

EBOOK

Mastering the Month-End Close

TABLE OF CONTENTS

Chapter 1

How to Build a Close Checklist that Sets Your Team Up for Success

**Desene Sterling**

Sourcegraph • Controller



Chapter 2

Best Practices for Building a Robust and Efficient Reconciliation Workflow

**Desene Sterling**

Mercury • Controller



Chapter 3

Your Guide to Implementing a Flux Analysis Process

**Jeff Roest**

Qualia • VP Finance



Chapter 4

If You Want to Close Faster — Here's What to Do

**Temi Vasco**

GEM • Controller



Chapter 5

Measuring the Quality and Efficiency of a Close

**Michael Litwin**

OpenStore • Controller



Chapter 6

How to Make Tradeoffs Between Speed and Accuracy

**Edwine Alphonse**

Ramp • Controller



Chapter 1: How to Build a Close Checklist that Sets Your Team Up for Success



Desene Sterling

Sourcegraph • Controller

The close process is made up of many moving parts — with interdependent pieces that can either streamline or bottleneck the whole system. Think of the close checklist as more of a playbook. It's a team tool that fosters accountability. It encourages timeliness, and serves as a way to oversee and track the intricacies of a month-end close.

For Desene Sterling, financial controller at Sourcegraph, the close checklist lets her know when every part of the month-end close are complete. She says, "A close checklist is being able to track when something is done and who's doing it, so you can keep on top of everything." For Sterling, it's hard to fathom why accounting teams wouldn't have a checklist.

A close checklist enables you to optimize the close, whether you're a small team or a large one. It facilitates roles and responsibilities, streamlines dependencies, and sets organizations up to expand without significantly hindering the close process.

When your close checklist achieves the ideal level of detail, it benefits by reducing mistakes, improving accuracy, increasing efficiency, and preparing your company for audits.

What's on a close checklist?

The close checklist is a documentation that breaks the close process down into smaller objectives. It helps your team stay on schedule and lets them see what's next — while supporting collaboration.

Close checklists are often organized by balance sheet account, entity, or functional group. Tasks can be broken down by who's doing it as well. Sterling likes to put more obscure tasks on her checklist. She says, "I try to add tasks that aren't blatantly obvious. For example, I wouldn't put 'run financials,' which obviously needs to be done at the end."

The complexity of a close checklist generally depends on team and company size, as well as the type of business. It's an ever-evolving document that you can adapt and improve as often as needed.

How to start building your close checklist

Although your close checklist will be ever-evolving, you have to start somewhere. For Sterling, this begins with evaluating the close process. She says, “I like to observe a full close and sit down with every member of the team and try to figure out what they are doing and why they’re doing it. I look at how that’s affecting other pieces — and what other people are doing.” She likes to categorize each item on the close checklist. For example, whether it’s a payroll function, revenue function, or GL function.

Sterling also likes to identify areas of the close that are slow, what sections are done chronically late, and dependencies. “I think my biggest thing is understanding dependencies. In prior companies I worked for, it was taking two weeks to close. And it was because people weren’t understanding what tasks could happen early, and what tasks could be put off until the end.”

Following best practices is also a crucial part of building your close checklist. This includes:

Organize your checklist in a way that makes sense for your organization

Your team size, company size, and other factors should influence how you organize your checklist. Ask yourself, what’s impactful operationally. Look at the necessary actions surrounding these items that need to be performed to close the month. From there, determine what will serve best as a task on the checklist.

Another method that helps you create tasks is to work backwards from the final deadline. What has a deadline and when is it? Does it have a dependency? Anything that doesn’t have a dependency can get pushed out until later.

Look where you still need to have a manual component of checking

Some areas of your close may need double checking because they’re sensitive or critical. As an example, payroll. Decide if you want to add a task for a manual check, for things like bonuses or severances.

Decide who’s doing what

Your team is a big part of the close checklist. Not only can you break up tasks by who’s doing what, but your team can also act as an internal control — in other words, segregation of duties. Have proper preparers and approvers for each task. And re-assess and re-allocate duties as you go along.

Create notifications

If you're using a month-end close solution that allows you to create notifications, use them. Notifications can be helpful for anyone using the checklist, but particularly those overseeing it. It lets them know the pieces that are done, especially the components that have dependencies. Notifications can also be set to remind people to check off their tasks. And you can set it up as a daily digest that lets you monitor the close pace and any items that are behind schedule.

Work toward the right level of detail

You can have too much detail, or not enough. With the right level of detail, context should be easily understandable to anyone on the team, but there should not be unnecessary items that need to be signed off on.

Your goal should also be for anyone on the team to come into the checklist and understand the task based on the description, related links, and work completed in prior periods — if they can't, you'll likely need to add more detail.

Implement tech solutions

Tech solutions can further streamline your month-end close by providing tools that make your checklist more efficient. The key is introducing solutions that don't add friction into your process. The right tools can integrate into data systems so that automations can sign off on work that is complete or flag if changes have unexpectedly occurred and a task needs to be reexamined.

Onboarding your team to the closing checklist

Sterling feels that the accounting team leader sets the tone. While some may view a close checklist as micromanaging, she looks at it as dotting your i's and crossing your t's. It's making sure close is efficient. "I have instilled in my team that updating the close checklist is super important. I love going into the checklist and seeing everybody in there — like it's always open on their desktop, and they're actively marking things off. Our team knows where we stand."

So let your team know the benefits: A close checklist can streamline the process to take 5 days instead of 2 weeks. It's not a hard sell when you address dependencies, and that the close checklist lets people better budget their time. It helps set mid-close deadlines that are crucial, and allows teams to pinpoint areas that are always done early or late, and then lets them streamline the month-end close more effectively.

When everyone is using the checklist, you prevent surprises. You can build a backup for everyone. By identifying overlap, you can decide who's best suited to take over a teammate's tasks when needed.

Leaders can use the checklist as a tool. Sterling checks hers multiple times a day to make sure everything is running smoothly. It can be used to pinpoint who might need a nudge. When you create a culture that sees the checklist as valuable, it becomes a highly effective part of your month-end close.

The close checklist on a company-wide level

Sourcegraph's close checklist is open. "People can always see where we stand on close, across our whole company." Doing this offers transparency, especially for other teams who are affected by the month-end close, like legal or FP&A. It's a great way to build partnerships throughout the organization.

Take it one step further by educating other teams about the closing process. Let them know what you will need from them and why — it reduces friction, and lets you be seen in a more positive way. It's a way to find out if another team has a specific need that you can add to your checklist.

Communication is an excellent way to keep people involved. Post updates that can benefit the organization as a whole.

Updating your checklist

Sterling says, "Generally, if there's a change in the business, there's going to be a change in process for you." This may be due to company growth, adding new team members, or having new areas of operational impact.

One way to determine when to update your checklist is to find metrics that show its effectiveness. For example, you might look at the number of journal entries. Is it changing period over period? What does it mean to close? If something isn't working well, it's time to update.

New entities also affect your checklist — you'll want to decide if the work is going to be done at the all-subsidiary level or individual-subsidiary level. Some new entities might be small enough to only need one person, but that may change in the future as well.

Final thoughts

For Sterling, the biggest pitfall is not having a close checklist. Not only will it streamline your close process, but it encourages accountability and lets you share important decision-driving information more quickly. Today's tech gives you powerful tools that benefit teams as well. Your checklist can be an automated and integrated solution that lets you close faster and more accurately.

Chapter 2: Best Practices for Building a Robust and Efficient Reconciliation Workflow



Desene Sterling

Mercury • Controller

It's not a question that's always asked — but why reconcile your balance sheet? The simple answer is to make sure you have complete and accurate financial statements. When you have an efficient reconciliation workflow, you can compare your general ledger balance to what it should be. This lets you identify potential reconciling items, which can lead to a discrepancy that requires a journal entry.

If you're wondering when to build out your reconciliation workflow: It's now. In fact, Christine Andrews of Mercury sees the reconciliation process as the most critical part of your month-end close. She says, "It's really important to prepare reconciliations during your close and not after — because then you're not identifying a problem after the fact." For her, if you're not reconciling your books, you'll never have complete confidence in your balance sheet. And if you haven't done it already, there's the potential you'll have to fix the past.

Andrews also believes that a reconciliation workflow is an important practice for every accounting team — it ensures accuracy. "The purpose of financial statements being complete and accurate is that they can be used by the stakeholders. So often, that's going to be your executives. It's going to be your investors. It's going to be your FP&A team for making decisions on resources. So, if you don't know what your financial state is, then you can't make decisions for the future based on your actual past," she explains.

Implementing a month-end account reconciliation process

The process of reconciling your balance sheet is a core component of a strong month-end close. Think of it as foundational, a way to set up the future for success. When you're in the process of developing your own reconciliation workflow, there are best practices you can use, whether you're a startup or a growing accounting team bringing processes in-house.

Andrews says, "If you're going through a balance sheet reconciliation for the first time, you need to understand the ins and outs of that account and what has been happening." Ask yourself if it's correct, and if it isn't, you have the opportunity to fix the process moving forward.

Best practices for building a process

Accounting teams have become valued partners within organizations. They no longer just function in the background but are asked for information that provides decision-making insights. The faster your team can put processes in place that allow you to play this critical role, the better. Best practices help you build a functional reconciliation workflow from the start. They are:

Ensure consistent formatting

Make sure your formatting isn't different for every single rec because that can get confusing. Instead, create consistency across the company. That doesn't mean there aren't some minor format differences. For example, a specific format for depreciation or amortization might be different from cash. But you still want numeric formatting that's clean — and you want all the checklist items associated with the reconciliations so you can ensure all of the activities related to that rec happened.

Andrews feels a good reconciliation has the right supporting documentation. She also says, "A really good reconciliation shows a roll forward of beginning balance, not just debits and credits. But describing it's an accrual, it's cash received, it's transfers between accounts — and then what are each of those categories making up that balance. And then having a tickmark with supporting documentation for each one."

Allocate reconciliations across multiple team members

Divide reconciliations across team members in a way that optimizes the process. You allocate based on strength, whether it's an interest or their background. It's also important to cross-train across the team in case of absences and to promote learning.

Start account by account

Begin slowly, so you can truly understand the ins and outs of each account. Focus on each account in a detailed manner. Look for things you need to clean up. You may have standard accruals instead of reversing accruals that do not perfectly clear. This will require true-ups to make the balance what it should be, and not just having that difference always be there.

Create or combine accounts

During the process of starting account by account, you can also create new balance sheet accounts or combine accounts. The way to look at it is as you're going through an account rec for the first time, you can better understand what's currently happening. During that time,

figure out if it might be cleaner to create a new recurring journal entry or if it makes sense to combine transactions that you don't need the detail on. Andrews says, "I find that to be really efficient, I need to be able to slice and dice how I want to view the financial statements."

Use discrepancies to improve the process

A reconciliation is a control to catch an issue before you release the financial statements. Identifying discrepancies can signal a well-executed rec that you created to find a problem. But you have to take the next step and fix the process for how that discrepancy happened to begin with.

Share information throughout the process

Encourage your team to communicate throughout the reconciliation process. Choose a method like Slack for quick questions and have a shared drive to back up saved reconciliations. You can store your supporting documentation, include tickmarks, and color code — anything that gives a full picture to people who need it. It lets people see what needs to happen next.

Take advantage of technology

Technology can increase the efficiency of the reconciliation workflow even further. For example, it can do things like filter what hasn't been done yet, provide review notes, let you see who is a reviewer or due dates, have templates, and automate parts of the reconciliation process. Technology can also play a key role in unifying your data. Andrews says, "The things technology allows you to do are critical for streamlining."

As you move forward with your reconciliation process, it will get easier as you find the transaction flow that's needed to reconcile accurately and quickly on a monthly basis.

Balance sheet reconciliation tips

Your reconciliation workflow is a work in progress. You'll be tweaking and adapting to continuously improve your accuracy and efficiency. Some quick actions you can take include:

- **Measure your efficiency with a close calendar:** Create efficiencies that shorten the process, such as software that tracks where you're behind or ahead of schedule.
- **Be able to filter what's ready for review:** When you're handling a high volume of recs, use tools that let you filter what's ready for review. This is where communication is important as well, so you can plan accordingly to avoid a tsunami.

- **Make sure you have enough detail for someone new to the team:** Your reconciliations should be documented in a way that makes it easy for someone to take over. For instance, it's really important to be able to explain in an easy-to-understand way what is happening in an account instead of just having debits and credits.
- **Use details to categorize appropriately:** If you don't have details, go talk to the stakeholders.
- **Educate teams outside the accounting department:** Talk to people throughout the company both to gather information and communicate what you're doing. Let them know what info you need and why — and ask for details from them because answers to those questions could change the accounting impact. A quarterly meeting with different departments can be highly beneficial.
- **Don't have too many cooks in the kitchen:** If there are too many people in the system, it's easy to assume what somebody else is doing is correct. Instead, make sure if you don't know what's happening in an account, that you can trace to see how you got into the system and what should be there along with everyone who was involved in the process.

Final thoughts

Your monthly reconciliation process is a way to do a detailed account-by-account flux analysis. Because when you're reviewing a balance sheet rec, it's not just your net activity that's hitting the GL. Andrews says, "It's identifying how it changes month to month and thinking about it from a roll forward perspective. And then, does that make sense? It's really important that it makes sense."

The answers you find during the reconciliation process are what will lead you to have more complete and accurate financial statements, which will benefit your organization as a whole.

Chapter 3: Your Guide to Implementing a Flux Analysis Process



Jeff Roest

Qualia • VP Finance

Flux analysis is used for a variety of purposes: A way to seek answers, identify missing data and errors or implement extra controls to your close. Understanding fluctuations within an account — whether monthly, quarterly, or annually — provides insights. The variances signal a need to explore and explain.

Flux analysis is critical, not just for an accounting team but for the company as a whole. The insights gathered inform companies and help them make better data-driven decisions. Moreover, it's a highly beneficial monthly practice for finance teams and a complement to the close process.

[Jeff Roest](#), VP of Finance at Qualia, believes strongly in a monthly flux process. At his company, the finance team each has a section to work on. He says, “The review is first, but when you add the result, you also have a super control. And when you bring your team together to look at it, you get the benefit of everyone getting the big picture. People learn more about the business and learn to develop analysis and presentation skills.” His belief is that flux analysis is something you should be doing monthly no matter what your business size.

When is the right time to implement a flux process?

Roest feels it's a no-brainer — you should implement a flux process as soon as you're doing monthly balances. However, he says, “You need to have a decent chart of accounts first.” But doing it right from the beginning lets teams understand what's happening month to month.

The key is ensuring that you can perform it on a timely basis, focusing on what's valuable, so the process doesn't feel cumbersome or irrelevant. At a minimum, a flux process enables you to do high-level substantiation that lets you catch mistakes before sharing information. It gives you the why behind what happened. It lets you review and make needed changes.

An investment in the flux process is super control.

Setting up your flux analysis for success

Closing keeps accounting teams busy. But a flux analysis process lets you hit pause to talk about what happened — and can help you to inform workflows. Roest says, “A flux process is great for identifying things that are in our recurring processes or things that aren’t working well.” And although you might not see results that drive adjustments every month, it’s an excellent way to find out if you’ve missed a journal entry, have a need to make something a part of your closing checklist, or for adding more detail to your closing process.

When setting your flux analysis up for success, there are logical actions and foundations to build from.

Pinpoint your business drivers

Drivers affect every financial facet of an organization. Pinpointing what drives line items in your financial statements lets you identify activities and key inputs that influence operational and financial results. Determine what’s important and what will guide strategies or decisions.

Start with natural ledger accounts

A commonsense place to start your flux process is with your natural ledger accounts. Going too deep into detail may lower your ability to catch errors. It creates more work. The inverse can also be true, in that a too high level review, may lower your ability to catch errors. The goal is to have the right amount of operational visibility that optimizes quality assurance while informing decisions.

Start account by account

Begin slowly, so you can truly understand the ins and outs of each account. Focus on each account in a detailed manner. Look for things you need to clean up. You may have standard accruals instead of reversing accruals that do not perfectly clear. This will require true-ups to make the balance what it should be, and not just having that difference always be there.

Consider materiality

Finding the right materiality threshold is crucial for your flux process, albeit not always easy. Too high and errors may be missed. Too low and you may force preparers to explain operationally immaterial variances. To determine what you consider material changes, Roest suggests considering the size of adjustment that would cause your team to reopen a prior period and ensure that the threshold is lower than this amount. Roest likes to use a percentage

and dollar amount threshold. This helps to filter out low value accounts with very low dollar amount changes but high percentage changes and high value accounts with large dollar but low percentage changes. In general, keep it simple, continually assess, and make adjustments.

Set expectations

Not having a variance can indicate an issue — especially if you expect one. An example is that Roest likes to ask his team to obtain an explanation for all significant revenue accounts no matter if the monthly change hits the threshold due to the importance and complexity of revenue. The flux process is also about having an expectation of what will happen and recognizing why if something doesn't happen.

Inviting your team into the flux process

A flux process benefits the accounting team in unspoken ways. It's a chance to give visibility into everyone's nonspecific workflows and ensure the team learns more about the company as a whole. Roest also says, "You can make sure people understand not only their own specific action items but also others'." He often uses the flux process as an opportunity to provide feedback to team members and to break down silos. He feels it's important for teams to see the overlap between domains. When the teams are invested in the flux process, the meetings become a place to discover important relationships between accounts, which eventually will let you tighten your process.

Onboarding people into the flux process

If it's someone's first time performing a flux analysis, offer examples and then walk them through the process. They can help develop explanations in the first month, and at the flux meeting, they can see what the team is producing to get a sense of the business and how to present the why of what happened.

After they draft their first explanation, review it before the meeting and give feedback when it's necessary.

Overall, flux meetings are an important tool. Have an open discussion and encourage people to ask questions and challenge. It lets everyone learn.

Narrowing the focus: Taking your flux analysis to the next level

Once the flux process is up and running, you can move past implementation into fine-tuning.

Optimize explanations

Explanations take time — and when done right, provide a detailed understanding of what occurred. It's easy to under or overdo your explanations. As Roest says, he doesn't want something basic like, "Payroll went up because we hired more people." He's looking for explanations that add value and are more nuanced. "It needs to be detailed enough so that we know that the change is actually reasonable." And just because it sounds right doesn't mean it gives you the details to show that it's right.

Drill into trends with company-wide perspectives

Bringing outside teams into your flux process allows you to get a deeper perspective on variances. This can include reaching out to other teams like sales, facilities and HR. They may have pertinent insight into key business trends. Use those insights to adjust if needed. Roest also invites the FP&A team to the flux analysis review meeting as they likely have expectations and insights into the numbers that differ from the accounting team's.

Implement tools

Integrations, automations, and products are often worthwhile investments that let you take your flux process to the next level more quickly. Today's technology makes it easier to unify data and compile numbers. You can enter explanations and having it all in one place makes it easier to compare to past data.

A flux analysis is worth it

Roest feels resource constraints prevent people from implementing a flux process or having the belief that it doesn't really affect financials. In reality, the flux process benefits the company as a whole. It's more than just a review. It's a second set of eyes that identifies problem areas. It offers super control. Most importantly, a flux process creates explanations that can drive business decisions, which further allows accounting teams to be valuable resources to their organization.

Chapter 4: If You Want to Close Faster — Here's What to Do



Temi Vasco
GEM • Controller

One of the constant battles in accounting is improving and shortening the month-end close. While the process can be time-consuming, there are ways to streamline it. Before you can optimize your process, you have to identify what hinders it and then look for solutions. Which is why accounting teams and organizations benefit from taking a closer look at their month-end close. The sooner you have accurate information on hand, the faster you can provide decision-making information.

Temi Vasco of GEM has a clear system that optimizes their month-end close. She ensures that everyone is aware of the business' priorities, which helps her implement solutions that make the month-end close more efficient. In addition, the accounting team does work leading up to the month-end close to make it smoother.

Vasco also collaborates with others in the organization to ensure they have their expectations set and know what will be needed from them. She says, "During the cycle, we're constantly communicating with stakeholders — we let them know things ahead of time." Vasco's ultimate goal is to have less than five days worth of data to reconcile at the end of the month.

What hinders the close process?

Decisions require data — and in finance, getting that data is an intricate process. Many factors influence your ability to close your books each month. Some common challenges include:

Company changes

Anytime something changes in your team or company, it will likely require you to alter your processes. For example, if you experience rapid growth, your close process could experience a surge in the amount of work you need to do. If you're unprepared, you may be left scrambling.

Another common change is bringing your accounting processes in-house. As a startup, you may have outsourced in the past. As the business grows, the desire to control the close

process may result in forming an accounting team. However, if you haven't looked at what it will entail and developed a clear workflow, the closing process will likely take longer even after being brought in-house.

Dependencies

The month-end close relies on data from other departments. If people lack clarity about what's needed, or there aren't systems in place to collect that information — it slows down the process.

Another angle to consider is whether you have a complete list of everyone that you need information from. If you don't, it might be something you have to hunt down in the middle of closing the books, which leads to time lags.

Lack of expectations, communication, and education

If people don't understand the importance of a month-end close, it can create a more lackadaisical environment. And even if your accounting team understands how crucial it is to the business, stakeholders need to as well. People are less inclined to prioritize something if they don't see its value.

Not evaluating your process regularly

If your close has friction, it can fester and grow if you don't pinpoint the cause. This is why teams must evaluate their close process on a regular basis to identify weak or troubled areas in their accounting and workflows.

Poorly designed workflows and processes

Your month-end close is only as efficient as its workflows. And teams that haven't continuously improved on it often have a slower close. One example is not having a close checklist. Without it, you aren't able to easily see where you are in the process — meaning you'll have to take extra time to determine what's been done and what's still left to do.

Lack of systems that can help streamline the process

Accounting teams have earned a reputation for making do with spreadsheets. Yet there are systems and software that take some of the manual labor out of your process. Without considering these systems, your close process becomes more hands-on. You lose the ability to automate, filter, and format more efficiently — and, at times, more accurately.

Why is efficiency important in the close — and what affects it?

Accounting teams have become a highly valued part of organizations. Instead of being seen as in the background, they are the people who can give essential decision-making information. They ask themselves, what does our organization need to thrive and grow? And how can we support that?

Vasco used the example of her company's burn — and why it's important to be efficient. "It's making sure that we're providing timely information for making business decisions," she says. "If we're giving information about our burn a month later, for example, we've already wasted four weeks without changing our trajectory."

Efficiency is often affected by bandwidth, lack of priorities, or a bottleneck in the process. You may have competing demands if you haven't clearly set expectations.

Another area that affects efficiency is not knowing how to measure the success of your close process. This takes identifying KPIs, and an understanding of what information is a priority to the company. Many teams also lack the right tools to help streamline the process.

Best practices for a faster close

The first step for a faster close is to evaluate your process. Where are your primary areas of trouble or bottlenecks? What takes the most time. Watch at least one full cycle before tackling the issues. From there:

Address improvements one workflow at a time

When you're motivated to make improvements in your processes, it's easy to get carried away. Vasco knows this. "One of the mistakes that I made was I tried to do everything all at once. And I paid for it," she says. Her advice now is, "Pick one thing at a time and focus on it, optimize it, get it done, and then pick something else." She acknowledges that it can feel like spinning your wheels. But to try and do it all at once can actually hinder the efficiency of the month-end close further.

Get your team and company on board

Communication is key for accounting teams. Not only within the team, but with others. You'll want to set expectations, and educate why the month-end close is so important. Vasco shares with her company that best-in-class organizations close quickly. And that gives them timely

data to make better decisions. She also communicates and meets with people frequently – on a weekly basis. In essence, she gets everyone involved to help streamline the process.

By asking questions, you get to know what information helps the company most, and you can better identify what you need from people.

Implement a close checklist

A checklist makes it far easier to stay on task. It also lets you quickly filter what's done and what isn't done. A checklist may help you find a person or area that's consistently behind, which would be an area to address to make your close faster.

Move more work to pre-close

Don't wait until the end of the month to collect information or do tasks that could be done earlier in the process. Look for parts of your close that can be done early.

Understand the role of dependencies

Evaluating your process lets you identify dependencies, so you can better communicate with stakeholders and team members, and optimize your process around the tasks that prevent other tasks from being able to be completed. Take note of external dependencies that might be hindering the close as well. For example, information from outside vendors.

Automate, automate, automate

Any time you can eradicate manual labor, do it. There are softwares and tools that can help teams automate the close process, efficiently reconcile data, and ensure controls are in place and maintained.

Build feedback loops

You'll want to identify the KPIs that let you know when you're on the right track and where improvements are needed. KPIs will differ between companies, and it is important to identify which measurements are specifically pertinent to your organization. Temi's team does monthly deep dives into what went right or wrong in their close process, so they know where to shift their focus for the next month. They also pay close attention to their accruals. "We try to keep estimates within 3% accuracy," she says.

Final Thoughts

Goals are essential for a faster close. If you're at 10 days, aim for seven. If you're at seven, for five. The days are a measure of efficiency in terms of processes. Therefore, continually revisit your workflows for bottlenecks, areas of chronic lateness, or tasks that can be done earlier, so you have a quicker, more efficient close, while still maintaining accuracy.

Chapter 5: Measuring the Quality and Efficiency of a Close



Michael Litwin
OpenStore • Controller

Speed and accuracy are both essential to a strong month-end — and the best accounting teams know how to measure the quality of each. The key to improvement is a thoughtful approach where teams create benchmarks and goals that help them track the efficiency of their close process over time.

Michael Litwin, Controller of OpenStore, believes you should start with accuracy. He says, “Oftentimes, you can’t measure both until you’re really up and running.” And for him, accuracy is crucial because it’s how your business is doing. Once you’ve nailed accuracy, you can move on to how to make the close more efficient.

Litwin also encourages teams to continually track and measure their close. “It’s an ongoing process,” he says. “I’ve never had two closes in a row that were exactly the same. You can almost always find one thing you can improve upon or make a little different to try to catch something you missed last time.”

Building a Culture of Accountability and Accuracy

Accounting teams ensure the integrity of a company’s financial statements. As Litwin sees it, “Even if something is not necessarily financial, almost everything turns into a dollar sign at the end of the day. And anything that turns into a dollar sign is what needs to come through accounting.”

This type of accountability builds trust — within the organization, with stakeholders, with vendors, and with anyone who is affected by the business. Accountability begins with delivering statements free of errors. The month-end close is a time to assess accuracy.

A culture of accountability

Accountability begins with setting expectations and making sure leadership is role modeling. “Accounting teams are built like a pyramid, where the information has to go up. And the accountability should as well,” Litwin says. “What I always tell my team is if you made a mistake, but I’m willing to post a journal entry or approve it or let you send out the analysis via email — that’s on me as much as it’s on you.”

Ownership depends on the environment and what the business is trying to do. For example, an early-stage startup may be looking for directional numbers and not focusing as much on being audit ready. An IPO-ready company may bring in a team to scrub the books and go through audits. The key is helping accounting team members get the correct line data into the hands of the people who are decision-makers. And this starts with understanding what operationally impactful information is important to the organization at the time.

Accountability is also built when team members understand how or what tasks are linked, and safety nets — like workflows and checklists — should be put into place. Checklists should feel collaborative, not micromanaging. It also helps when you spread the culture throughout the organization.

Build relationships beyond the accounting team so you further ensure accuracy by avoiding a myopic view. If the business as a whole understands the importance of accounting, it further builds a strong culture. Litwin also reviews with his team and then beyond each month. He says, “We do a finance review, talk about it, and then it goes to the operating team, which is basically the functional heads of each department. And then it also goes to the board each month.” He makes sure everyone is aware of what is happening financially for the company to solidify involvement all around.

Ensuring accuracy

Understanding business goals is crucial for accuracy. You’re focusing on what’s important. “Being plugged into what the business is doing, what the priorities are, where to expect the money to go or come in from just makes us that much more effective,” Litwin says.

Accuracy also depends on identifying things that make the close more efficient. Litwin talks about how essential expected versus actual can be. Variances can signal something you need to pay attention to. Pinpointing these trouble areas lets you improve line items to create a tighter closing checklist.

He also says, “You want to make sure you’re really checking every box and covering every base. Essentially, every single task someone has to do, put on the checklist. It’s easier to check a box and have it remind you than try to remember all these minute tasks that you’re responsible for.” This helps ensure accuracy.

Increasing Efficiency: Getting Your Accounting Up to Speed

Efficiency starts with optimizing for the business. If you’re able to give better, more accurate, and quicker data to the business, they can use it to make highly-strategic decisions.

Litwin used the example of Black Friday to show the benefits of speedier accounting. He talks about how data can let retail companies pivot strategies based on the numbers coming in on Friday. An accounting team's ability to provide those numbers quickly lets an organization adjust to better meet their revenue goals — which, in his example, was helping the marketing team market Cyber Monday more aggressively due to Friday's performance.

If you already know your company's priorities, you can work to get everyone involved in becoming more efficient and get everyone on the same page for a faster close. Let stakeholders know how everyone benefits. For example, let them know, when we get this on time, here's how we can help you.

Using systems and tech stacks to improve speed, efficiency, and accuracy

Checklists, workflows, and tech can improve the speed of your close while optimizing accuracy. For example, a good, user-friendly ERP is vital. Be open to adding in platforms and tools that automate, centralize your data, segment levels of review, or lets you easily see what's happening throughout your month-end close.

Create workflows around your tools, so everyone on the team understands their roles and how to use them. Anything that can speed up your ability to provide data to the business faster is worth implementing.

Understanding the Metrics Around Accuracy and Efficiency

It can be difficult to identify what metrics are important or even how to interpret them. However, a few that you can try are:

- Percent of close tasks completed on time
- Percent of reconciliations that are in
- Percent of accounts that tie to the GL
- Number of entries that happen after close
- Manual adjustments posted each period
- Materiality and variance analysis and quality explanations
- Accruals and the accuracy of estimates

Some examples of accuracy benchmarks are if a new initiative is working out or if a department is pulling its weight or underperforming. In essence, the best way to get metrics is through the efficiency of your headcount.

Determine your KPIs through the type of growth, what your business's priorities/goals are, and what things affect accuracy and efficiency. For example: how doing the P&L over the balance sheet can have repercussions where you lose things.

Moreover, make sure to report your metrics to stakeholders in a compelling way. Both to keep them involved in improving accounting and to share the progress you've made.

Final thoughts

When you make it a goal to improve the accuracy and speed of the month-end close, get everyone on board early. Set expectations and invite stakeholders to participate. Litwin says, "One of the nice things about accounting is it's all after the fact. So you can plan for it pretty well. You should know what's coming and never be caught off guard by something." Metrics are another tool accounting teams can use to improve not only accountability but also the speed and accuracy of a month-end close.

Chapter 6: How to Make Tradeoffs Between Speed and Accuracy



Edwine Alphonse

Ramp • Controller

The ultimate goal for any accounting team is to achieve both speed and accuracy in their month-end close. Speed allows businesses to make quicker, well-informed decisions, while accuracy builds trust among stakeholders.

Most decisions on how to optimize your close process come down to the tradeoffs you're willing to make between speed and accuracy. The best controllers recognize this and make tradeoffs depending on the risk and strategic value of different financial data. For example, a controller might say, I am willing to make more estimates regarding our expenses to close faster, but I'm unwilling to do so with revenue.

While attaining speed and accuracy is your objective, it's essential to know how to find the balance as you build toward an effective and efficient month-end close.

The benefits of closing the books faster each month

The overall benefit of accounting is to provide information about what a company is doing well and where there are issues. The month-end close is critical as it serves as the process of ensuring that the financial data stakeholders need is fully prepared, accurate, and controlled. With this data, business leaders can take action to improve or fix anything. This may mean bottlenecks in the closing process or identifying information that is most important to the business.

When you close faster, you can share decision-making data sets that deliver financial insights and forecasts. It also lets the accounting team gather KPIs to further streamline workflows.

Edwine Alphonse, Financial Controller of Ramp, sees a faster close benefit accounting teams by letting them focus on other things. She says, "If I spent the full month closing, it would become the sole focus of my work. I wouldn't have time to build processes, create controls, mentor my team, or focus on audits."

Alphonse has reduced her close time by investing in systems that provide her with information faster while continuing to allow her to implement controls. She has solutions that let her track

and monitor where she is in the closing process and how much time the team is spending on tasks. She looks for what adds value and what eats up time unnecessarily. She also communicates with stakeholders, letting them know what they need to do to close the books faster. In Alphonse's experience, it takes a consistent assessment of the close process, implementing helpful solutions and automations, and involving the accounting team and stakeholders in the effort to speed up the timeline to close faster.

How accuracy is critical

Not only is accuracy critical for establishing trust, but it's also about having a more complete picture that generates the data required for informed business decisions. Accuracy in your month-end close helps with speed and efficiency in the long run. As an example, Alphonse says, "Accuracy decreases the number of material adjustments that you have to do after the close."

When you achieve the right level of detail and accuracy, you can identify issues and fix processes. You're more prepared for audits. And others can come into your process and understand what's happening. All of this cuts down the time it takes to close.

Accounting teams can increase and ensure accuracy by staying up-to-date during the month (as opposed to doing all the work during the month-end close) — in other words, by keeping things current. You're also more accurate when you've identified your revenue streams and can generate financial reports that are meaningful to your company. Accuracy is achieved through optimized workflows, tech solutions, and automations, as well as having an organized system for gathering and storing information.

The benefits of accuracy are far-reaching. Businesses that are able to maintain financial accuracy create stability by making well-informed decisions.

Finding the balance between speed and accuracy

Speed and accuracy begin with operational prioritization. It's assessing what you truly need and knowing why you need it. Alphonse says, "I ask the company to communicate their top priorities to me.. Where should the main focus of our reporting be? What will require the greatest degree of accuracy?" She looks to things like cash, important accounts, and the nature of the business in general to further find what's important.

Beyond prioritization, there are several steps you can take to ensure both speed and accuracy:

Monitor the time tasks take

How long is it taking for specific tasks, especially those that are immaterial? Are there bottlenecks or ways you can streamline? Find out if it's a breakdown in communication or if a task should be completed sooner or later in your close process.

Determine the level of detail necessary

When you are generating data that helps an organization operate, you have to look at how you categorize and sanitize. Furthermore, there are entries purely for accounting and audits, while others are business drivers. The right level of detail becomes important. Too little, and it might affect accuracy. Too much and it might slow your close. As you continue to assess your month-end close, you can make improvements to the level of detail. The balance is not overdoing it but making sure people's questions are answered — it's giving visibility that provides the knowledge that the business needs.

Look at how to get information faster

A culture of accountability and transparency is key to getting the information you need for an accurate and speedier month-end close. It's essential to convey the importance of what information is needed and share when it's needed and why. Alphonse likes to provide the ROI of accounting to show the value of specific data. She also explains how it can impact them or help them do their jobs better. In essence, she is creating expectations that allow the company to financially function better and get everyone on board to make it happen.

Find what signals inaccurate accounting

A great indicator of inaccurate accounting is manual adjustments after the close. But there are other KPIs that can signify a need to improve a workflow or fix an issue. For example, if you're expected versus actual is way off, constant irregularities, or you're outside your materialism threshold. With consistent assessment, you can begin to determine what indicates problems in your accounting and fix them.

Implement technology solutions

Technology solutions help accounting teams gather and organize data, centralize it, and automate parts of the close process. It gives team leaders a way to track and monitor, and store all pertinent information in an organized and accessible way. When Alphonse started with Ramp, she was vocal about the necessity of technology for today's accounting teams. She said, "We can save time and make the process more efficient." She sees it as a necessary investment.

Final thoughts

The close process never ends, but you can streamline it by finding balance through tradeoffs between speed and accuracy. This leaves room for you to focus on other important things while also benefiting the company by prioritizing the information they need to make operational decisions.