DRAMATICALLY REDUCED TIME TO CLOSE BOOKS

The Client: A $300 MM manufacturing company based in Texas.

The Challenge: The financial processes of recording transactions, closing the books and publishing financial statements was badly broken. The financials were not being produced until 25-35 days past the close, and as of July, the audit for the previous calendar year was still not complete and would ultimately include multiple material weaknesses and significant deficiencies. Account reconciliations were performed only for use in the annual audit.

The Solution: A continuous improvement approach was applied to all key processes involved in closing the books. A closing checklist was developed and posted in the hallway. Expected vs. actual completion dates were tracked for each key process. Delays caused by non-conformances in inventory, payroll, Accounts Payable and Billing were reviewed and the Sharpen team worked with the Finance and Accounting staff to isolate root causes. Corrective actions were designed and implemented for each root cause and within 3 to 4 months, the close process had been shortened by 8 to 10 days.

Once the processes were stabilized and operating within a shorter and less variable timeline, the continuous improvement approach was taken up a level to start to identify areas where better quality standards for information handoffs could take more time out of the schedule. Simple process improvement iterations over the course of the next couple of months reduced the closing time by another five days, now down to approximately 10 days.

In the last phase, the Sharpen team implemented key workflow automation software. Labor time collection and reporting to support a faster and less staff-intensive payroll process, expense management software to automate data collection and workflows related to T & E expenses, and data integration between the Accounting system and the Billing System to improve accuracy and take out redundant data entry.

The Result: At about 12 months from the start of the process, the final financial statements were being produced in six to seven days (80% improvement). This allowed enough time each month to complete the account reconciliations and perform the variance analysis that allowed the quality of the company's financial data and financial reports to meet the standards of the private equity owner. The audit for the following year was completed in under 60 days with no material weaknesses or significant deficiencies.