ARTICLE

Automate accounting and asset management processes to match the speed of your mission

Bloomberg Government found agencies spent almost $700 billion on procurement in 2020, a 43% increase since 2016 and more than any time in the past five years.[1] Spending on supplies and technology assets related to COVID-19 is growing by more than $5.5 billion, observes the same Bloomberg Government report.[2] This means government accountants must account for more assets, types of assets, and services never procured before by their organization to meet citizens' needs. As the Association of Government Accountants (AGA) notes in its **risk of internal controls for inventory capital and asset management**, this creates risks and reduces visibility in these and other areas:

- Equipment or other assets can be used without authorization.

- Fictitious purchases or payments are made to contractors or suppliers, with or without kickbacks to employees.

- Assets are physically lost by employees or outsiders through inadequate security or insurance coverage.

- Actual costs exceed projected amounts; overpayments are made to contractors.

- No basis exists for comparing actual usage with expected usage, resulting in the inability to determine material reorder points.

- Financial statements are misstated or inaccurate; losses, shortages, or material defects in reported assets are concealed.

- Conflict of interest exists for vendor purchasing arrangements.

- Expenditures in excess of originally approved amounts without authorized review and/or approval[3]

Facing limited resources and compressed timelines to meet citizens' needs, accountants require tools that can give them and their organization visibility from the stockroom to the boardroom.

Cost predictability, forecasting, and compliance

Cost predictability, forecasting, and compliance are not merely an accounting exercise for the government. These factors are a fiduciary duty in support of the government's mission and public trust. For many government organizations, these are impossible due to existing technology, hampering organizations' ability to adapt, innovate, and provide the transparency citizens expect.

Better options than copy/paste and sneaker networks?

Disconnected legacy networks that don't share data have been part of the government accounting landscape since the Federalists and the Jeffersonians. However, the burden of wasted time, talent, and migraines created by legacy systems has left government accountants unable to move beyond managing past transactions to increase their capacity to support strategic decision-making.

They simply don't have the resources or the time to pull and organize information from disparate systems to get the information and analytics their agencies need. Consider these factors:

- COVID-19 has changed operational norms to the services agencies render, as well as the government services they procure and the compliance mandates that must be followed.
- The government has moved to leases and third-party service providers, changing the relationship between agencies and their assets.
- There is now a government mandate to move towards cloud adoption.

Security compliance and reduction of liabilities

According to the **Ponemon Institute**, a data breach costs on average $8.19 million, while the cost per breached record is $242.[4] Accounting for and controlling the cost of protecting legacy system is challenging, but it should be considered in the true TCO and accounting assessments of an organization's assets. Moving applications to the cloud not only shifts liability and in-house costs away, but it also makes costs both more predictable and lowers overall security expenses by providing NIST and other compliance requirements mandated for an agency's mission out of the box.

Integrate to innovate

Gartner reports that **80% of government organizations** are still at the initial or developing digital maturity stages.[5] So, while government agencies rush to increase their digital service, very few will have those services integrated across silos.

Getting real cost and predictive capabilities requires automating core processes and having asset management systems that integrate directly with all back office financial and business intelligence systems. This adaptive back office with a digital twin of company assets and leases can provide a clear POV of mission status, while at the same time automating accounting and reporting updates at the speed of the mission.

An added advantage of integrated systems is the augmentation of long-term investment planning in assets and better/faster analytical capabilities. A FedRAMP-certified, cloud-based asset management platform integrated to a financial system eliminates data black holes and thumb drives, and can elevate data to the innovation layer. With automated and real-time data, agencies can also avoid spending a week in Excel at the end of the month, attempting to accomplish basic processes.

Path forward

The National Science Foundation won the Association of Government Accountants' 2020 Innovation Challenge for developing a statistical model to **flag potential improper payments in grants**. Using single audit data from the Federal Audit Clearinghouse, NSF's Payments and Analytics branch accurately predicted whether a grantee had a questionable cost on their audit report 87% of the time.[6] This type of innovation is not possible without being able to bring data together and create the fast, convenient digital interactions that automate and enable good governance and proper accounting. This is now table stakes to effective governance. Fast, convenient accounting is impossible without real-time data and integrated systems. Assets might seem like rudimentary work, but they are the resources your agency depends on to support its mission, and they are the starting point of all accounting activity. The easiest place to begin this transformation is to start with your asset management system and move towards integrating data—so you can build the foundation for a successful and scalable path to innovation.

LEARN MORE ↗

Follow us:

1 Bloomberg Government, "Federal Contract Spending: Five Trends in Five Charts," Jan 5, 2021.
2 Bloomberg Government.
3 Association of Government Accountants (AGA), Internal Controls – Inventory & Capital Asset Management, 2021.
4 Ponemon Institute, Cost of a Data Breach, 2020.
5 Gartner, Digital Maturity in Government: Lofty Ambitions Seldom Lead to Tangible Impacts, 2020.
6 Jory Heckman, "NSF develops predictive model to flag improper payments in grants," Federal News Network, Jan 6, 2020.