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**UPGRADING THE FINANCIAL REPORTING CAPABILITIES:  
DOR FINANCIAL ACCOUNTING AND REPORTING SYSTEM**

**CERTIFIED PUBLIC MANAGER PROJECT--CLASS OF 2005**

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# **EXECUTIVE SUMMARY**

## **PROBLEM /NEED TO BE ADDRESSED**

The financial reports generated by the State Agency Budgetary Accounting and Reporting (SABAR) system are limited on their own when more in depth reporting and/or forecasting is required. The level of data and detailed reporting that might be required by the agency finance staff and management to make sound financial decisions and assist in critical planning may not be sufficient through the reports produced by the SABAR system. This limitation of relevant data could lead to poor financial decision making and bad planning which could prove to be detrimental to the agency. An “add-on” software package to work in conjunction with SABAR to enhance the current reporting capabilities of the system is needed. The question to answer is if there is a software package currently available that will provide options to help the Department of Revenue (DOR) improve financial reporting capabilities?

## **RECOMMENDATION FOR MANAGEMENT**

Based on the information gathered and presented in this project, I recommend to the Chief Financial Officer that DOR purchase from Data Watch, the Monarch Professional software, Version 7.0, to use in conjunction with the SABAR software to enhance the financial reporting and forecasting capabilities offered by our existing fund accounting system. This recommendation is based upon data gathered on the product, a working demonstration of the product, anticipated cost savings both in employee time/man hours and supplies, and helping achieve a key result in the agency strategic plan.

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## INTRODUCTION

The Department of Revenue has used the SABAR (State Agency Budgetary Accounting and Reporting) System, a modified accrual fund accounting system, since the early 1990's to record and report the agency operational activity and accounting transactions. Generally, the SABAR system has served the financial reporting needs of the agency well. However, as budget cuts and other reductions in funding have become commonplace in recent years, and the requests for detailed financial information from external sources and the state legislature has increased, the need for more sophisticated and detailed reporting capabilities and expenditure forecasting and comparisons has become more important. In that respect, the financial reports generated by the SABAR system on their own are limited. Currently, SABAR provides a set of "canned" reports that were written and developed by the vendor as part of the software package. Generally, these reports are useful, but are somewhat limited when more in depth reporting, comparison reporting, and/or forecasting is required. The level of data, detailed reporting, and comparative data that might be required by the agency finance staff and management to make sound financial decisions and assist in critical planning may not be sufficient through the reports produced by SABAR. This limitation of relevant and/or comparative data could lead to poor financial decision making and bad planning which could prove to be fiscally detrimental to the agency.

With this problem, the purpose of this project is to investigate the possibility of purchasing an "add-on" software package to work in conjunction with SABAR to enhance the current reporting capabilities of the system.

The question to answer is if there is a software package currently available that will provide options to help DOR improve financial reporting?

### BACKGROUND ON THE EXISTING SYSTEM

The Department of Revenue uses the SABAR (State Agency Budgetary Accounting and Reporting) System to record the operational financial activities of the agency that include the operating budget, accounts payable and expenditures, payroll and asset inventory. SABAR is an automated, modified accrual, fund accounting system provides on-line real time processor that is multi-user and multi-task in nature, and operates in a MS-DOS or Windows operating system. The system includes modules for Budgetary and Fund Accounting, Requisition Module, a Fixed Assets Module, a Warehouse Inventory Module, and Accounts Receivable Module, and a Payroll/Personnel Module. This system has been in place at DOR since the early 1990's and generally has served the agency reporting requirements well. The software vendor, Palmetto Software, is a local vendor that has provided excellent system support to DOR and is available to offer solutions, problem resolution or other troubleshooting and technical support on a moments notice. The Accounting module of the system produces a set of voucher, expenditure and managements reports written by the vendor to provide specific information for a specific period of time or date range. Most of these reports provide clear details of actual expenditure activity and historical data, but, as with most software packages, the reports are lacking in their ability to provide a level of detail beyond the "canned" reports, and there is no "ad hoc" reporting flexibility, or comparative analysis capabilities.

## PROBLEM /NEED TO BE ADDRESSED

As mentioned earlier, the reports generated by the SABAR system have generally met the needs of the agency in the past. Specifically, there are limitations in their usefulness to management in the financial decision making process. Most of these reports provide clear details of actual expenditure activity and historical data, but, as with most software packages, the reports are lacking in their ability to provide a level of detail beyond the pre-programmed reports, and there is no "ad hoc" reporting flexibility, nor the ability to produce comparative reports. In some instances, the need for additional information may be obtained through the extraction of data files and downloading the data into other software applications (Access or Excel) for data manipulation to be used in conjunction with SABAR reports or to create usable 'ad hoc' reports to provide the needed level of detail or the required financial data. Another option is to produce a report from the system, then use the data from multiple reports to completely create your own report in a more suitable format (IE in an Excel spreadsheet or database software). One positive aspect of these alternate methods of report creation is that you get a usable report format with the required data to make a certain decision. A negative aspect on these methods is that they are time consuming and require a lot of manual data entry and the possibility of pulling lots of paper documents from files to complete the reports. The more manual data entry increases the likelihood of mistakes and erroneous information. Producing reports by this method is also very time consuming and labor intensive.

With this problem and the need for better financial reports, I wish to investigate the possibility of procuring an "add-on" software package that will work in conjunction with SABAR to produce more user friendly reports, possibly through a report management

function, and will produce reports that will facilitate the assimilation the required data to allow agency management to make better, more sound financial decisions.

This new add-on software should be:

- compatible with SABAR,
- provide enhanced financial reporting capabilities by allowing the creation of ad hoc reports, comparative reports, and possibly include budget projection and forecasting capabilities,
- may not be so paper intensive, and
- is affordable and not cost prohibitive.

### DATA COLLECTION

In order to begin gathering data for this project, I decided to find out from the SABAR software vendor if he offered any additional software packages that could be used in conjunction with his primary product to enhance reporting, and to find out if he had knowledge of software currently available on the market that would be compatible with his system. His response was that he did not offer any additional software. However, he did inform me of a software package that some of his other user agencies currently used that has been successful for them and has met their needs.

Another source of information was to see what other state government agencies were doing-- the industry standard if you will. I informally surveyed the other SABAR user agencies to find out if they have addressed this same problem and if any agencies were in fact using any other software in conjunction with SABAR to enhance reporting. I e-mailed finance officers at each of the SABAR agencies to ask them if they use any

additional software with SABAR. As expected, most of the smaller agencies responded that they did not use any additional software. However, a few of the agencies did respond that they use a software to produce more advanced reports, prepare expenditure forecasts and trends, and in the case of one agency, used software to prepare budgetary projections that they highly recommended. Each agency that responded as using an additional “add-on” software package used Monarch Version 7.0 Professional, a product of the Datawatch Corporation. I decided to follow up on the few positive responses to my inquiry.

Another option to mention here is the new SC Enterprise Information System, a very ambitious project currently being used in a test agency, and is still under development that will reengineer and modernize the State’s financial systems and processes. SCEIS will be used by the state Comptroller General and state agencies that purchase a license(s) and will eventually replace the currently outdated statewide STARS accounting and reporting system. This SCEIS system is an undertaking of the Office of the State CIO, the selected consultant Bearing Point, and a user focus/expert group. The new SCEIS system will result in consolidation of most of the central state government and separate agency financial administrative systems used throughout the state today and in addition to the accounting features, will provide more sophisticated reporting capabilities than each individual agency may have available to them at this time. The earliest target date that the SCEIS system will be available for state agency implementation is July 2006 (FY07), with only a few critical agencies going on-line with the system at that time. Other agencies will be in phased in over time. The target date for DOR implementation has tentatively been moved back and is now set for the start of FY08. That system will



replace our existing SABAR system and may provide some solutions to the problem. It is my desire to purchase a usable product in the interim until DOR goes live as a user agency on the SCEIS system.

### A POTENTIAL SOLUTION

By obtaining such favorable responses from the few SABAR agencies about the Monarch product, I decided to explore this particular software in a little more detail. Monarch Software is a product of Datawatch Corporation. Monarch is a windows based desktop application and offers users report mining capabilities. The company website describes Monarch as a "...report mining and data analysis desktop tool that transforms structured text files into a live database that users can sort, filter, summarize, graph and export to other applications to create reports" and touts the software as ... "the worlds leading report mining and analysis tool." The software offers solutions to accountants and auditors who want to manipulate data from source reports without the involvement of IT programming professionals. In addition to information about the product on the company website, there were also user stories from companies, some of which are Fortune 500 companies or government agencies that use various products by Data Watch. Each of the user stories was a success story with practical applications and uses that I could relate to similar reporting situations at DOR. Most success stories centered on the fact the reports can be viewed on a PC without printing them, resulting in major cost savings in paper and printing. After reading the company website, I became interested in exploring this product in more detail. To see the software applications in person, I visited one of the

agencies who responded to my request, the SC Attorney General's Office, for a brief demonstration on practical, real-life, applications and to ask questions.

My observations were that some of the uses and applications appear relevant to our needs, and appear to be relatively user friendly. One example demonstrated to me was the ability to "stack" management reports of expenditure data from previous fiscal years along with a current fiscal year report to provide a snapshot of expenditure data at the same point in time both in the current fiscal year and at the same point in time in each of the previous fiscal years as well. A query is designed in the system, based on selected parameters, to enable the snapshot comparison. With the current SABAR system, such a comparison would involve printing a report for each fiscal year to compare and manually re-keying the data into an Excel spreadsheet just to set up a comparison. This manual process may take as long as 2-3 hours. To run the query and generate the comparison from Monarch appears to take maybe 5 minutes, the time to run a single report for the current fiscal year off the SABAR system, and virtually eliminates the potential for numerical errors made by re-keying data manually. The impact of this application alone would save man hours and provide a much more usable report for financial management purposes.

A second example of an application that would prove useful is not so much a reporting issue, but would eliminate lots of time and paperwork that is involved with one of our current processes. Currently, to enter employer contribution and fringe benefits data onto the SABAR system, many retirement reports would have to be run off the SABAR system, then fringe benefit rates would have to be applied and manually calculated by a payroll clerk to match the fringe expenditure charged against the DOR appropriation by

the Comptroller General, then manually checked and balanced. A query can be built into Monarch that would allow the user to produce a system entry document that was in balance, with the expenditure amounts calculated and could be printed and ready to enter onto the system in about 15 minutes. The current process takes a payroll staff person about 10 hours to run all the required reports, manually calculate the fringe expenditures based on all the various retirement rates, and balance the calculations to the CG expenditure records. This process is repeated twice each month. The impact of this application would equal about 20 man hours saved each month on this process alone. This would free up considerable staff time in the payroll area, and improving an existing process.

This user did express one disappointment in the software in that it did not print presentation quality reports and graphs. The user did express that Monarch was nearly perfect for use with the SABAR system because the data elements in SABAR are all consistent with the same number of characters and are the same data elements, regardless of the application or report.

The brief demonstration was very beneficial and answered many questions about the product.

### RESULTS/FINDINGS

After surveying the SABAR vendor and other agencies, reading about the Monarch products on the vendor website, and visiting a user agency for a demonstration, I feel that the software product could be a useful tool for DOR and will recommend to the Chief Financial Officer that the agency purchase the software. This recommendation is based

on the fact that the software is available at a reasonable cost, it is compatible with SABAR, as it is currently being used and highly recommended by other agencies, the availability of training, and the resulting process and reporting improvements and cost savings to the agency that will virtually offset the cost to purchase the software.

### RECOMMENDATION FOR MANAGEMENT

Based on the information gathered and presented above, I recommend to the Chief Financial Officer that DOR purchase from DataWatch, the Monarch Professional Version 7.0 software to use in conjunction with the SABAR software to enhance the financial reporting capabilities offered by our existing fund accounting system. This will help the agency meet a key result in the DOR strategic plan and should result in process improvement and cost savings, particularly in employee time, and should provide the ability to make more sound financial decisions and offer more sophisticated budgeting, planning and decision making capabilities.

### IMPLEMENTATION PLAN

The time frame for the possible implementation is not a critical factor since the agency is not under any legislative mandate to upgrade the system. However, I would like to recommend that the procurement process begin on this purchase as soon as the needed approvals are obtained, hopefully in just a few weeks, with full implementation in no more than a few months. The number of users initially should be limited to 1-2, the Controller and the Chief Financial Officer. As training is obtained and parameters on the new software are set up, additional users could be added.

## POTENTIAL BARRIERS TO IMPLEMENTATION

*Cost Prohibitive?* The cost to purchase the Monarch Professional software is not cost prohibitive. The software cost is \$559 for a single user. Training is available at a cost of \$995/person (2 days of training). Lodging and other travel expenses to attend training are estimated at be @ \$200. Total estimated cost to implement @ \$1,800. Funds are available in the current DOR budget to allow immediate purchase without additional funding or a request for an increase in funding.

*The Procurement Process and bid process?* The procurement process is not a factor since the cost is less than \$1,500 and can be purchased without bids as a small purchase directly from the vendor or downloaded electronically.

*Not in the agency technology infrastructure plan?* This software is currently not included in the DOR technology plan, but the Chief Information Officer should approve this purchase based in the recommendations from the Controller and Chief Financial Officer and that it will improve agency processes and will contribute to the successful achievement of a key results in the agency strategic plan (Key result #3—Effective Agency and Enterprise Services).

*Compatibility with SABAR and existing agency operating system(s)?* Compatibility with the existing system should not be a factor, since several agencies are currently running the software in conjunction with SABAR. The Monarch Professional version 7.0 software should be compatible with the existing agency operating system requirements. The agency IT director confirmed compatibility.