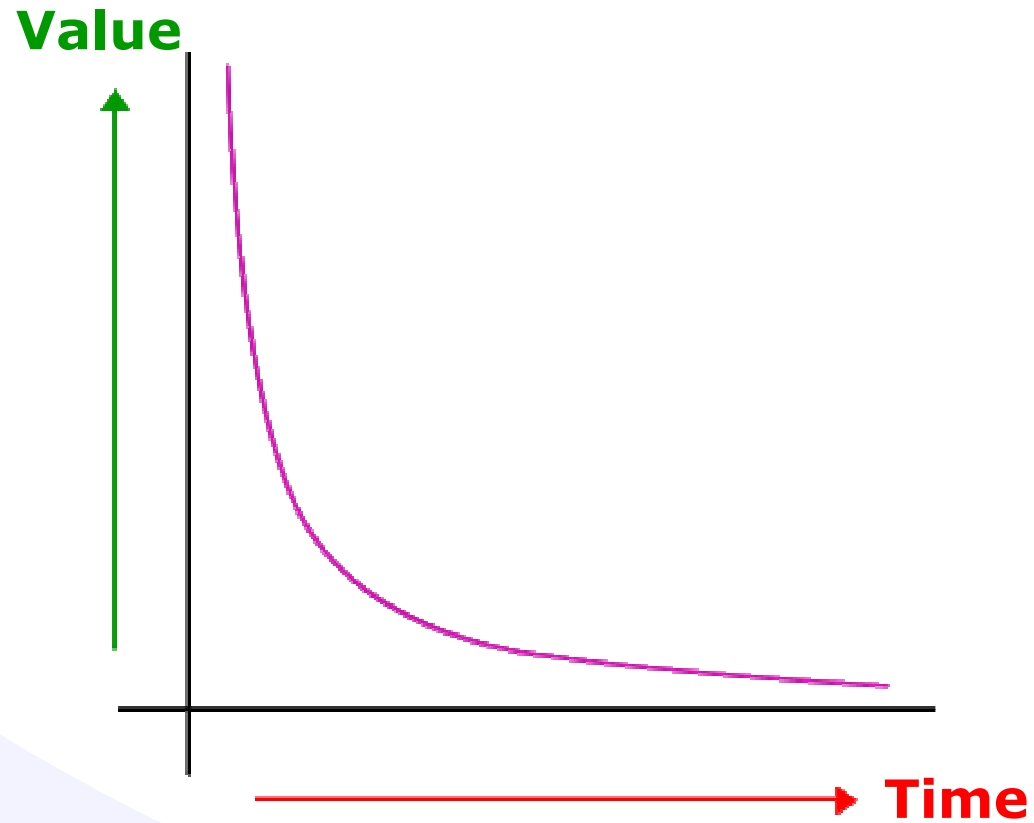


THE QUALITY FINANCIAL REPORTING PROCESS

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REDUCING RISK IN AN ACCELERATED CLOSING

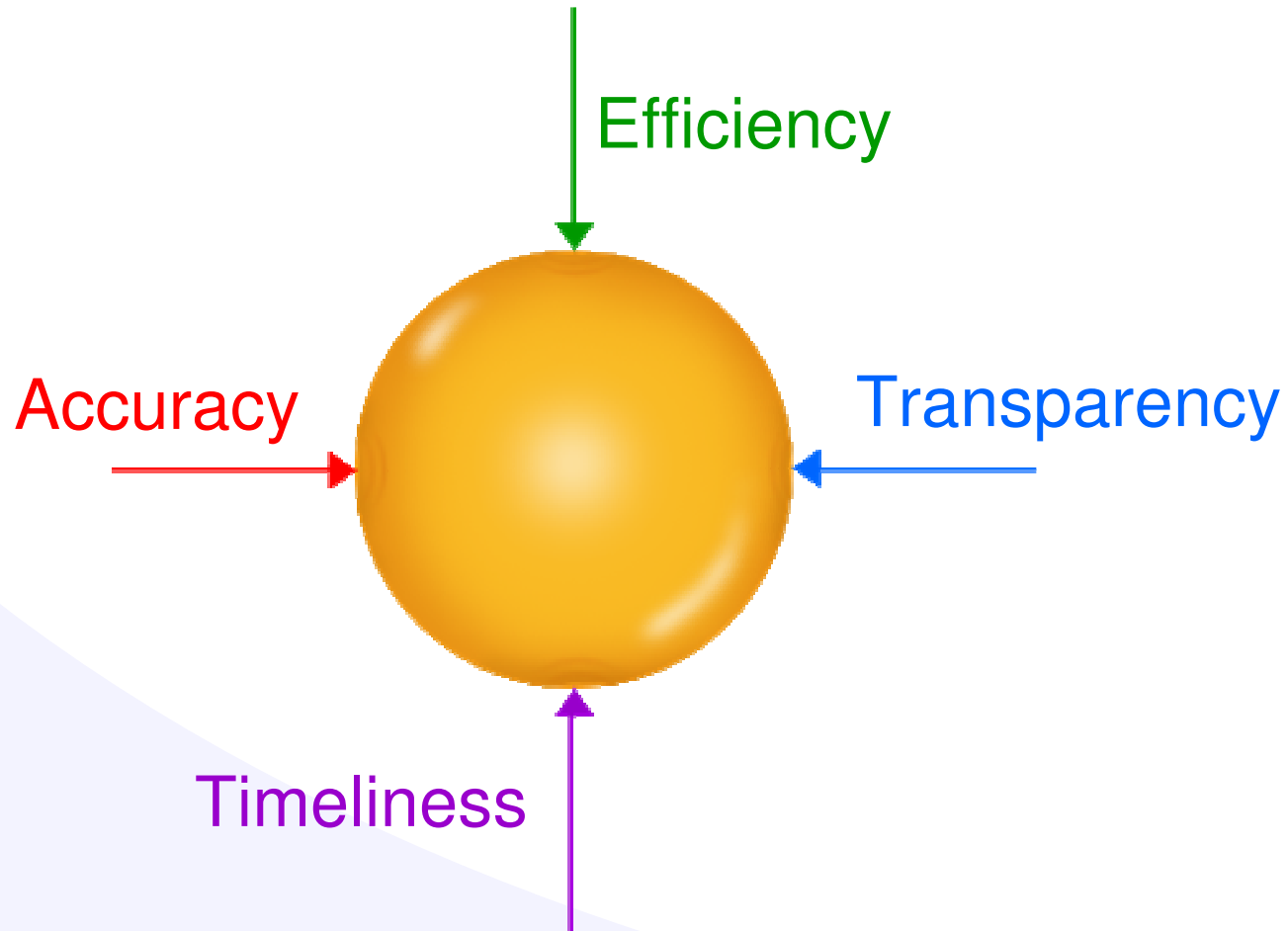
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asullivan@relevante.com



The value of information degrades over time

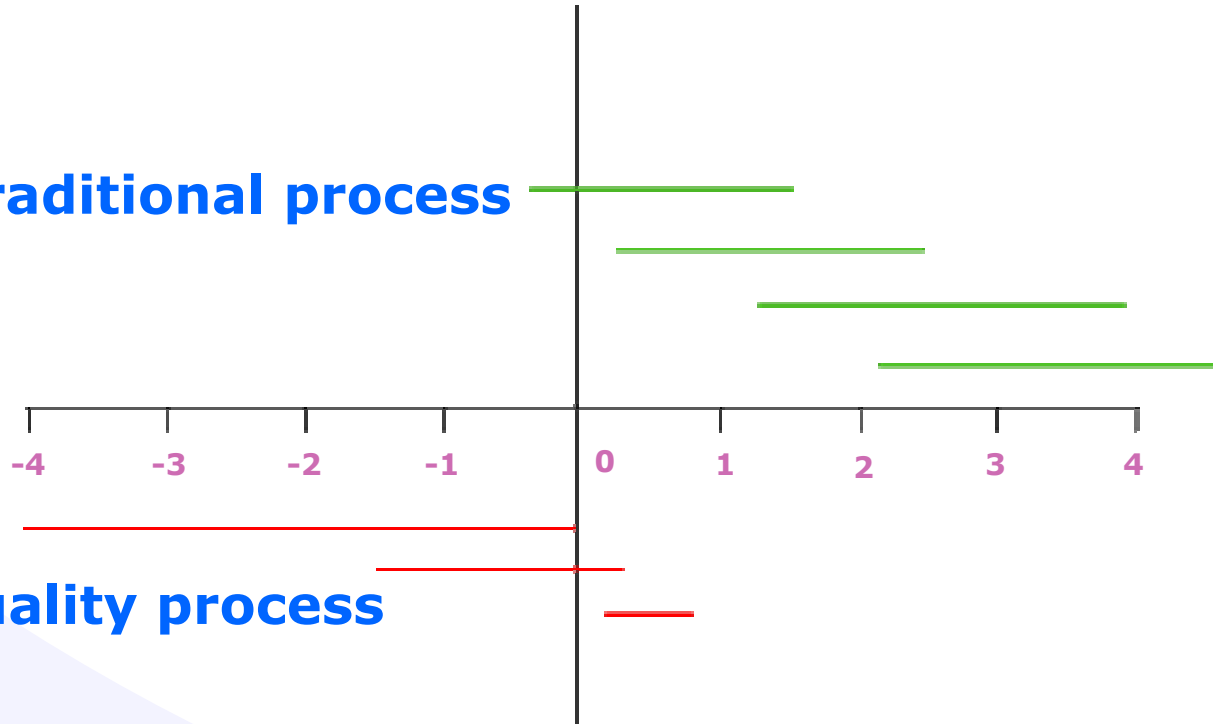
Risks Added In An Accelerated Closing

- Omissions
- Processing errors
- Error detection
- Error correction



- A vision of a quality process
- Obstacles to a quality process
- Tools from other disciplines
- Applying the tools

Traditional process



Quality process

- Reconcile accounts
- Clear errors
- Review unusual transactions
- Update estimates
- Escalate and resolve technical issues

- Post all transactions
- Clear all errors
- Identify and post accruals
- Reconcile accounts

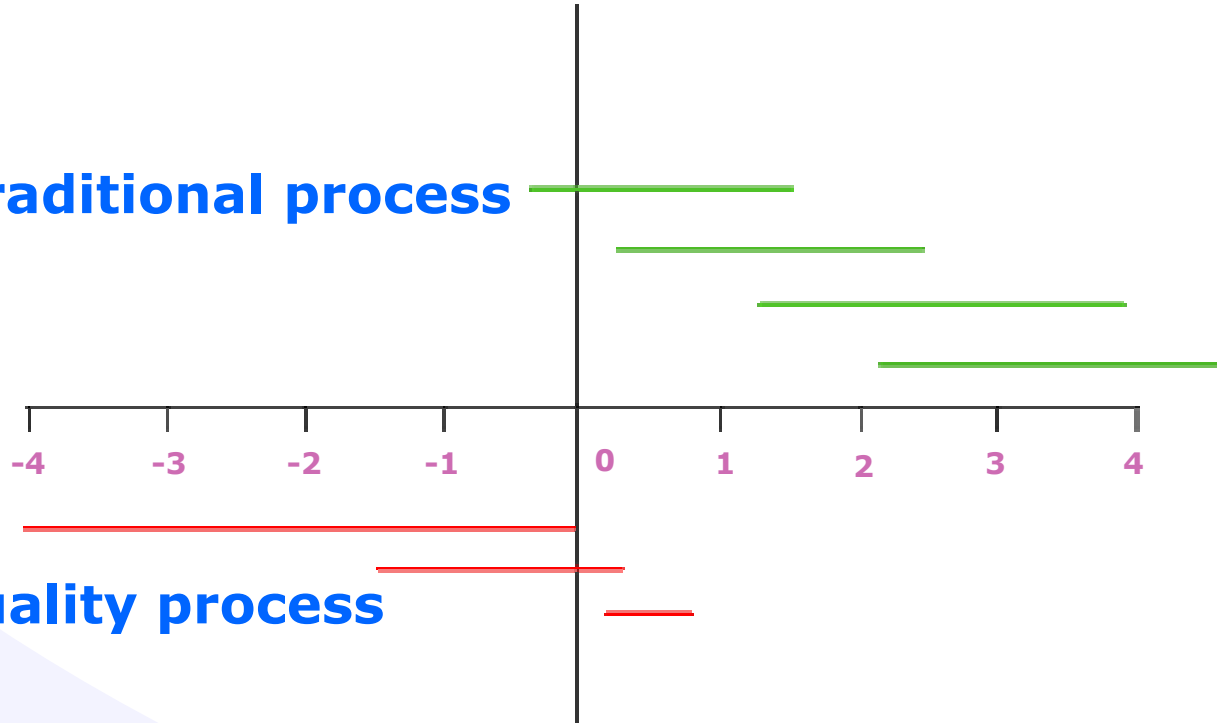
- Run control reports
- Analyze control reports
- Update reconciliations
- Identify needed corrections
- Run corrected control reports
- Document variances

- Run financial statements
- Review results with senior management
- Publish financial statements electronically
- Start supplemental disclosures

- Correcting errors
- Holding open accounts payable/billing
- Preparing accruals
- Resolution of technical issues
- Posting spreadsheets and subsystems
- Delayed receipt of information
- Reworking information received

- Account reconciliations
- Complex calculations
- Key personnel not available
- Intercompany transactions / allocations
- Inconsistent reporting formats
- Paper report preparation / delivery
- Atmosphere of delay

Traditional process

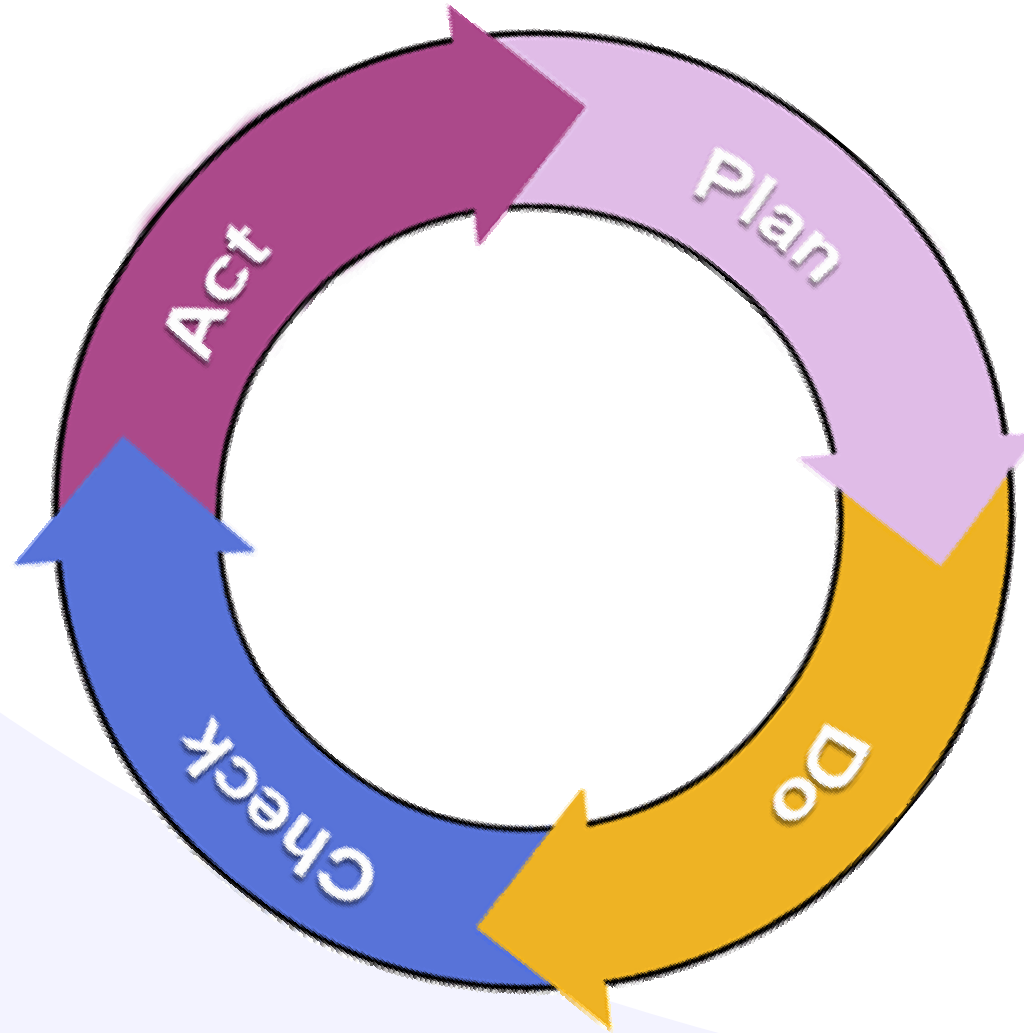


Quality process

- It is not just an accounting challenge
- It is a COMPANY challenge

- Total Quality/Six Sigma
- Just In Time/Lean Production
- Theory of Constraints
- Project Management
- Systems Approach

- The customer defines quality
- The internal customer
- It's the process, not the person
- Measure!
- Plan-Do-Check-Act



**Systematically eliminate waste
wherever it is found**

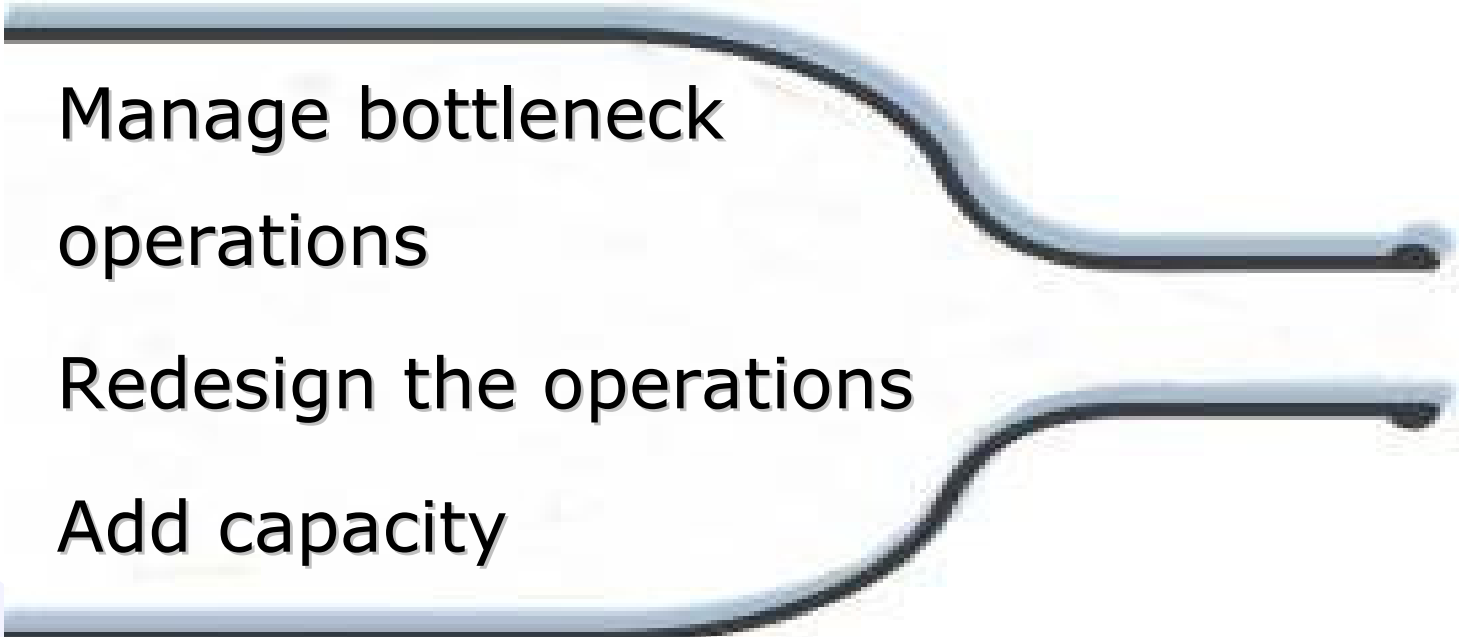
Waste is:

Anything that does not add value for the customer

- Directly observe work
- Root cause analysis
- Interdisciplinary teams
- Continuous improvement
- Cross training
- Visibility of performance
- Design for manufacturability
- Learning curve effect (SMED)

Bottleneck operations:

- Constrain the process
- Cause waste

- 
- Manage bottleneck operations
 - Redesign the operations
 - Add capacity

- Assign a project manager
- Use the critical path as a management tool
- Convert serial activities to parallel
- Utilize project tracking
- Shorten time intervals

PREVENTIVE

Control Input

PREVENTIVE

Control Changes

DETECTIVE

Control Output

Data Capture

Subsystems

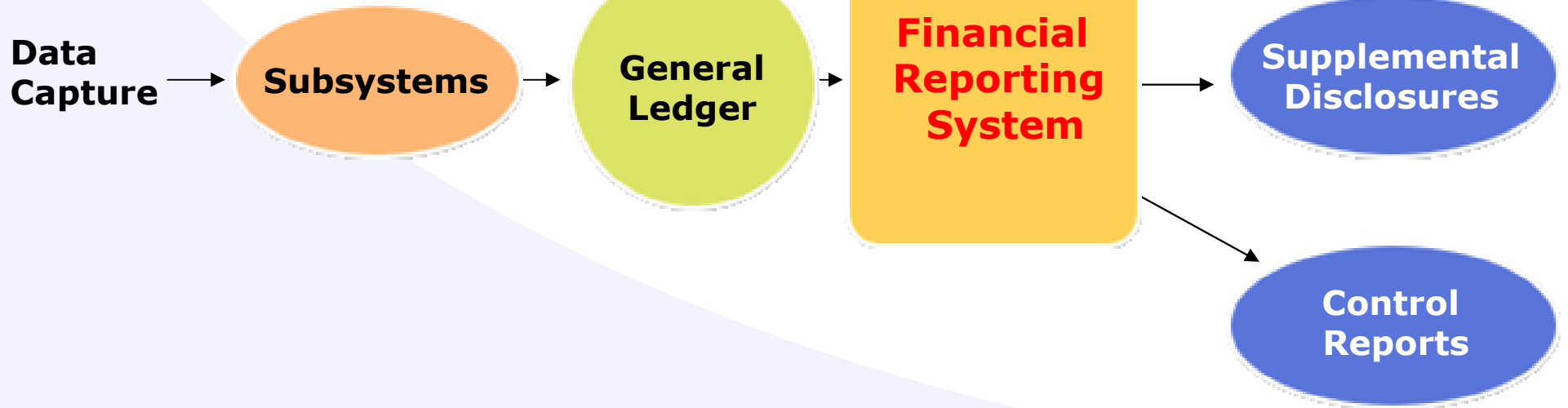
General Ledger

Financial Reporting System

Financial Statements

Supplemental Disclosures

Control Reports



- Simplify-Automate-Integrate
- Enter data once
- Eliminate systems disconnects
- Provide effective query tools
- Know your system/use your system
- Keep modifications to a minimum
- Automate all repeating activities

- Identify stakeholders
- Assemble team
- Define waste
- Document processes
- Prepare Gantt charts

Data Collection

- What
 - Manual journal entries
 - Activities
- Who
 - Action
 - Source
- When
 - Planned
 - Actual
- Rework

- Measure waste
- Assess opportunities
- Prioritize projects
- Obtain management support
- Get started
- Follow Plan-Do-Check-Act
- Manage the process
- Move to the next project

A Quality Financial Reporting Process

Thank You

