

The Production Platform for Finance

Using a Closed-Loop System to Move Beyond Compliance and
Gain the Synergy of Integration

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Introduction

When discussing the various technologies that automate financial record-to-report processes, the sum does not equal the whole. A fully integrated production platform that supports and executes the report-to-record process – from transaction record to final reporting – is exponentially more effective than a series of disaggregated point solutions.

Integration delivers the insights that can actually alter the strategic direction of a process – during the planning, execution, or analysis phases – and removes redundant control management and testing efforts, delivering the operational agility required to mitigate risk, absorb acquisitions, and react to changes with minimal disruption.

Finance Today: Point Solutions, Loosely Joined

The finance process is often adequately enabled by technology:

- Transaction processing is a well-oiled silo, with ERP general ledger systems managing thousands of transactions and creating the debits and credits that underpin the financials.
- Consolidation systems are now fully integrated with transaction systems, creating corporate legal and regulatory consolidations in minutes and hours during crunch time, and allowing drill backs to source data.
- The general ledger systems and consolidations are often linked to business intelligence and data warehouses, assembling the data and allowing extraction of key analytical schedules.
- Due to the ready and timely access to needed financial data, shared service centers and outsourcers can manage the processing and required support and analysis surrounding high volume transaction areas, including accounts payable, payroll and account reconciliations.

Unlike their brethren in other functional areas like manufacturing, basic business process and workflow management tools are often lacking in the Office of Finance. Often, a series of loosely-connected (or completely isolated) point solutions are utilized, or organically grown office patches are purpose-built to support critical processes.

- The integration of the workflow for compliance and the financial close tasks with financial ERP systems is often non-existent, typically relying upon e-mail reminders and manually prepared schedules.
- Acquisition, geographic, and business unit preferences often inhibit that standardization of global business processes where process technology is lacking. Only as only automation technology can enforce policies and standardization of global business processes.
- Approval and review processes often rely upon e-mail or shared drive “pulls” that lack a reliable system of record.
- Scheduling and task management are many times warehoused in managers brains, Microsoft Excel, or at best in a document management tool housing versioned documents accessed by multiple, unknown stakeholders.
- Risks and controls are managed in silos based upon geography or business unit. Only a few people have any perspective on overall company risk, and similar (or identical) controls are often used to mitigate multiple, dispersed risks, creating extra administrative work for those tasked with documenting and updating the controls.
- Regulatory reporting is managed at the end of the process, by a few people under time constraints to prepare, gather and consolidate comments and corrections from multiple, dispersed constituents. These critical changes are managed in office automation tools and rely on manual quality control checks.

- XBRL tagging is generally being performed by the printers after everything is thought to be finished. The business forgoes the opportunity to achieved longer-term, strategic opportunities to own XBRL as a process, and to develop much-needed expertise.
- At the end of the financial close, management begins to sort through what has happened, gathering data and insight via e-mail, conference calls, and hallway conversations. This leaves little agility to adjust midstream, and last minute corrections are all too common.

Finance requires a great number of applications to do its work (*figure 1.1*). The reality is that many of the applications outside of the core have not been widely adopted or have been implemented as point solutions. Other studies show finance seeking continued integration with their existing ERP systems and data management tools. Companies are looking for these solutions to be offered in service models to minimize further technology costs and time. Regardless of the delivery method or the existing expanse of technologies a finance office has in play, the need to derive further value and greater control through integration is the direction required today.

The Evolution of Finance

In the operational front in Finance, much is the same as it has been for 20 years. In reviewing studies on the evolution of finance published in 1997, the challenges and goals in the Office of Finance are almost identical to today's issues. The operational costs to run a typical finance department in 1997 was around 1% of revenues ... and still hovers there today. Unlike today, transaction processing was still a heavy burden and "Glocal", global operations locally managed, had just been coined as a term. Globalization was just being touched on in the study. On the technology front, finance dreams in 1997 focused on visions of a "high tech" war-room for financial simulations, hoping to provide executives with "mission control" capabilities and global views into operating conditions. The notion of a "decision support system" was in its infancy. Such systems, it was hoped, might focus on standardizing "ungoverned processes", quell transaction processing and better enable the final variable— people – to optimize their performance with appropriately streamlined processes.

Today the "mission control" opportunity has been realized, especially when a fully integrated production platform for finance is not only possible, but well on its way to reality in many organizations. The components of that system fill the gaps listed above, taking advantage of proven technologies to process and present actionable financial data.

Smart Scheduling:

- Moves work along a designated path from person to person, escalating and rejecting based on established protocols and securities.
- Manages the daily tasks and to-dos of finance by sending the right people, the right work, at the right time.

Fig 1.1: Core and supplemental software applications used in the Office of Finance

CORE:

- General Ledger
- A/R
- A/P
- Fixed Assets
- Financial Reporting

SUPPLEMENTAL:

- Tax Filings
- Reconciliation Management
- Banking
- Treasury Management
- Cash Management
- Credit and Collections Processing
- Purchasing
- Expense Management & Reporting
- Grants
- Contracts
- Real Estate & Property
- Unclaimed Property
- P&L Accounting
- Project Accounting
- Compliance Management
- Planning, Budgeting, Forecasting
- Consolidation

Automated schedulers have no ego and will not hesitate to follow up, remind, call out laggards and escalate as needed.

- Supported with dashboards, a scheduler can display status and enforce tasks in real time.

Embedded Compliance:

- Uses automated scoping and risk analysis to score and rank tasks, reducing exposure to risk.
- Manages all compliance testing using workflow, task management and scheduling capabilities.
- Embeds XBRL into the financial reporting process.
- Creates a shared library of controls that can mitigate multiple risks, linking all compliance activities through technology and increasing the efficiency of compliance and documentation efforts.

Processes Enforced by Technology:

- Creates an automated action plan, with all requisite requirements and standards embedded.
- Allows central update of any changes to cascade through to all required procedures.
- Embedding business rules into the automated workflow enforces policies and tracks compliance.

Collaborative Financial Reporting with Embedded XBRL:

- Allows multiple users to interact with a document, roll forward key information from prior periods, create and edit content, see and comment on the changes of others, accept changes and move a document through the required approval stakeholders.
- Newest to the market in the area of process support are the technologies that simplify and assist in the work of XBRL tagging.
- Embedded XBRL technologies can aid in every aspect of XBRL compliance efforts: from tag selection, to extension creation, rendering and validation.
- The tools manage to hide the complexity of XBRL, placing a more user-friendly layer of support between the HTML coding and the average reporting manager.

More Transparent Processes:

- Allows true “mission control” of key financial processes through real time dashboards.
- Updates status automatically as work is executed.
- Enables users to “raise a hand” in any process, identifying issues and escalating them where required.
- Allows management to load-balance work, refocusing efforts mid-stream.

While all of the above can be supported with individual point technologies, in order to achieve confident compliance full integration of these processes and technologies is required.

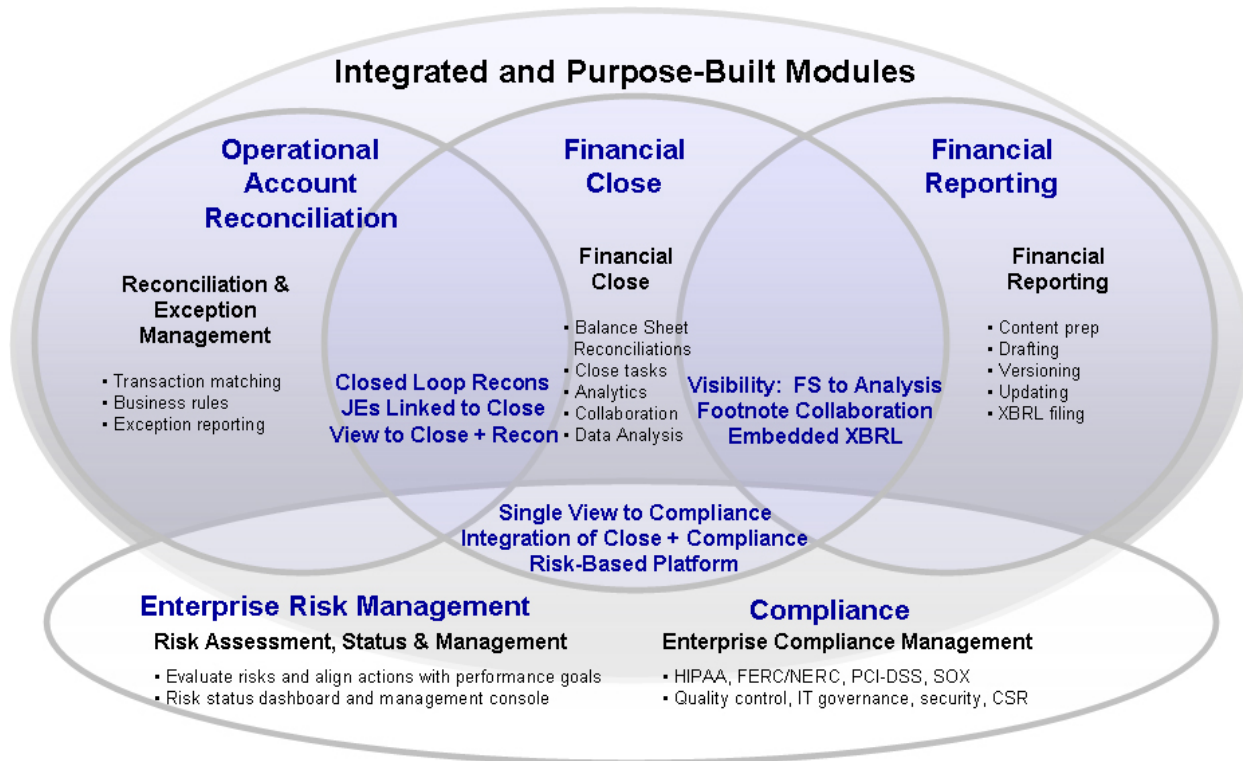


Fig 1.2: The true X-Factor is in full integration using a Production Platform for Finance

Finance Tomorrow: Leveraging the Synergy of Integration

With integration, there can be visibility across and down the finance supply chain (figure 1.2). One click on the financial statement line displays the status of a control and its associated close task, including embedded XBRL data. Results of the process performance are shown during execution, rebalancing work as needed and proactively managing issues. System alerts to account activity intolerances are integrated to automatically escalate processes. Compliance activities are linked to financial close and reporting, embedding work in daily activities and avoiding redundancies. Global tasks can be executed in business units, shared services centers, and with outsourcers, enabling full visibility into a closed finance production system.

Conclusion

An integrated set of technologies to manage daily financial operations creates greater benefits than a like of set of point solutions selected to streamline individual processes. In the end, the ultimate goal is insight and agility. True integration of technology across the spectrum of financial activities enables this goal, providing decision-support information that can be used to cut costs, shorten cycle times, and reduce the stress on the Office of Finance.