

Selecting A Financial Statement Automation Software



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Choosing the right software solution to automate your Financial Statements can be a daunting task. There is a ton of flashy marketing and buzzwords that can make clear identification of the best tool difficult. We have prepared this outline of requirements to help you identify the essential features that an effective Financial Statement reporting software solution would ideally include. Feel free to use it to see how your current or prospective solution(s) measure up.

INFRASTRUCTURE CONSIDERATIONS

• Desktop vs. Cloud

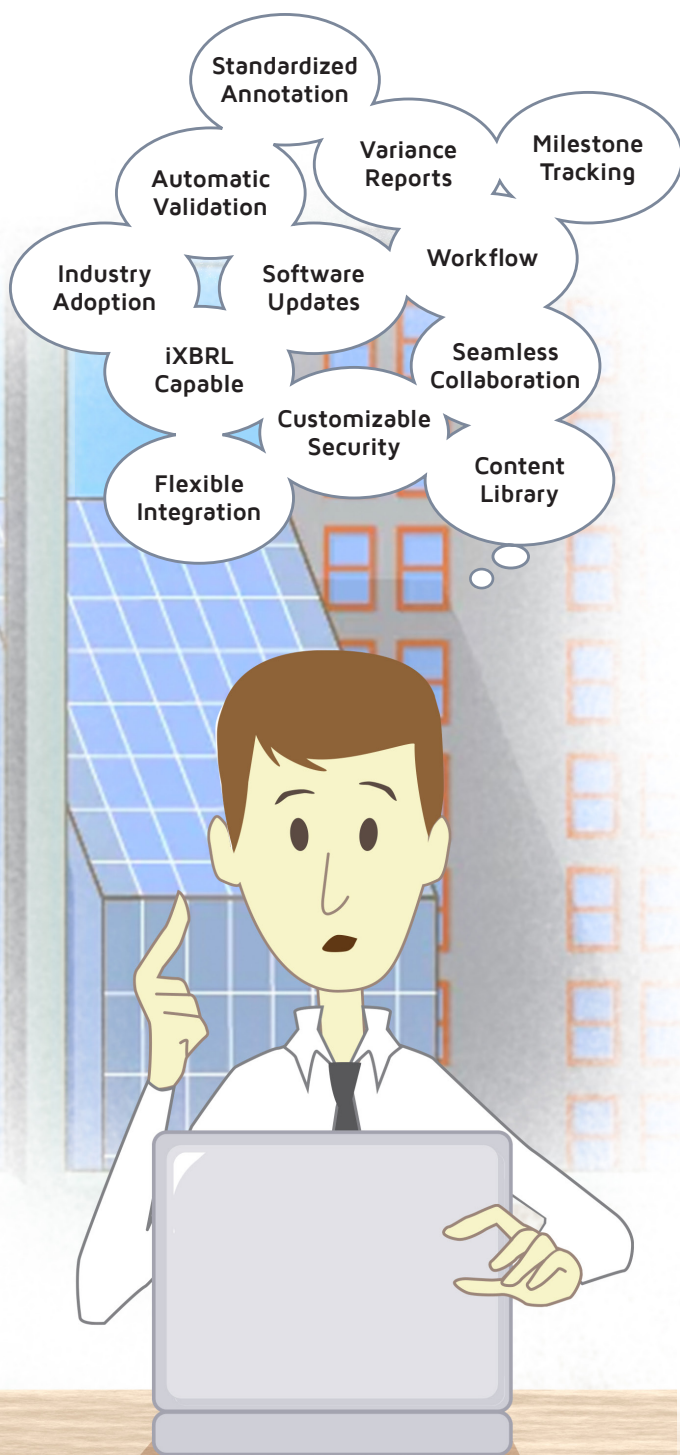
Does your IT department refuse the use of cloud-based applications? Or does policy dictate that only cloud products may be implemented? The good news is there are great solutions in both environments, but there is no sense wasting a lot of time looking at functionality and features if infrastructure requirements trump other considerations.

Requirement: For **desktop-based solutions**, you need to ensure your environment is currently capable of supporting the application, consider if prospective solutions:

- Will operate with your current servers, or if a specific server infrastructure is required.
- Require significant upgrades to your workstations. Obtain the minimum technical requirements and compare them to your current hardware & software systems to be sure your workstations are currently capable of running the applications. Some key considerations include:
 - **Hardware:** RAM, hard-drive space, and CPU requirements.
 - **Software:** Prerequisites such as the versions of Windows or Office that must be installed.

Requirement: If you opt to implement a **Cloud-based solution**, consider:

- Your Internet connection. Is your connection stable and robust enough to support the number of concurrent users uploading and downloading data in the volume you anticipate?
- Guaranteed system availability. Be sure the vendor provides "up-time" guarantees. You should be looking for 99.99% or better (that is less than 1 minute of downtime in a typical work week).
- Data Location. If the data center does not reside in Canada, you will want to confirm that its location is acceptable and the uploading of financial data is not Personally Identifiable Information (PII).
- Downloading your data. Determine if/how you can extract your data from the system in the future should you wish to migrate to a new solution.
- Security Compliance Standards. Identify which standards are important to your organization and ensure the vendor is compliant, SOC 1 Type II, SOC 2, FedRAMP, HIPPA, and GDPR are all organizational and operationally recognized security standards.



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• Platform Vs. Program

The underlying structure of a solution is seldomly considered but essential to its flexibility and longevity. Platforms are designed to be built upon and collaborative; they are expected to evolve. Think Google Home, it can be used for everything in an eco-system, from adjusting the thermostat to programming your television, and new integrations are continuously developed. Programs, on the other hand, are purpose-built with the objective of meeting a very specific goal. Think Excel, specifically it's used to build spreadsheets, it can integrate with other programs like PowerPoint, but the integration is clunky and was never considered at its inception.

Requirement: Consider is the solution a rigid Program, limited by an underlying structure within which it must operate? Or a flexible Platform that allows for virtually boundless user-implemented enhancements?

DATA GATHERING

• Designed to be used by Accountants and Auditors

The Financial Statement Automation process is complex. Frequently schedules, statements and footnotes need to be modified. Balances need to be adjusted. Must you call consultants or developers to import data, add new rows, modify tables or insert new footnotes?

Requirement: The system must be designed to be used by finance professionals not programmers and IT.

96% of respondents collect data from more than 16 locations outside of their offices.¹

• Flexible Integration

How much work will be required of your team if you transition to a new accounting software? If you collect data from numerous other entities for consolidation, how easy is it to bring their data in even though they have a different G/L structure? Must whole new integrations be written so that your Financial Statement system database is correctly updated? Can you import all the data required to power the statistical section?

Requirement: An effective Financial Statement software should easily import data from multiple sources, as often as necessary. The import process should be very flexible with several options for how the data is brought into the software.

• Database-driven Data Source

Too often, the Financial Statements originate from multiple sources (spreadsheets, word processing, databases, etc.), with no support tying the sources to one another. To achieve internally consistent financials, a single source of data is essential. For example, if the solution you are considering relies on writing formulas against one or more spreadsheets, ask:

- How can I be sure that I accounted for all the G/L accounts in my Financial Statement?
- How do I ensure that the same value is not included in two places accidentally?
- How do I know immediately that my G/L is in balance?
- How does the system identify when new accounts are added and which ones are the new ones?

Requirement: A single database, with realtime validation that houses all your values (G/L, performance measures, budget etc.) This will greatly simplify assurance of data integrity.

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PREPARATION

• Grouping

Governments often have thousands or even hundreds of thousands of accounts. Ensuring accuracy and completeness requires a structured, controlled method of grouping accounts. This should not be an ad-hoc process addressed while linking accounts but instead should be a formal, documented and review-able process. Explicit support should be provided to all users to quickly and easily move accounts from one account grouping to another to facilitate departmental rollups and reclassification/reorganization when necessary.

Requirement: The selected solution supports multiple concurrent grouping mechanisms. It must also directly facilitate easy grouping/roll-up of accounts and departments into consolidated basis.

• Adjusting Journal Functionality

Very commonly during year-end, the finance team will find values that must be adjusted. Perhaps there are reclassifications that must be booked to move debit balances out of A/P. Maybe you have found last minute accruals that must be booked. Further, most governments do their accounting on a non-consolidated basis. For consolidated statements, the adjusting journal functionality allows quick conversion from non-consolidated basis to consolidated basis, allowing the user to easily toggle and view balances before and after eliminating entries have been made.

Requirement: The best solutions will:

- Have a formal, controlled, auditable, double-entry adjusting entry system.
- Support classification of entries (regular, reclassification, eliminating etc.) for explicit inclusion/exclusion on a report-by-report basis. This will allow generation of both full and modified accrual statements concurrently.
- Support automated calculation of the adjustment. For example, 10% of an account balance needs to be restricted at the end of the year. A calculated adjusting entry can be set up to automatically post the necessary amount to the appropriate account.

• Seamless Collaboration

No doubt there are many people working on your year-end. Likely most them are working in the same office, but you may have users in remote locations.

Requirement: Regardless of location, as many people as necessary should be able to work in the file, reviewing, adding documents, or modifying statements. Updates to documents should be available in real time to all users of the file.

• Access Control

To maximize efficiency, multiple individuals will need to participate in the Financial Statement preparation process. The ability to choose which features, functions and documents each individual user can access will be important.

Requirement: Control of the data should be maintainable through customizable user rights. It is important to control which users have access to certain documents, and what they can do within the file – create, review, and/or sign-off. Your system should maintain a full audit trail to track who has accessed which documents and when those documents are altered.

• Standard Reports

Many of the tasks that go into year-end preparation are standard across most organizations. Variance analysis, or grouping documents are examples that organizations large and small will all need to prepare for audits.

Requirement: Your financial reporting solution should provide an up-to-date content library that includes all the new applicable requirements as they become effective.



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PREPARATION (cont'd)

- **Automated Charts and Graphs**

The charts and graphs in your report are an important communication tool that can help your readers appreciate the meaning of the numbers – if they are correct. Many tools rely on manual re-generating and re-linking the visual elements when the numbers change. Relying on users to remember to update charts and graphs manually is a recipe for mistakes.

Requirement: Charts and graphs should be automated based on the same standard data source that power the rest of the Financial Statement.

- **Automated Page Numbering and Indexing**

Municipal Financial Statements are inherently large documents, so accurate indexes are crucial to the reader being able to navigate through the pages easily. Inaccurate indexing can lead to confusion and miscommunication of information. Maintaining them manually is a time-intensive, low-value-added task.

Requirement: Automatic page numbering that constantly updates the index/table of contents to ensure that it is always accurate.

- **Automatic Note/Schedule Numbering**

When notes and schedules are numbered manually, your staff must remember to re-number when content is added, deleted, or re-ordered. Further, if note/schedule number references are required, users must remember to update all those references too.

Requirement: Both note numbers and all references tied to them should be automatically maintained and updated if the order of items is changed.

REVIEW

- **Drill Down & Document Management**

The Financial Statement is a large, complex document and clearly understanding what values are combined to arrive at a given value is essential to ensuring accuracy and preventing errors. Finance needs to understand how each value was calculated and if there have been significant changes from year to year. Auditors need to see support/backup for material. Work papers, reconciliations, contracts, bank statements are all necessary to support your values for the auditor. Complex formulas that leave you manually chasing back through multiple spreadsheets to understand what G/L accounts are being grouped is not efficient.

Requirement: Users must be able to:

- Drill down from any value in a statement, schedule or note to support which G/L accounts comprise the value. This document (often called a lead-sheet or roll-forward schedule) should provide critical information like current and prior year values and clearly show the amount changed from one period to the next.
- Drag & Drop supporting documents of any type, into the solution to act as a complete electronic audit-binder. This will allow internal staff to quickly provide an electronic audit binder in a neat and organized fashion for an external auditor to review.



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REVIEW (cont'd)

- **Variance Reports**

A standard audit approach is to look for material variances (current year vs prior year or current year vs. budget). A great way to ensure a smooth, fast, less-expensive audit is to provide answers to the auditor's questions before they ask them.

Requirement: Variance reports should be automatically produced within the solution, without having to export data to a spreadsheet for analysis. Variance reports should be able to show both dollar and percentage variances, and should include the ability to show only results over established relevant thresholds. Finally, these reports should support annotation to provide explanations for variance to the auditor.

- **Automatic Validation**

The Financial Statement requires consistency throughout. For example, Revenues by Source on page 20 must equal Revenues by Type on page 200. The huge number of points of agreement make manually cross-footing and proving their correctness a time-consuming and error-prone task.

Requirement: Error checking functionality should allow for setup of complex, custom validation rules which are automatically monitored. When immaterial differences are identified, automated balancing should force agreement. When significant differences are identified, a warning messages should immediately alert the user to investigate the issue.

- **Efficient "Issue" Management**

Increasing year-end efficiency means eliminating back & forth. When conducting the review of your statements and getting prepared for the auditor, tracking questions and problems on sticky notes or via email leads to wasted time.

Requirement: Centralized tracking of questions, issues & comments both at the over-all document level as well as at the row or value level ensures no problems go unresolved. Further the ability to assign these issues to the appropriate staff for follow-up is of critical importance.

- **Milestone Tracking**

Being able to see what changes have occurred in a document since it was last opened or reviewed can greatly accelerate the production process. It allows reviewers to focus on what has changed.

Requirement: The ability to track and ultimately accept changes within both the Financial Statement and its supporting documents, based on user definable key activities (opening, review complete etc.).

- **Workflow**

The ability to clearly identify the status of all required items in your file is essential to meeting all your deadlines. For example, you need to know:

- who still owes you what supporting documents,
- which items have not been started,
- which items have issues still outstanding and
- what items are finalized.

Requirement: Tracking of the status of every item in customizable stages (prepared, 1st Review, 2nd Review etc.) along with a dashboard to easily see the status.

- **Standardized Annotation**

You need to review and approve a large number of supporting lead-sheets and other documents to ensure the correctness of your Financial Statement. Ensuring efficient communication amongst all the users of the software will reduce time investment.

Requirement: The solution should facilitate application of standard annotation of the file. Auditors will appreciate that the staff have added annotations to documents to confirm that they have footed, compared, or otherwise tied schedules back to the trial balance.

Data Accuracy is a real concern. 75% of respondents have caught errors in the Financial Statement prior to it being published, and nearly 43% have caught errors after it was published.²

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PUBLISHING

- **Print-Quality Statements**

Professional quality output is essential to achieving maximum efficiency. Significant manual intervention is required outside of your application to insert pictures, PDFs, or enforce your organizations' standard fonts, indents, margins etc.

Requirement: A complete publish-ready PDF should be generated from the system (complete with bookmarks) that includes ALL pages of the Financial Statement and enforces organization presentation standards.

- **iXBRL Capable**

XBRL is becoming a widely adopted requirement for the filing of financial reports around the world. ([Learn More...](#))

Requirement: While not currently mandated in Canada, the optimal Financial Statement solution is one that is capable of publishing your required reports in iXBRL, should this become a requirement for your organization.

- **Support for other standard reports**

Avoid the one-trick pony! Very commonly, in addition to publishing Financial Statements, governments have other related, complex reports to issue. Province mandated reports like the Financial Information Return (FIR) in Ontario and Alberta or the Local Government Data Entry (LGDE) forms in British Columbia are examples.

Requirement: The ideal product will be flexible enough to automate the generation of your other recurring reports, not just the Financial Statement.

- **Graphic Design**

As different tools have very different capabilities, consider your requirements for the finished product. In general, we find clients break down into two categories. Some want simple, clean and professional styling. Others demand a finished PDF that incorporates all the styling a graphic designer/communication department can think of. Some examples of more challenging graphic design requirements to consider are:

- Precise color matching of underlines to corporate colors,
- Dynamic text laid on top of an image or a color gradient,
- A landscape-oriented page with a portrait-oriented footer,
- Vertically merged table cells

Requirement: If you have specific demands for the appearance of your report, or even better an existing report that you wish to replicate, submit them to the potential vendor/implementation team for confirmation that the requirements can be met.

- **Accessibility**

Unlike other overlooked aspects of document design, failure to comply with accessibility legislation can and does result in lawsuits. It is crucial that your Financial Statements are compliant with local accessibility legislation like the Accessibility for Ontarians with Disabilities Act (AODA). Typically this means your published document must meet Web Content Accessibility Guidelines 2.0 (WCAG 2.0) criteria. Be wary of any tools that claim to do this automatically. The numerous inserted documents, graphs, and complex table structures of a Financial Statement make full automation effectively impossible with today's technology.

Requirement: Have a process in place to remediate and certify your Financial Statement is WCAG 2.0 compliant before publishing. This can be done by a 3rd party, or by your team with the implementation of specialized tools. Look for solutions that provide some level of automated tagging of content (the first step in being WCAG compliant).

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VENDOR & IMPLEMENTATION TEAM

- **Stable Vendor**

While there are many apparent solutions to automate the Financial Statement, the last thing anyone wants is to be forced to find a new vendor in a few years. Unfortunately, this is exactly the situation many governments have found themselves in recently.

Requirement: Software vendor must have been in business for a number of years and have a significant number of customers that used the product to publish a Financial Statement. If the company is publicly traded, is the company (or has it ever been) profitable? Are they investing in R&D and is the investment growing?

- **Software Updates**

While you are working through the production of your Financial Statement, the last thing you want is to have your software platform changing on you. Product updates enhance the product, fix bugs and often include new features, but installing updates should happen on your schedule. An update should not be forced on you by the software vendor during a critical stage of your Financial Statement production.

Requirement: You should be able to take updates when it is convenient. You should be able to install the update in a test environment to ensure that it does not break your reporting system.

- **Expert Implementation Team**

Automating your Financial Statement process maximally requires more than just good software. The Financial Statement process is very complex and not something to be left to a randomly selected team. It should be obvious the proposed implementation team members were hired based on their expertise; designated CPAs with decades of experience working in government AND automating the Financial Statements of many organizations. Be wary of teams that were assembled for any reason other than these expertise (eg. friends/family/location).

Requirement: Ensure that your implementation team are experts in accounting, auditing government finance and Financial Statement preparation. Do they understand your reporting requirements? Are they familiar with PSAB standards? How do they handle changes to required reporting? Have they ever worked in a government finance department preparing Financial Statements? How many of the implementation team are CPAs?

- **Proven Track Record**

No one in finance wants to be a guinea pig. You want solid proven solutions, delivered by an experienced team.

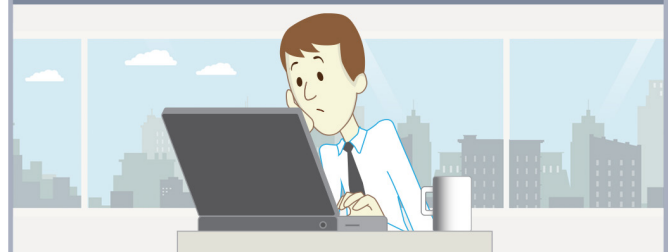
Requirement: Ask the vendor for 5 government Financial Statement references that have been using the product. You will expect them to give glowing reviews. Ask about support. How attentive/responsive were they? How many of the staff were capable of helping them? Was only one person knowledgeable/capable or did they have a team of experts ready to assist? Ask if the vendor has ever had any canceled projects. Be very careful if the answer is yes as it likely means they have a history over-promising and under delivering.

- **Industry Adoption**

It is ideal if the selected solution is endorsed by your auditor. Why? If it is a product that your auditor already uses, it will give them confidence and accelerate the audit. It may even help you drive down your audit costs! If you force your auditor to learn a new product, this may not be true. Further, your next new hire may well come from an audit firm and if your chosen solution was used by them at the firm, it will accelerate their on-boarding.

Requirement: The solution will have significant adoption and/or recommendation by accounting firms.

NEED HELP CHOOSING A FINANCIAL STATEMENT AUTOMATION SOLUTION?



Click [here](#) to download our
**Financial Statement
software selection checklist**



Leave nothing to chance. Solutions forged for Finance, honed by experience.

For over 25 years, we have enabled public sector finance & budget departments across North America to improve and automate their most time consuming, monotonous, and dreaded business processes.

Our carefully selected team of professionals begin by interviewing your team & reviewing your current process. We then collaborate with your team to redesign the process, select, implement, and support the optimal enabling technology.

