



Finance-as-a-Service: A game-changer for federal agencies

Finance operations in the federal government
are feeling the squeeze—with little relief in sight



Finance leaders at federal agencies are facing unprecedented challenges. It's not just the tightening budgets and the pressure to reduce headcount. Agency finance leaders are struggling to fill the open job requisitions they do have. They face a growing list of financial reporting and audit requirements, and they're dealing with decades-old accounting systems and frustrating manual processes tied to them that hinder their ability to meet those requirements. They're hungry for a new approach to achieving the "do more with less" demands on government finance operations.

Finance-as-a-Service (FaaS) offers a practical solution to these challenges.

FaaS provides outsourced financial operations, tools, and expertise as a managed service. As with any "as a service" offering, FaaS provides these capabilities using a scalable, on-demand subscription model backed by a service level agreement. It gets the agency out of the hardware and software business—and the "people" business, too.

FaaS can provide a reprieve to the immediate challenges, but it also offers a lasting benefit for chief financial officers (CFOs) and comptrollers in federal government agencies. FaaS provides access to experienced finance professionals with functional government and accounting experience to provide the talent you need to comply with your interim and annual financial close and reporting requirements, all while helping to minimize the total cost of ownership to get there. You define the scope of the engagement, provide the data, and specify the timing and nature of the desired outputs, and managed services will do the rest for a predictable monthly fee.

Why modern government is important

Government agencies in the US must modernize in order to keep up with changing user needs, regulations, and health and public safety requirements. Leaders of modern governments rethink business processes and service delivery models to more effectively achieve their mission. This article is one of a series that features how modernizing affects the government workforce and the user experience, improves security and public trust, and accelerates the digital journey. KPMG team members offer insights intended to help guide governments in their modernization efforts to encompass all processes, technologies, policies, and the workforce so each works together to create connected, powered, and trusted organizations.





Five reasons why federal agencies should explore FaaS



1 Dive into a deep talent pool

Many federal agency managers are simply unable to find and hire people with the level of expertise required to meet their needs; FaaS can provide a solution.

In the era of an aging workforce, it's essential to have a succession plan for government finance and accounting roles. High turnover is also an issue, even for traditionally "stable" government employees. Federal agencies are hard pressed to compete with private employers' pay scales and benefits packages. But finding accounting talent to offset attrition, especially those trained in the intricacies and nuances of government financial reporting, is harder than ever today. Robert Half predicts an ongoing scarcity of finance talent in 2025, noting that data from the US Bureau of Labor Statistics shows the unemployment rate for accountants and auditors was just 2.0 percent during the fourth quarter of 2024 and the rate for bookkeepers was 1.7 percent. Other finance and

accounting positions with unemployment rates trending well below the 4.1 percent national average in December include financial analyst (1.9 percent) and compliance officer (2.2 percent).¹

The lack of a pipeline for new talent can only exacerbate the problem. Many college graduates are not interested in a career in government. In addition, most colleges no longer focus on government accounting and the American Institute of Certified Public Accounts (AICPA) has proposed limiting, or even entirely removing, government accounting content in the CPA exam.²

What if talent scarcity were a thing of the past? With the FaaS model, you can tap into the experience and skill sets of a broad range of finance professionals well-schooled in government accounting and reporting requirements.

¹ Source: "2025 In-Demand Finance and Accounting Roles and Hiring Trends," Robert Half, January 31, 2025.

² Source: "CPA Exam Gets Refresh after Practice Analysis," Ken Tysiac, Journal of Accountancy, November 20, 2020.



2 Reduce workforce costs

In a cost-benefit analysis contemplating both dollars and exposure to risk, when comparing available full-time employees versus the FaaS staffing model, our money is on FaaS.

Hiring and retaining a workforce is expensive. Tally the costs of recruitment, salaries, health and other benefits, pension expense, not to mention expenditures for employee development and skill enhancement—the total is sobering. The Society of Human Resource Management (SHRM) reports that many organizations estimate the real cost of recruitment to be three-to-four times a position's salary, when considering both associated hard and soft costs.³ As a rule of thumb, the smaller the available applicant pool, the higher the recruitment costs and the richer the employment package—that's bad news for highly constrained government hiring budgets.

While the costs to hire and retain employees are not insignificant, the cost of losing them puts more than dollars at risk. Consider the costs of a disruption in essential financial operations and processes, loss of institutional knowledge, and the associated vulnerability to missed deadlines and their consequences, to compliance failures, as well as to outright errors. The price of the traditional staffing model just may be too high.



3 Enjoy technology upgrades without disruption

Get a leg up. Let FaaS handle the systems and equipment; you enjoy the fruits of operational transformation without the platform selection, integration, and implementation headaches.

Many federal agencies or departments still rely on accounting, enterprise resource planning (ERP), or financial planning and analysis (FP&A) systems that are decades old. The improvised customizations, add-ons, or multiple manual processes required to keep them operational represent a huge time sink with diminishing returns, matched by an exceptionally poor prognosis for long-term success. These aging technologies and processes aren't just an annoyance; they can result in expensive operational inefficiencies and a lack of transparency that together can hamper agility, create potential waste, and leave organizations vulnerable to external and insider frauds and threats.

FaaS provides an opportunity to rapidly modernize finance functions, enabled by leading technologies and practices, tailored to your needs, without a painful technology upgrade, in-house maintenance, or long-term capital commitments. FaaS enables you to migrate to cloud-based services with governance and controls designed to help meet your compliance and regulatory requirements. It can help protect your data and make it integration-ready, with sophisticated tools for data validation, cleansing, and security. And it provides technologies that are designed for continuous modification and enhancement to help keep you current and productive.

³ Source: "The Real Costs of Recruitment," Katie Navarra, SHRM.org, April 11, 2022.

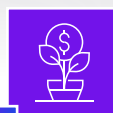


4 Accomplish more, faster, with AI and other technology advancements

Deploying a FaaS solution can help revolutionize traditional finance and accounting processes.

Technology and innovation are changing the game for financial operations. Significant advances in cloud-based ERP and FP&A solutions leverage artificial intelligence (AI) and generative AI (GenAI). AI-driven or enhanced features such as predictive analytics, intelligent automation, and natural language processing are enabling groundbreaking shifts in transaction processing, reporting, planning, and analytics. These technologies are enabling continuous close and a shift to an exception-based approach concentrating on automatically validating data and identifying anomalies.

For example, they can help automate invoice processing and validation, eliminating the often kludged-together processes many agencies now rely on, involving special email addresses, stand-alone apps that extract invoices from emails, and spreadsheet files that are manually loaded into the system each day. AI is enabling FP&A to deliver deeper insights and more robust forecasting and scenario planning, with natural language models facilitating easy access to information for users.



5 Enhance the value of finance in your agency

Expectations for finance are changing; deploying FaaS will help finance transform to stay relevant.

Today, forward-thinking government finance leaders are evolving beyond the traditional role of transactional and historical reporting to that of a true partner to help advance the agency's mission.

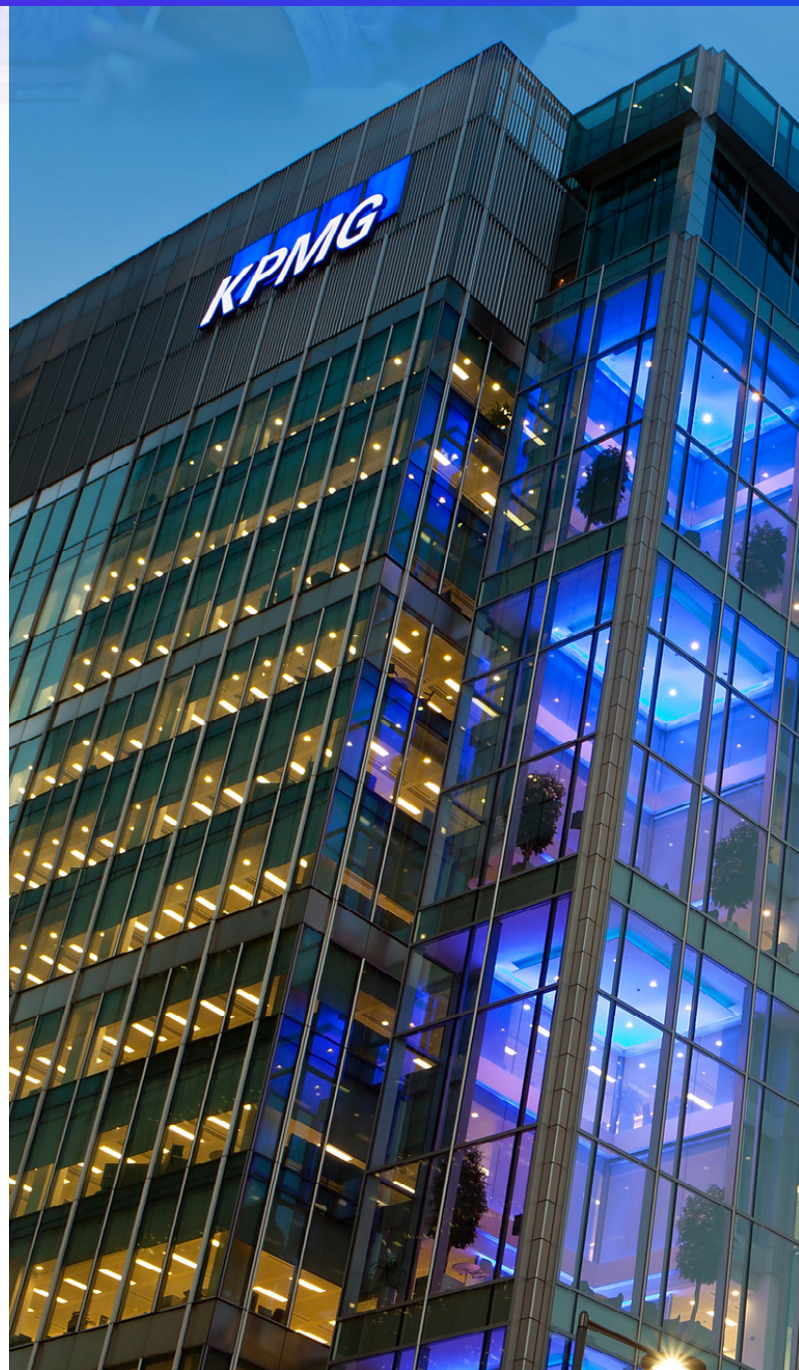
FaaS isn't only about improving the efficiency and effectiveness of finance; it can be an accelerant for other agency projects or priorities. Data-driven decision-making is key to agency effectiveness more broadly, and finance is often the custodian of that data. Cleaner and more accurate data, more timely and trustworthy reports, intelligent forecasting, and more precise and actionable insights for policymaking and business planning are ingredients any project can leverage, including efforts traditionally considered outside the realm of finance. Using FaaS to complete day-to-day accounting and financial reporting activities can also allow your finance professionals to have more time to analyze data, provide valuable insights, and claim a seat at the table for the decision-making process in your agency.



Why KPMG

KPMG LLP is a leader in AI-driven FaaS solutions. Our finance professionals can help design and deploy solutions that meet your agency's unique needs in the three core finance functions: transactions, financial close, and FP&A. These solutions are embedded with the latest AI, cloud, and enterprise data capabilities from the start. Every solution leverages our significant functional, industry, and government experience. We then manage these core operations on an ongoing basis, working closely with you to help optimize costs, generate impactful insights, and increase productivity. KPMG personnel have the required clearance to access client data, providing you with the assurance that your information is handled securely and professionally.

KPMG has worked with government agencies at federal, state, and local levels for over 100 years and has the knowledge and experience to help organizations make positive changes that can transform operations, communities, workers, and citizens. Our FaaS solutions can be cost-effective and help drive results that add value while balancing regulatory, governance, and risk challenges. We can help accelerate finance's transition from a reactive function to a proactive asset that can help support decision-making, provide predictive insights, and solve organizational and public policy challenges.



About KPMG

KPMG has worked with federal, state, and local governments for more than a century, so we know how agencies work. Our team understands the unique issues, pressures, and challenges you encounter in the journey to modernize. We draw on our government operations knowledge to offer methodologies tailored to help you overcome these challenges and work with you from beginning to end to deliver the results that matter.

The KPMG team starts with the business issue before we determine the solution because we understand the ultimate mission. When the way people work changes, our team brings the leading training practices to make sure your employees have the right knowledge and skills. We also help your people get value out of technology while also assisting with cloud, advanced analytics, intelligent automation, and cybersecurity. Our passion is to create value, inspire trust, and help government clients deliver better experiences to workers, citizens, and communities.



Contact us

**Joseph Nave**

Principal, Federal Finance
Transformation Leader
KPMG LLP
703-286-8862
jnave@kpmg.com

**Hakeem Khwaja**

Partner, Federal Advisory
KPMG LLP
202-533-3494
hkhwaja@kpmg.com

read.kpmg.us/modgov

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:



kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.