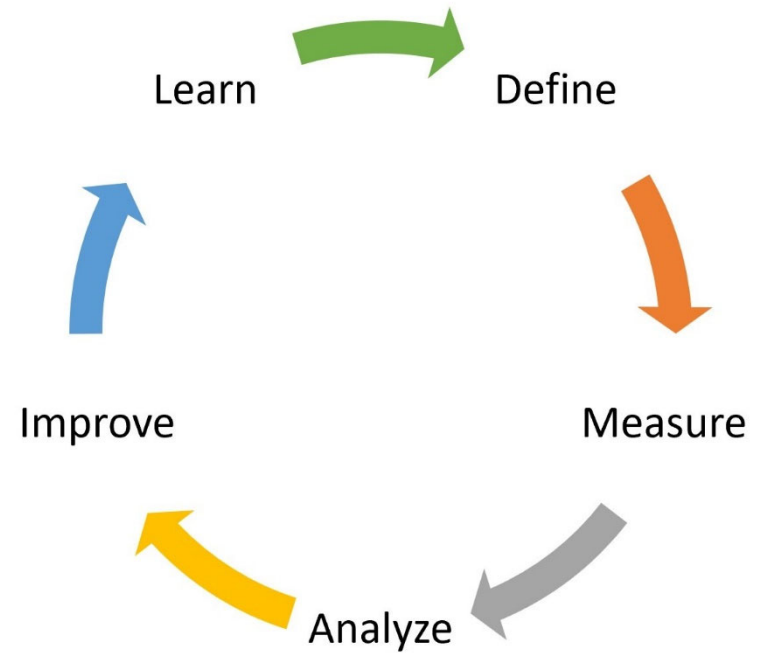
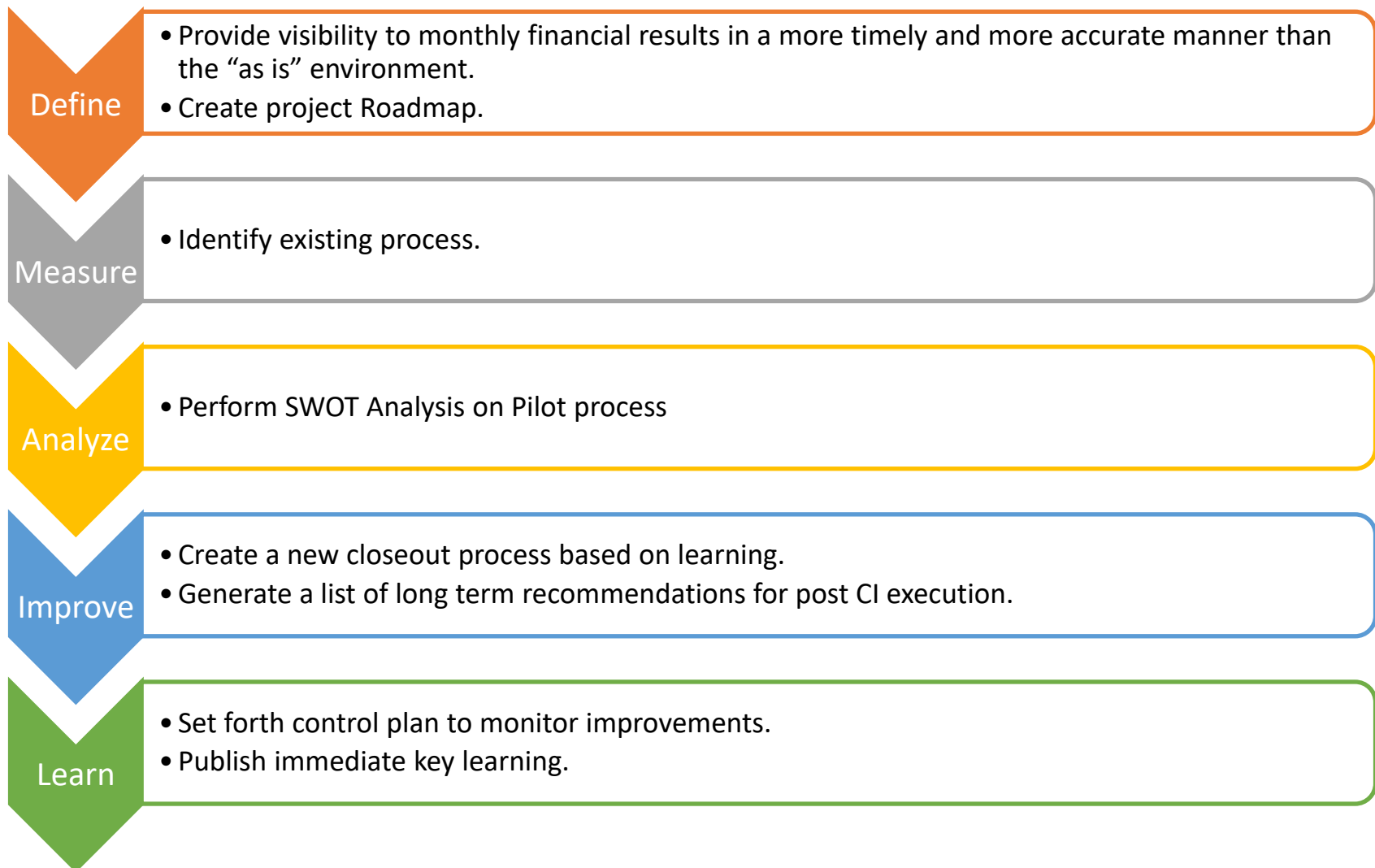


▶ PEXA

Case Study: Monthly Accounting Closeout



Process Summary



Define

Charter: Improving Monthly Accounting Closeout

PURPOSE

- To provide visibility to monthly financial results in a more timely and more accurate manner than the “as is” environment

IMPORTANCE

- Significant internal resources are invested into the monthly close process without producing acceptable deliverables to senior management and the board of directors, resulting in diminishing reliance on financial reporting.
- Current internal resources required are producing a significant strain on the organization, which is not sustainable long term

SCOPE

- From Source Data to Internal Package publication
- BW tools and production book are in scope
- Thresholds for both monthly and quarterly reporting
- Level of detail in GL and JE’s
- Out of Scope =
 - BW development process
 - Bank Package, Investor Package
 - Supporting Schedules

METRICS

- Working Days to Internal Package
- Goal = 8:00AM Work Day 8 for Internal Package
- Absolute Value of Post-Close Adjustments

RESOURCES

- Team Members
- Sponsor
- Team Leader
- Coach
- Process Owner

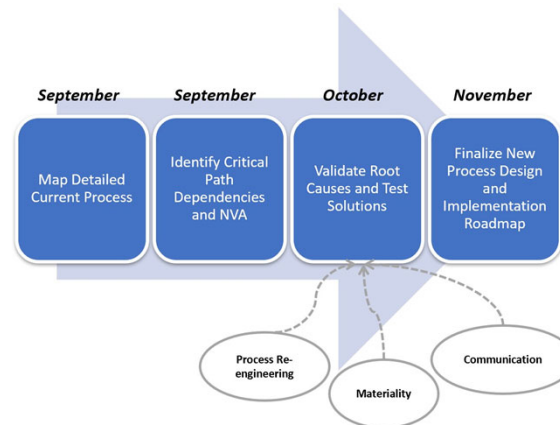
DELIVERABLES (EXPECTATIONS)

- Standard Operating Procedure (SOP) for Current Process
 - Detailed, includes sub-processes
- Standard Operating Procedure (SOP) for New Process
- Implementation Plan for New Process
- Long Term Recommendations
- Monitoring and Control Plan

SCHEDULE

- Pre-Launch: September 4, 2013
- Launch: September 25, 2013
- Projected Close: December 2, 2013

Monthly Close Roadmap



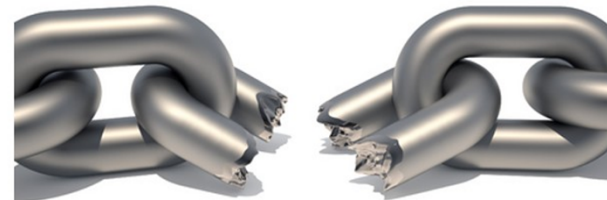
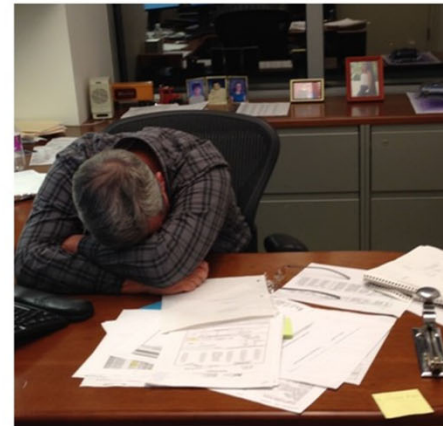
Measure

▶ PEXA

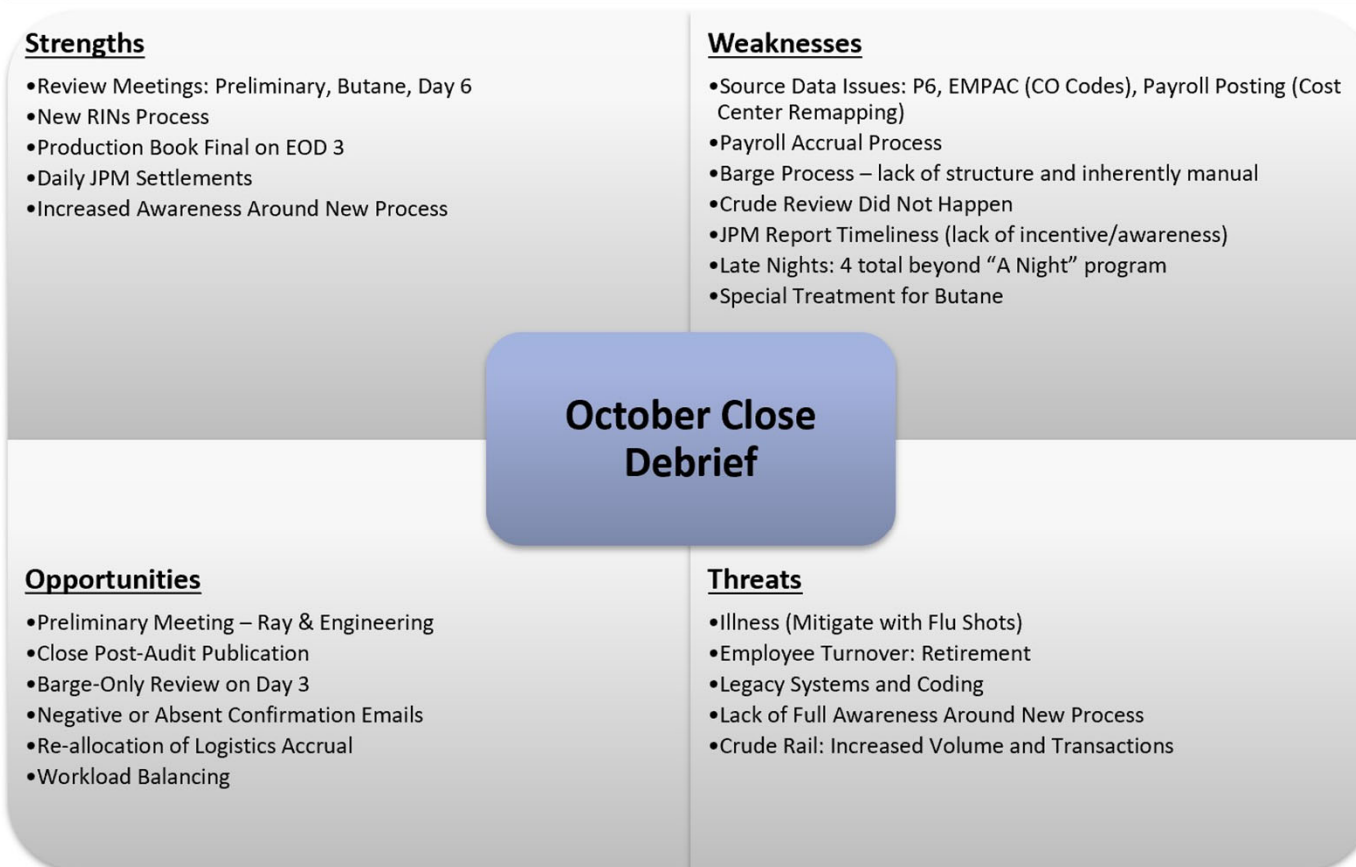
Old Process

▶ PEXA

- Results
 - 147+ steps
 - 15+ days to close
- Major Pain Points
 - Organizational struggle to deliver financial information to the board in a timely and accurate manner
 - No clear definition of due dates
 - Bottlenecks due to resource allocation
 - Changing requirements and expectations during the close process
 - Tremendous amount of time and effort extended to get above results
 - Frustration and Long Nights



Pilot Close Debrief (October) – SWOT Analysis



Improve

Improvements



Accelerations Achieved in Days

Volume Balancing

Task	New	Old
Production Book	3	4
Terminals	2	4
PetroMan	3	4
Inventory Control Grid	4	5

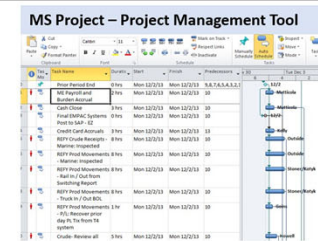
Gross Margin Accruals

Task	New	Old
RINS	2	3
Derivatives	2	4
Basis Roll	4	6

- Moved to daily JPM settlements on close days to reduce critical path around crude and volume balancing
 - New process is daily while old process waited until Day 5
- Gather Voice Of Customer (VOC) from FP&A and Senior Leadership to shrink analysis time down to 2 days
- Develop Review Meeting Schedule to facilitate communication, generate consensus around journal entries, remove roadblocks, and communicate projections
 - Pre-Close, Marine Logistics, Production Book, Butane Balance, Crude Cost, Other Logistics, Preliminary Income Review, Balance Sheet Review
- Formalized Communication Framework for Closing process promoting organizational awareness and “buy in”
- Initial workload rebalancing

New Process

- Redesigned to publish internal package by 8:00AM on Day 8
 - Improvement of 8 working days
- Incorporated review meeting structure to drive accuracy and compliance
- Project management tool allows process owner to continuously focus on reducing critical path
- Visual, published excel tracker provides key metric for process health



Excel Task Tracker	Schedule of Closing Tasks			Completion of Closing Tasks		
	Task Name	Duration	Time of Day	Duration	WD	Time of Day
Preliminary Close Review - Meeting	1hr	0	MTNG			
Record Monthly Pre Determined Entries	0hrs	0				
Insurance Expenses	2hrs	0				
Capitalize spending for existing assets	1 hr	0				
Correct all settlement errors - record corrections	1 hr	0				
Create asset within SAP	1 hr	0				
Transfer Spending to WIP	1 hr	0				
Validate SAP System Accrual Reversals	1hr	0				

Long Term Recommendations

Mitigate Absence Threat

- Detailed documentation around key task
- Define backups
- Targeted cross training

Crude Process Redesign

- Document current task details
- Design new process to reflect changing crude slate
- Focus on source data and processing efficiencies

Fix Underlying Source Data Issues

- Design ideal IT system state to mitigate legacy system issues
- Drive awareness around urgency and data integrity through visual tools and metrics

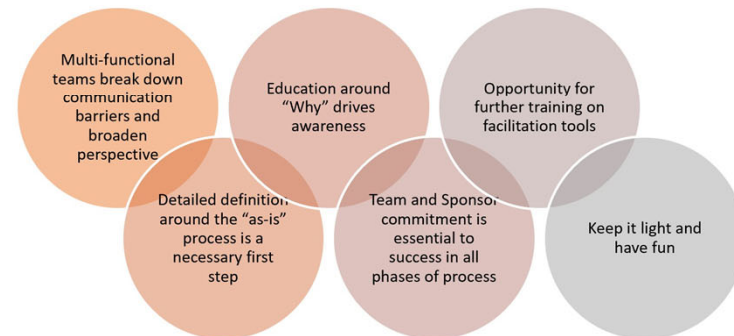
Learn

Control Plan

What	Method	Frequency	Owner
Task Tracker	.xls	Monthly	Accounting
Post Close Review	2 Hour Meeting	Monthly	Accounting
Close Improvement Session	2 Hour Meeting	Monthly	Accounting

- Task Tracker
 - Excel-based tracking sheet that compares planned task completion times with actual completion times, to be updated monthly by responsible parties.
 - Will be published prior to close (plan completion times only) as well as at the completion of close (with actual times and key driver discussion).
- Post Close Review
 - Structured review of major issues identified on Task Tracker, focused on compliance and future roadblocks, with representatives from the major groups: Accounting, FP&A, Refinery, Commercial, and Logistics.
 - Monthly Close Team will facilitate for December and January, transitioning to new representative team in February.
- Close Improvement Session
 - Targeted root cause and solution session on specific focus areas identified in the Post Close Review as well as monitoring of long-term solution implementation.
 - Process owner to determine attendee list as needed.

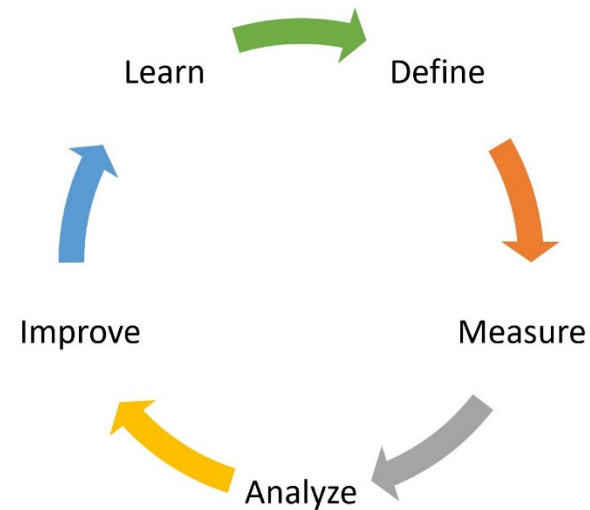
Key Learnings



Through a collaborative effort in Accounting, Finance, Refinery, Supply Chain, and Commercial, the monthly close process has been cut in half, enhancing results credibility and alleviating a significant resource constraint issue.

Summary

- Leadership identified an opportunity to provide visibility to monthly financial results in a more timely and more accurate manner than the “as is” environment
- After scoping and defining the problem, a cross-functional team was formed to develop a solution. Employing a systematic approach to change, the team:
 - Segmented the “as is” process into a detailed task list identified at the “failure” level of granularity
 - Introduced MS Project to clearly identify Critical Path tasks
 - Established target milestones required to achieve Charter timetable
 - Developed solution sets necessary to reach milestones
 - Piloted new process for October Close
 - Developed Communication and Control Plans to ensure future success



Team Members:

- Finance
- Accounting
- Optimization
- Accounting
- Accounting
- Accounting
- Finance
- Continuous Improvement

**Preliminary Results: Improved Close Process
from 15+ days to 7 days**

[Learn more](#)

Ajay Patel

ajay@pexa.biz | (856) 905-4691

Neil Shah

neil@pexa.biz | (215) 316-6148

www.pexa.biz