Client Success Story – Close Cycle Time

Situation

The month-end close was taking an average of 18 business days causing:

- Delayed management reporting
- Excess overtime (late nights) required to meet SEC reporting deadlines
- Lowered morale of Finance personnel who were disillusioned with the "monthly grind"
- Little time for value added activities

How we helped

3c extracted and analyzed 12 months of data and highlighted the following root causes for the slow close:

- Too many manual journal entries – averaging over 4,700 per month
- Overly complex chart of accounts – over 2,000 natural accounts and growing steadily
- Accounts Payable subledger being held open too long – an average of 4.3 days

Multiple process changes were made including:

- Establishing a Journal Entry minimum threshold (eliminating small $$ journal entries)
- Increasing the usage of recurring, auto-reversing and auto-allocation journal entries
- Consolidating journal entries and root causing the cycle time of journal entries that were the last to be posted in a period
- Automating journal entry approval via workflow
- Revising accrual guidelines to enable Accounts Payable to be closed 2 days earlier
- Curbing the growth in the number of natural accounts (a longer term effort will focus on rationalizing the number of natural accounts, subaccounts and cost centers)

Results

Within a 3 month period, the monthly close cycle time was reduced by 6 business days. The company is in process of of reducing the close by another 3 business days within the next 3 months. Final result: overall close was shortened 50%.

An unintended benefit of the ongoing monthly process measurement, is that because employees are aware that there is factual data being collected they are taking personal responsibility for their part of the close process and not shifting blame to others.