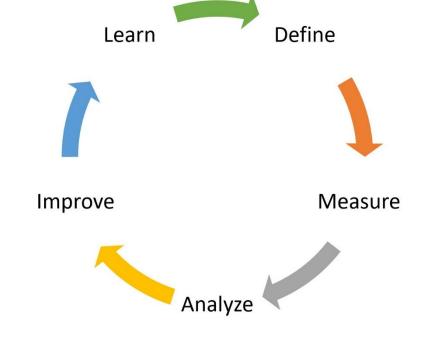


Case Study: Monthly Accounting Closeout





Process Summary

Define

- Provide visibility to monthly financial results in a more timely and more accurate manner than the "as is" environment.
- Create project Roadmap.

Measure

• Identify existing process.

Analyze

• Perform SWOT Analysis on Pilot process

Improve

- Create a new closeout process based on learning.
- Generate a list of long term recommendations for post CI execution.

Learn

- Set forth control plan to monitor improvements.
- Publish immediate key learning.



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

IMPORTANC

- 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

METRIC

- 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

- 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

DELIVERABLES (EXPECTATIONS)

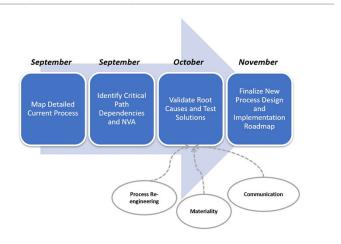
Monitoring and Control Plan

SCHEDULE

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

Monthly Close Roadmap





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Measure

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Old Process

- 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

Strengths

- •Review Meetings: Preliminary, Butane, Day 6
- •New RINs Process
- •Production Book Final on EOD 3
- Daily JPM Settlements
- •Increased Awareness Around New Process

Weaknesses

- Source Data Issues: P6, EMPAC (CO Codes), Payroll Posting (Cost Center Remapping)
- Payroll Accrual Process
- •Barge Process lack of structure and inherently manual
- •Crude Review Did Not Happen
- •JPM Report Timeliness (lack of incentive/awareness)
- •Late Nights: 4 total beyond "A Night" program
- •Special Treatment for Butane

October Close Debrief

Opportunities

- Preliminary Meeting Ray & Engineering
- Close Post-Audit Publication
- •Barge-Only Review on Day 3
- Negative or Absent Confirmation Emails
- •Re-allocation of Logistics Accrual
- Workload Balancing

Threats

- •Illness (Mitigate with Flu Shots)
- •Employee Turnover: Retirement
- Legacy Systems and Coding
- Lack of Full Awareness Around New Process
- •Crude Rail: Increased Volume and Transactions

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Improve

Improvements









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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

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0	Tas	Tack Name	Duratis .	Mart .	Prish .	Predecessors . v 30	Tue Dec 8
	*	Prior Period End	Ohrs	Mon 12/2/13	Mon 12/2/13	3.8.7,6.3.4.3.2.1	0 12/2
ľ		ME Payroll and Burden Accrual	2 hrs	Mon 12/2/13	Mon 12/2/13	20	GD-Methole
1	8	Cash Close	3 hrs	Mon 12/2/13	Mon 12/2/13	30	Methods
	2	Final EMPAC Systems Post to SAP - EZ	0 hrs	Mon 12/2/13	Mon 12/2/13	30	10-13/2-
	3	Credit Card Accruals	3 hrs	Mon 12/2/13	Mon 12/2/13	13	do no
•	3	REFY Crude Receipts - Marine: Inspected	8 hrs	Mon 12/2/13	Mon 12/2/13	30	Outside
۰	8	REFY Prod Movements - Marine: Inspected	II hes	Mon 12/2/13	Mon 12/2/13	30	Outob
•	60	REFY Prod Movements - Rail in / Out from Switching Report	8 hrs	Mon 12/2/13	Mon 12/2/13	30	Storeyka
۰	2	REPY Prod Movements - Truck in / Out BOL	8 hrs	Mon 12/2/13	Mon 12/2/13	90	Stoner/Kat
•	93	REFY Prod Movements - P/L: Recover prior day PL Tix from T4 system	1 hr	Mon 12/2/13	Mon 12/2/13	30	d ••••
٠	9	Crude-Review all	Shri	Mon 12/2/11	Mon 12/2/13	10	City Street

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

Long Term Recommendations

Mitigate Absence Threat

- Detailed documentation around key task
- Define backup:
- Targeted cross training

Crude Process -Redesign

- Document current task detail
- 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

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Learn

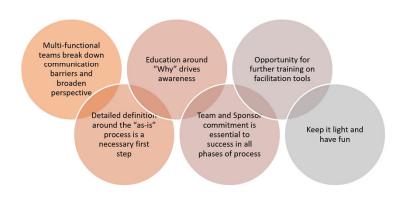
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Control Plan

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.





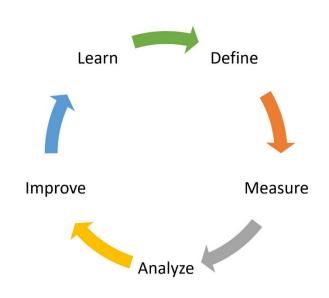
hrough a collaborative effort in Accounting, Finance, Refinery, Supply Chain, and Commercial, the monthly close process has been cut in half, enhancing results credibility and alleviating a significant resource constraint issue.



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 crossfunctional 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

<u>Preliminary Results: Improved Close Process</u> <u>from 15+ days to 7 days</u>



Team Members:

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



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