilience and adaptability
- ▶ Many state and local governments with decades old systems are deciding that now is the right time in technology cycle to make the jump



NEWS

Renewed Investment Needed to Ease Accountant Shortage in the Public Sector, Report Finds

Oct 17, 2024 - 3 min read



Enable Resilience and Adaptability

- ▶ Executive orders in first two months of Trump's presidency have seemed to encourage pushing more responsibilities to state and local governments
- ▶ Examples
 - Department of Education
 - Federal Emergency Management Agency
- ▶ Being nimble and responsive will be a critical need for state and local governments



Group Exercise

Which public sector factor do you believe is most important or most impactful in causing your government to transform?

1. Enhancing Transparency and Accountability
2. Helping to Ensure Regulatory Compliance
3. Supporting Strategic Decision-Making
4. Increase Operational Efficiency and Cost Savings
5. Enable Resilience and Adaptability



Case Studies

Accounting Transformation Success Stories

AP Process Redesign

Client Type – Mid-Sized City in Florida

Background

- ▶ Our client was experiencing vendor payment issues (missing payments, duplicative, inaccuracies) that led to strained relationships, unnecessary interest charges, and overall staff frustrations.

Summary of Services

- ▶ Advised on the existing workflow and efficiency gaps – over 70% was manual
- ▶ Collaborated with IT and Accounting to digitize and partially automate the intake, processing, and disbursement workflows

Results

- ▶ Achieved 100% accuracy and time compliance with vendor payments within the first month of implementation
- ▶ Enabled the creation of proper internal controls and approvals that established a scalable and efficient system
- ▶ Regained over 30 hours of staff capacity per month eliminating manual processes



Accounting Transformation

Client Type – Mid-Atlantic Large Public University

Background

- ▶ The Controller of a large, public university in the Mid-Atlantic region expressed concerns regarding the efficiency and effectiveness of their existing finance and accounting processes. Key concerns included potential underutilization of existing financial systems, manual and time-consuming processes, particularly with the financial close process, and potential gaps in internal controls.

Summary of Services

- ▶ Conducted a comprehensive assessment of current state accounting processes, enabling technologies, and internal controls. Identified quick win, short-term, and long-term opportunities for improvement, including eliminating non-value-added work, automating manual tasks, and implementing additional controls.

Results

- ▶ Significantly reduced processing time for key transactions, improved data accuracy, and strengthened internal controls.
- ▶ Freed up staff time, reduced manual effort, and enhanced staff satisfaction while also contributing to cost savings and improved overall operational efficiency.



ERP Selection & Implementation Support

Client Type – Virginia Municipality

Background

- ▶ Our client was experiencing historical issues with payroll accuracy and overall accounting processes. After redesigning the process and workflow in the initial solutioning phase, the next item to upgrade their technology. The client requested a review of existing policies, procedures and chart of accounts for scalability, as well as governance over the evaluation and implementation of a new ERP system.

Summary of Services

- ▶ Drafted ERP system requirements, organized three (3) vendor demonstrations for ERP systems, and advised on scoring and selection of vendors based on ERP system requirements

Results

- ▶ Identified and prioritized +25 future state system requirements across functional areas, including Payroll, Receivables, AP, and Financial / Management Reporting.
- ▶ Negotiated an additional discount of 25% compared to initial offered price, resulting in over \$100K savings on an annual basis



Modernizing Financial Reporting

Client Type – State Agency (HHS)

Background

- ▶ Our client was experiencing significant issues and inconsistencies with their reporting requirements. The agency relied on outdated, manual spreadsheet-based processes to track federal grant funding, expenditures, and compliance. Reporting was error-prone and failed to meet federal audit requirements.

Summary of Services

- ▶ Performed a reporting current state optimization project that reviewed the existing processes and workflows that were integral in their reporting. We created and standardized the required reporting criteria used internally and 3rd parties and used a GSA approved technology platform for variance analysis and reporting.

Results

- ▶ Significant reduction in reporting errors and time saving due to standardizing reporting templates
 - ▶ Configured systems to automatically allocate grant funding based on predefined rules
- ▶ Developed dashboards for grant tracking using Power BI / Tableau



Questions?

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