



*#FloQast*

# The Definitive Guide to Effective Close Management

Best Practices for Managing the Month-End Close

# Pick a problem, any problem

“ The goal is to shorten your close cycle, improve accuracy, reduce stress and help you be more efficient.

Automating the close management process, in short, makes the entire month-end close faster and more accurate. Who could argue with that, whether you're the CFO, staff accountant, VP of Finance, or perhaps most of all, the Controller? But while the end game may differ by role, from more time for strategic planning to the simple desire to get out of the office on time, the common

problems that trip up these goals are nearly universal. So what can help make for a more effective close? It's worth a few bullets to articulate some of the most common issues facing today's accounting team, even if only to begin our brief journey together (literally) on the same page. We expect you'll see yourself and a close challenge somewhere on this list:

## Dependence on labor intensive manual tasks

Most organizations still rely on tedious, time consuming and manual activities for the month-end close leading to oversights and errors.

## Reliance on tribal knowledge

Tasks are based on historical processes known only to those with the responsibility to complete them, which if they leave the organization, the team has to scramble to recreate.

## Lack of collaborative mechanisms

Close checklists are frequently individualized and do not offer the ability to share workflow or status with the extended team, requiring frequent status meetings.

## Reactive to monthly deadlines

Closing activities are typically a dash to the finish line without the time or methodology to ensure an accurate outcome.

## Absence of planning for audits or analyses

Bigger picture tasks suffer from a myopic close approach, with little consideration for future organizational ramifications or time for strategic business evaluation.

# OK, how can I improve my close process?

Glad we've pricked up your ears, and yes, there's help for these common challenges. The purpose of this guide is to cover the close elements that are most critical, and provide recommendations and best practices to address them. The goal is to shorten your close cycle, improve accuracy, reduce stress and help you be more efficient so you can work fewer hours and still be confident in your

financial results. Being prepared for audits can't hurt either, can it?

First, let's break down the elements to make things just a bit easier. There are four areas where these considerations come into play, and we'll cover each one in greater detail.





## People: Recruiting for Team Close

“ The need to scale talent for balance and assignment is critical.

The people who comprise your accounting team are critical to everything you do. But as your organization and staff continue to grow, there are some baseline considerations that can be key to you having one of the best accounting organizations in the world—or not. How you recruit and position the players on your team can help ensure each member intuitively understands and performs their appropriate role, which in turn, helps you close the books more quickly and accurately.

But the “best person” is not always the “best person for the job.” The right mix of staff to operate effectively is dependent on your organization, of course. Still, it might require some thought, and some new perspectives to get it right.

### The Talent Gap: To Big 4, or not to Big 4

Not every staff needs to be comprised of Big 4 talent. While some organizations are predisposed to hiring from prestigious firms, there are still lots of excellent and ambitious candidates who will more than adequately meet the needs of a mid-sized organization. Be conscious of players with high career expectations, a need for promotions and the potential lack of desire to complete more functional tasks. It’s not a value judgment, just a practical consideration as you build your team.

Similar consideration should be made in adding CPAs versus staff accountants or bookkeepers. The ratio should reflect organizational demand. If there are higher level decisions that need to be made regarding organizational structure and operations, the CPA-weighted organization may be the appropriate decision. If there are more assignments that include locating

supporting documents, making journal entries and performing audit tasks, it’s logical a more junior staffer is a preferable choice. The need to scale talent for balance and assignment is critical, and will morph as your organization expands, with the hierarchy needing to adapt to fit.

### The Culture Club: Hire, Fire and Train:

Aside from professional pedigree and accreditation, how else should you turn a critical eye to building the right team of people? Just a couple of tips here.

First and most importantly, hire for cultural fit and potential. Does the candidate fit with your organizational milieu? Consider millennial technology and work-style expectations, and equally those of workers with differing mindsets or work habits. New ideas and technical innovation are great, but only if they match your ability to implement and turn them into measurable results. Remember, individual motivation and fit with your culture can often trump face value resume credentials. Next, and even more difficult, is the need to fire for a cultural mismatch, or lack of performance. Act quickly, as either instance has a detrimental effect on all those involved. Though tough, proactivity is best. Buck up, you can do it.

Let’s not forget that training for your team is essential. No professional team member worth their weight wants to stagnate, oblivious to industry innovation around them. But pick your skills programs wisely, and assign them measurable goals. ERP user conferences are great venues for gaining knowledge, as long as they don’t turn into spring break. Ongoing CPE training, especially for topics like guidance (AICPA programs)

are a must. Reward individual contributor motivation and potential with the opportunity to learn more. And even let them have some fun. And finally, no people training program is complete without providing cross training and engendering a deadline-driven culture within your organization. Let individuals cross train on different balance sheets. This helps add perspective and

understanding on the overall close process and provides the opening to try new ideas and truncate workflows outside of their usual space. Set daily deadlines, and celebrate successful milestone attainment with appreciation and acknowledgement for work well done. A day off or bonus only add to the potential for future outstanding team performance. And overall sanity.



## Process: Go with the flow, but make them repeatable

“ First, group tasks by account, such as cash. Then identify and track each by assigning a unique ID.

Structured close processes are a must in getting to a repeatable and documented workflow. Building a great close checklist emerges as the most critical step in reaching the goal. It underscores the requirement for a structured work environment, and the best way to simply ensure everything is getting done. It provides peace of mind for not just monthly close, but quarterly and yearly as well.

Don't have a checklist, you say? If no department-wide document exists, it's time to divide and conquer. Gather the team and make assignments. Uncover what may already exist, created by individual staff members for their own tasks. It's pretty safe to assume these already are present in a variety of forms. Then simply combine them and voila, a new master checklist is born.

### Best practices make perfect

First, group tasks by account, such as cash. Then identify and track each by assigning a unique ID. It doesn't have to be fancy, and the ID can and should reflect the task itself for easy and intuitive identification and abbreviated team communications. Consider a T plus or minus system for simpler roll forward or back of

the actual close date, and to reduce manual upkeep as much as possible.

Don't forget to articulate deferred soft close items for flagging on quarterly or annual updates. Roll forward and ensure soft/hard close items are properly documented. For a variety of sample checklists to help you get underway, check out [www.floqast.com/month-end-checklist-template-excel-download](http://www.floqast.com/month-end-checklist-template-excel-download).

### An unremitting, relentless drive for flawlessness

OK, how about we just agree that some good old fashioned continuous improvement regarding your close processes is a good thing? The fact is, incremental improvements, made over time, can make for collectively impactful change. It's also a great way to keep staff engaged and mindful of their own ability to influence the system.

So a couple of suggestions. Build in a "day of rest" for the team after the close. Even if it's not a spa-filled, massage-infused fete, give everyone the opportunity to de-stress and recalibrate. Then on to the practical after close chores.

Conduct a post-close meeting for lessons learned. It's time for an open, candid, perhaps uncomfortable discussion of what worked, and what didn't, all without incrimination or finger pointing (weak links will eventually reveal themselves- see the earlier discussion in "People"). Then in the context of simplifying

everyone's job, pick one problem the team can work on and solve during the next close period. Solicit suggested steps for remediation, obtain agreement and get to work. And don't forget to monitor execution and confirm successful results in the next period.



## Documents: Are you going doc-mental?

It's an ever expanding world of documents, albeit now in electronic form versus a room full of manila folders and paper. They represent a variety of underlying support files, comprised of invoices, cash payment records, contracts and more. Included in them are the necessary details for reconciliation, and for any subsequent audit activities.

### Bucket, bucket, what's in your doc bucket

With the advent of digital documents, the organization of the electronic folder structure used to facilitate straightforward document storage and access has taken on a couple of schemas. They most often have been operationally bucketized by:

#### Individual

For the accounts each team member has closed.

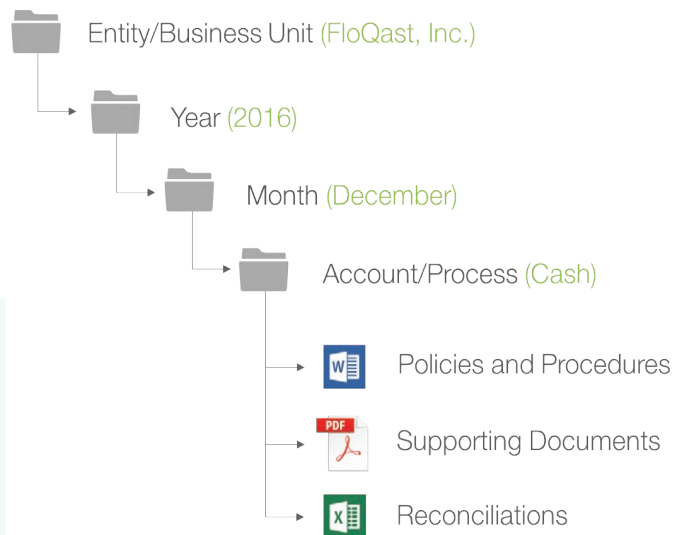
#### Balance sheet account, such as deferred revenue

Including everything in that account.

#### Month

For the calendar month in which the activity occurred.

While each has its merits, the most popular and generally adopted as a best practice are those structures with a monthly categorization. Here the document hierarchy flow provides a logical and intuitive top down approach starting with business unit, then drilling down by year, month and account.



Documents in the sub-account structure include policy and procedure documents (usually .doc files), supporting documents such as bank statements, invoices and contracts (often .pdf files) and reconciliation files (classically .xls workbooks).

Benefits of implementing the monthly organizational documentation structure are broad, justifying a

migration to such. This approach enables everyone on staff to view the monthly close holistically, accelerate the review process, deliver centralized and logical access to related documents, all while reducing time spent on PBC requests. An added bonus is the ability to leverage SALY, or “same as last year” training, to repeat previously successful close procedures with minimal management intervention.



## Reconciliation: Syncing up is hard to do

Trial balance tie outs are the final step in closing the books, to prepare you for financial reporting and make you audit ready. What drives the need to standardize this process?

Foremost is an alignment across your entire team, to validate that everyone is working in a similar manner to close the books.

Departmental flexibility, including cross balance sheet training, will streamline review processes, engender a consistent workbook review process and reduce errors in tying reconciliations back to trial balances. Inevitably this simplifies audit activities and accelerates their timeline for completion. Sample reconciliation templates are readily available at [www.floqast.com/account-reconciliation-templates](http://www.floqast.com/account-reconciliation-templates) for lead sheets, roll forward and sub ledger activities.

## Excel: Leverage it or leave it?

Some industry negativity clouds Excel as a tool, the application of choice and workhorse for most accounting professionals. Let's take a look at some strengths, and some limitations, and try to reach balance regarding when to leverage Excel, or to seek alternative answers; or better yet, find a middle ground that satisfies both the familiar and the innovative.

### The good

Everyone recognizes the strengths of Excel, with its advanced functionality to organize, massage and manipulate large amounts of data. It's the common language between accounting, audit and tax personnel, and familiar to all. It's based on years of Microsoft development and only marginally challenged by competitive offerings. It's the de facto standard.

### And the bad, and maybe a little bit ugly

No application is designed for all users or end games, and Excel is no exception. It lacks transparency in its inability to lock down and track individual changes, was not designed to manage people or checklists, and must be centrally controlled by a single individual with input from a variety of disparate sources. It's not a true collaboration tool, but never the less, it's critical for tying out reconciliations, maintaining a list of PBC activities and preparing for a well-organized audit.

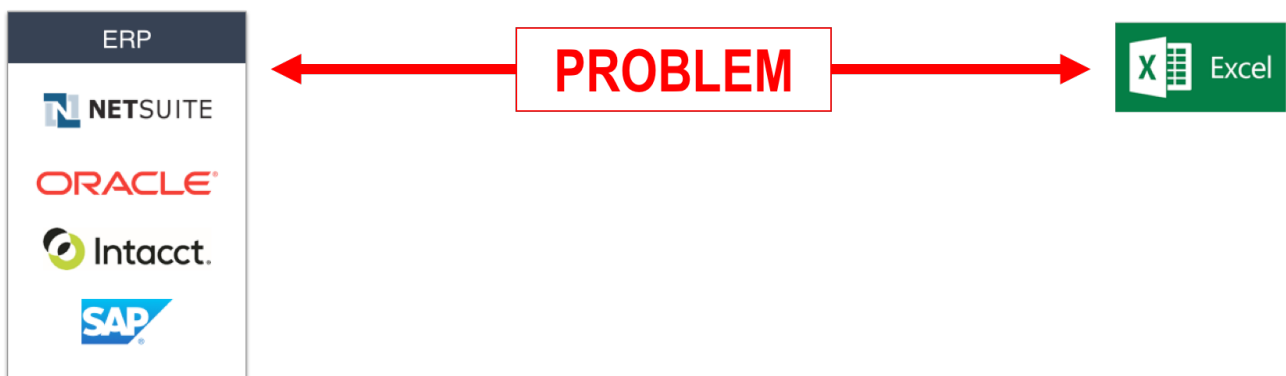
### And some tips

Challenges arise when there is a lack of organization, and when reconciliations don't tie out. Using Excel can be a foundation for staging a more streamlined process, with some caveats. Don't treat audit preparation as a onetime event, keep it top of mind throughout the year. And assign one point person to PBC activities on each side of the equation--this will keep repetitive and redundant processes to a minimum, and avoid frustration and miscommunication.

## Making nice between Excel and your ERP

So here's the core problem in completing an effective close--it's connecting the dots between Excel checklists, workbooks with the General Ledger maintained in your existing ERP system.

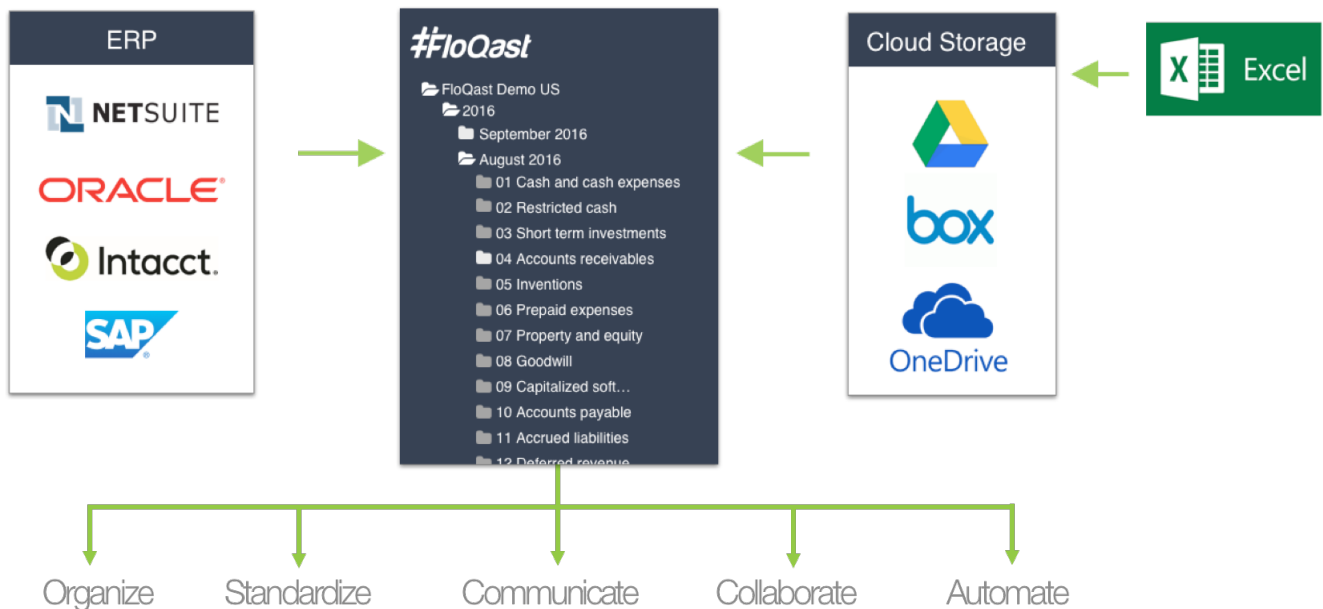
Somewhat curiously in the world of business process automation and sophisticated software, there has just not been a means to connect the cross-close capabilities and dynamic tie outs needed to make these systems love each other. There was no way to the ease the reconciliation and month-end close process, and to maximize the benefits of Excel, your particular ERP and your team's strengths.





# FloQast: What is it and how the heck does it work?

“ FloQast automates the tie out process via integration with your ERP system.



Now there's way to integrate Excel with any ERP system using cloud-based storage providers to securely house Excel workbooks, and use to easily reconcile them with your General Ledger. Sitting between cloud storage and your ERP, FloQast close management software employs a variety of cloud providers (Google Drive, Box, OneDrive, Dropbox, Egnyte) to safely store Excel information, from which it uses APIs to access that balance data and pull it into FloQast. Here FloQast automates the tie out process via integration with your ERP system. This is how FloQast gains access to the necessary documents

and provides the intuitive interface enabling you to more simply navigate the close process.

## What else do I get?

In addition to automation of the tie out process by securely linking ERP with Excel-based reconciliations, FloQast enforces many of the broader best practices we have already discussed. It organizes and standardizes your close processes for repeatable, accurate results every month, quarter and year, taking far less time. It empowers all of your people through improved

communication and collaboration, providing a central place for them to view and track review notes and gain access to progress and dependency dashboards. This in turn eliminates the need for lengthy status meetings, repetitive phone calls and overflowing email boxes. It helps enforce a uniform folder structure, for logical

document storage and access. And your team can now work together, regardless of their location, with centralized and heightened visibility and accountability throughout the entire reconciliation and close process. All this translates into faster close times that are more accurate.

## FloQast Value: Wrap it up for me

So here's the wrap. FloQast close management software is built by accountants for accountants; your pain points are well understood. FloQast provides one place to manage the entire close process from a single screen, all accessible to the entire accounting team, in any geography. It reduces time to close an average of three

days, eliminates tedious manual chores, simplifies the reconciliation and audit process and gets everyone on the same page to meet a single goal—a simpler, more accurate and timely close. Put us at the center of your close challenges. There is help. You do want to get home on time, don't you?





### About FloQast

FloQast is a leading developer of close management software, created by accountants for accountants to close faster and more accurately. Working with accounting teams' existing checklists and Excel, FloQast provides a single place to manage the month-end close and gives everyone visibility. FloQast customers close on average three days faster. The award-winning solution is trusted by hundreds of accounting departments, including those at Twilio, Nutanix, Zillow and The Golden State Warriors.

To learn more, visit [www.floqast.com](http://www.floqast.com) and join the conversation on Twitter [@floqast](https://twitter.com/floqast).

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