

Closing the Books in the Office

Use as many of the tools from the training as are needed to understand and analyze the process to arrive at solutions. Data from one phase can be used multiple times in different phases if it is applicable. *All Excel file names are in bold.*

PROJECT OVERVIEW INFORMATION

- PT Enterprises is a large organization with regional offices located across the U.S. The corporate office is getting upset because they have to wait longer than expected for all the information to close the corporate books each month. Based on a comprehensive analysis, it has been determined that one office, Office 1, consistently submits their information and reports late, which causes the majority of the delay in corporate closing their books and submitting their reports and filings. Corporate has determined that every day closing is delayed by Office 1 beyond 3 days is costing the corporation \$25,000 due to delayed business decisions and actions. Corporate is contemplating making changes to the process (e.g. maybe replacing some people at the office).
- Corporate is also finding errors in the submissions and want these corrected (they want to close faster but not at the expense of increased errors). Error data is based on 6,000 total transactions reviewed (250 transactions per month) uncovering the following errors (**Error Data – Historical Data**):
 - Error type 1 is math errors
 - Error type 2 is transposition errors
 - Error type 3 is missing data errors
- Generally speaking, closing the month entails the following major tasks at the office level: recording all financial transactions, reconciling balance sheet accounts, review of income & expense accounts, preparing financial statements required by Corporate, review of all information by the office Controller and then submission of information and documents to the Corporate CFO or Director of Finance.
- There are currently no formal procedures in place regarding submission of closing information to Corporate
- There is no formal training for employees at the regional offices – only on-the-job training from one employee to another
- There are no processes in place for measuring and tracking performance
- There is a lack of accountability for late submissions and errors
- The company has grown significantly over the years, but the financial software systems have not been updated to accommodate growth and changes in reporting requirements
- Office 1 has 5 people working on the closing process
 - During the closing period, employees involved in closing the books spend 75% of their time on closing activities
 - The average hourly rate for the office employees is \$20/hr. working an 8 hour shift per day
- Office 1 has kept data for the time it takes to close the books in the office for the past 24 months (**Time to Close – Historical Data**)
- Do not count the time for corporate to close the books – the process is complete once the office sends their information to corporate (hint: this helps define the scope of the project)
- The minimum time required to submit data for closing is 1 day. The corporate office has set a goal for closing the books in Office 1 of 3 days (72 hours); they expect this project to be completed within three months.