

# IBM® Cognos Financial Statement Reporting (FSR): Automated CAFR reporting for state and local governments



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*The Comprehensive Annual Financial Report (CAFR) is the single most important publication of state or local government. But most governments lack a unified framework that allows the CAFR reporting team to successfully merge the critical processes associated with CAFR reporting with their compliance efforts with GASB, GAAS, GAAP requirements and GAGAS standards.*

*IBM Cognos FSR provides a scalable, functionality-rich solution to automate the creation of the CAFR. IBM Cognos FSR provides a collaborative environment where many contributors can participate in the creation of the CAFR, within a secure environment, with a tight audit trail and a seamless connection to source data. With IBM Cognos FSR, CAFR reporting has never been so easy.*

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### **The problem**

Today, state and local governments that prepare CAFR reports face an extensive challenge: completing an accurate and timely CAFR while using manual and error prone reporting processes that are inefficient and lack strong internal controls.

### **A broken process**

For many states, counties and cities, the annual CAFR reporting process usually takes months to complete. Complex spreadsheets are exported from multiple IT systems across various agencies and funds and re-keyed into ‘master’ spreadsheets with little or no controls in place. Text documents containing MD&A and RSI disclosures as well as notes to financials, are then wrapped around key financial and statistical data, and emailed through the government organization for review, editing and approval.

These disparate spreadsheets and text documents are not linked electronically causing manual effort and additional reviews every time a number changes. Because there are so many people involved with so much data from disparate sources, there are little or no controls in place to mitigate risk of errors and virtually no audit trail documenting who made changes. These manual processes make it difficult for any project leader or controller to review the status of the overall CAFR because there is no visibility into department bottlenecks during the reporting process.

*“Nucleus found that by adopting IBM Cognos FSR, organizations can achieve benefits that go beyond regulatory compliance. By automating the gathering of financial data and the processing of numerous last-minute accounting changes, the application makes accountants, report builders and their managers more productive.”*

*“L9 - Research Note - Assessing the Benefits of IBM Cognos FSR,”*  
Nucleus Research, 2011

### **Controllers face increasing risks...**

In these challenging economic times citizens and elected officials turn to the controllership function to ensure accountability and seek ways to improve government credibility. Each year more emphasis is put on the importance of an accurate and timely CAFR delivered with a clean audit opinion. An untimely CAFR raises concerns of adequate controls and could negatively affect municipal bond ratings.

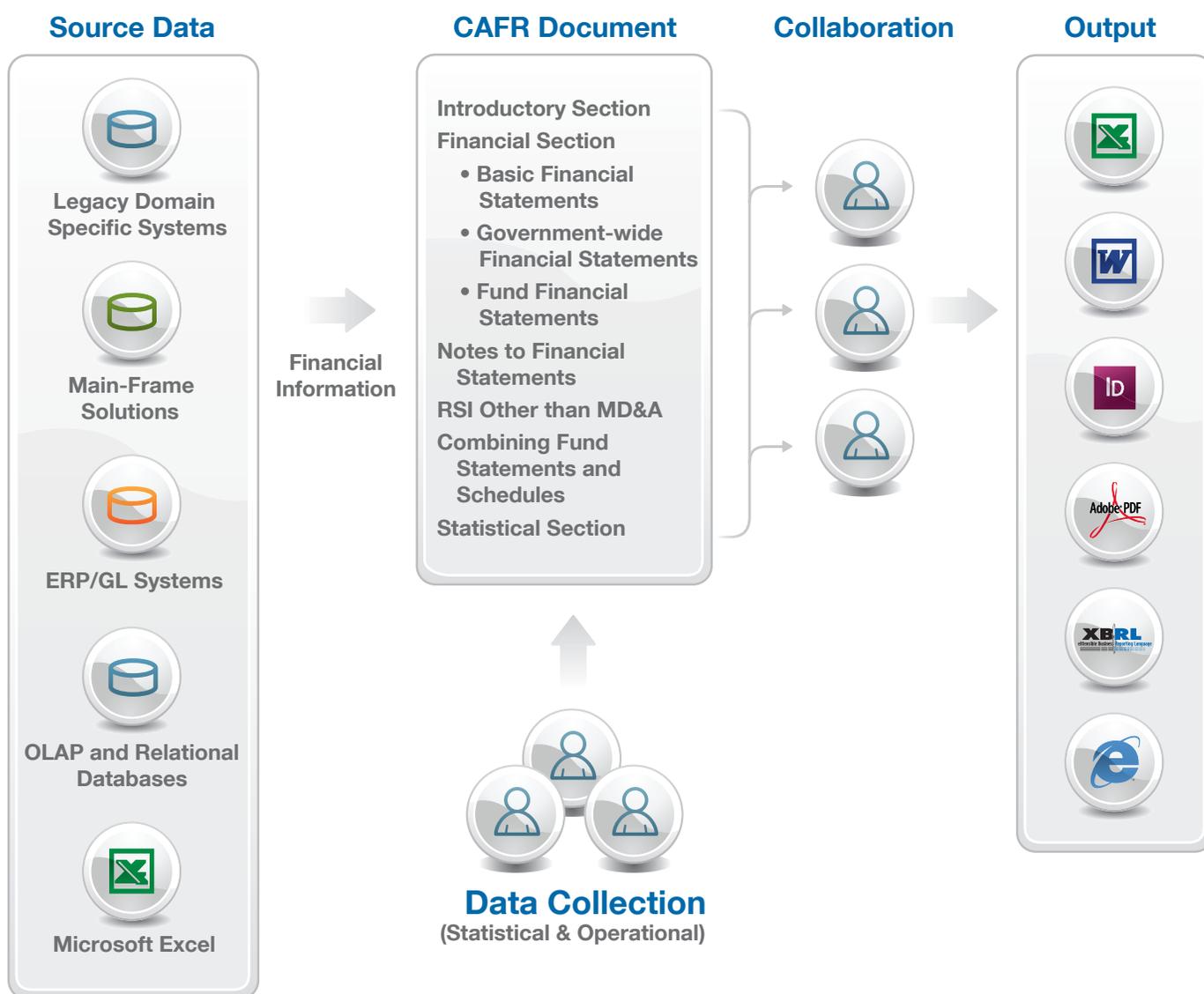
### **... and changing reporting requirements**

Regulatory drivers are pushing controllers to re-think how they will prepare future CAFRs to comply with increased demand for transparency and accountability during the reporting process. GASB has recently brought sweeping changes to the governmental financial reporting model and is now in the process of addressing many important accounting areas related to that new model.

State and local governments must adopt strategic measures that will accelerate and enhance controls over their CAFR reporting processes. While there never appears to be a 'good time' to address these issues, delay only heightens the risk and hinders the realization of productivity gains and increased controls over the CAFR reporting process.

## The solution

IBM Cognos FSR provides a comprehensive solution that automates and enhances internal controls over the preparation of the CAFR.



## Features

### Automate and streamline the CAFR

IBM Cognos FSR is a packaged application platform that automates and streamlines the CAFR process. Creation of reports is still accomplished using Microsoft® Excel® and Microsoft Word, however they are no longer stored as separate .doc or .xls files. They are stored, managed and secured directly in the staging data mart inside IBM Cognos FSR. This provides the level of collaboration, security, period-to-period information rollover, audit trail and workflow elements necessary for a successfully transformed CAFR reporting process.

### Connect with any source data

IBM Cognos FSR was built to pull data from a variety of data sources including relational databases, OLAP databases, ERP systems, GL systems, financial consolidation applications, and Excel files. By connecting directly to the appropriate source systems, IBM Cognos FSR will ensure that the data in the CAFR matches the source data – at all times.

### Enhance internal controls over financial reporting and optimize audit process

IBM Cognos FSR provides a comprehensive set of internal controls to ensure that proper steps are being followed in the creation, review and approval of each section of the CAFR. Workflows, compliance checklists, e-signatures, full audit trail reporting and business rule validation all reduce risks of material deficiencies in the reporting process.

### Workflow, checklists and e-signatures

Using workflows, the controller or project leader can track the status of each section of the CAFR with due dates and responsibility assignments. Workflow enables the administrator to see the status of each section of the document, which sections are overdue, and who is responsible for each section. The “mission control” dashboard provides complete visibility into the overall CAFR at any time in the reporting process. Compliance checklists can be embedded into each section of

the CAFR to incorporate section sign-off and compliance with internal controls. IBM Cognos FSR prevents report sections from advancing to the next person in the workflow unless the checklist is completed and e-signed. These embedded controls in IBM Cognos FSR ensure that proper steps are taken during every step of preparing the CAFR.

### Audit trail

All users must login to IBM Cognos FSR to access the CAFR. IBM Cognos FSR captures all changes made to the document from each user. Project Leaders or Controllers can quickly and easily compare any two versions of the CAFR from the beginning of the reporting process all the way until the final version to see what changed, who changed it and exactly when the changes were made. The audit trail data is saved within the IBM Cognos FSR database and can be used for subsequent audits after the CAFR is completed.

### Business rules and validation

Create business rules and schedule tests against those rules to ensure financial data ties out during the aggregation of fund and agency financials into government wide financial statements during the CAFR process.

### Generate other regulatory reports – other reporting

IBM Cognos FSR is ideal for the creation and submission of any regularly submitted, complex report that contains data and/or text. Synchronize financial, statistical and narrative data used to prepare the CAFR report with other required reports. Leverage the same powerful workflow, automation, and controls in IBM Cognos FSR to create:

- Basic financial statements
- Annual budget plans
- Federal and industry specific regulatory reports
- Service efforts and accomplishments reports
- MSRB and SEC rule 15c2-12 filings through the EMMA portal, including primary offering documents and official statements

## The benefits and proof

### Reduced personnel workload

With the ability to pull data from multiple sources, built-in workflow, multiple output options and a familiar user interface, your CAFR reporting departments will realize significant benefits:

- Workload reduction through more efficient processes
- Reduction in overtime hours
- Increased review time resulting in more ‘actionable’ insights into the business
- “My staff and I have reduced the time we had to spend compiling, checking and producing our reports, as was the case during ‘crunch’ time!”

### Reduced risk

Risks of material deficiencies are mitigated via IBM Cognos FSR workflow, collaboration, audit trail and central database features. Benefits include:

- Reduced risk of error
- Reduced risk of late completion and delivery
- Reduced risk of non-compliance
- “We found the one product on the market that could automate our manual, Excel-based process... With IBM Cognos FSR we gained greater control over the reporting process.”

### Reduced preparation time

By automating the overall CAFR process to reduce production timelines, time is gained to conduct more comprehensive internal reviews, discussions, and analysis, in plenty of time to meet submission deadlines. And a single version of the truth means not having to re-apply formulas and re-key data, resulting in increased confidence in ‘the numbers.’

- Reduced review time required
- Fewer manual processes
- “With IBM Cognos FSR, we’ve been able to fully automate the creation of our reports, replacing a more labor intensive, manual process. What used to involve multiple steps and oversight can now be done in seconds.”

### Lower external costs

With built-in internal controls, audit trail and print quality and web-ready output options, governments realize significant savings using IBM Cognos FSR by reducing the time spent by external resources in checking and then producing CAFR reports:

- Reduction in external auditor fees
- Reduction in typesetting and printer fees
- Reduction in web design fees

### About IBM Business Analytics

IBM Business Analytics software delivers complete, consistent and accurate information that decision-makers trust to improve business performance. A comprehensive portfolio of business intelligence, predictive analytics, financial performance and strategy management, and analytic applications provides clear, immediate and actionable insights into current performance and the ability to predict future outcomes. Combined with rich industry solutions, proven practices and professional services, organizations of every size can drive the highest productivity, confidently automate decisions and deliver better results.



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Route 100  
Somers, NY 10589

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