• • • **CLIENT STORY**

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Face the Future with Confidence

"Rolling in cash": How an unforeseen post-merger crisis led to finance and accounting operations improvement

Keys to Success

CHANGE REQUESTED

Review tens of thousands of accounts receivable line items and reconcile hundreds of millions in unapplied cash receipts on a 3-month deadline

CHANGE ENVISIONED

Clean up accounts manually deploying qualified resources, close open receivables, correct billing errors and re-establish relationships with parties that were billed incorrectly

CHANGE ACHIEVED

- A drastically improved accounting and finance structure, with strong procedures, tracking and reporting
- Significantly reduced and simplified monthly close process
- Improved morale among employees, who can now perform their job efficiently, on time, and without the need for outside help

Organizations undergoing a major acquisition face a multitude of challenges, including but not limited to various integration issues while ensuring the business continues to operate at a high level of productivity and efficiency. In such cases, it is natural for management to focus, first and foremost, on the front office, paying less attention to back-office infrastructure and operations. Unfortunately, this can lead to significant issues over time, and needs to be addressed before problems arise.

One organization, a multinational energy conglomerate, had to tackle a particularly unique problem. It isn't often that an organization finds itself with a large backlog of cash, but this one did. The company had undertaken a complex acquisition two years earlier, in which a large number of new assets, entities and joint venture partners were folded into the organization. Careful not to act hastily, the organization allowed the merged entities to work in parallel for an extended period of time. It was a lesson learned from a previous acquisition, in which departments were replaced too quickly, creating friction and confusion within the organization.

The good intention had an unintended consequence, however. With no new direction or guidance, accounting department employees of the acquired entities gradually became discouraged and unmotivated, and their work began to suffer. Over time, a backlog of transactions had accumulated on the books.

Protiviti helped the organization realize the value of a structured accounting and finance operation that had defined roles and leveraged desktop procedures, tracking systems and strong reporting to keep projects and activities on schedule. This has enabled the company to improve its cash management and accounts receivable functions greatly, and regain the confidence of its partners and business associates.

The problem became apparent when the acquired companies were finally integrated into the parent's books. On paper, the challenges were staggering:

- Hundreds of millions of dollars in unapplied cash
- Thousands of payments to review
- Tens of thousands of accounts receivable line items to review

The company needed to address the issue head-on. It turned to Protiviti, which had not only accounting and finance expertise but also could marshal additional resources on short notice if necessary.

Protiviti lined up a team of consultants to undertake the account clean-up process. The initial idea was to work with the company's IT department and ERP business owners to automate the account reconciliation process through data validation. However, difficulties surrounding the data proved this plan unfeasible.

This left the team with option B: reconciling accounts manually. Leveraging the qualified resources of its parent company, Robert Half, Protiviti brought in experienced finance professionals on short notice. They matched complete and incomplete payment amounts to invoices, and were eventually able to reconcile the bulk of the cash, with only a fraction of outstanding cash receipts remaining.

The company then turned to its other problem — open receivables. Acting as a cash collecting department, Protiviti quickly uncovered the underlying source of the collections problem. Many of the parties billed were improperly invoiced, and as a result they were refusing to submit full payment, or any payment at all.

Realizing its mistakes, the company immediately set out to rectify them by correcting invoices, negotiating payments and clearing misunderstandings with customers. At the same time, management saw an opportunity to build stronger relationships with its joint venture partners and affiliates, leverage further capabilities in its ERP system, and clean up the data in order to help automate accounts receivable. Again, it asked Protiviti to help achieve these objectives and make other improvements in its accounting and finance function.

This second phase of the engagement included reconciling the accounts receivable ledger, resolving accounting disagreements with affiliates and joint venture partners, and implementing numerous processes to increase efficiency and save the company valuable time and money.

For example, the company was able to improve its monthly close significantly, by "re-engineering" the tools used for revenue accrual. Protiviti's experts streamlined both process and tools, effectively eliminating 90 percent of the work and making the rest much easier to perform. The result was renewed confidence in the accuracy of the financial data contained in the monthly close process, which reduced the monthly close timeline by several days. The streamlining process was soon duplicated in other departments, with efficiencies cascading throughout the company.

As similar projects followed, the company's accounting and finance infrastructure improved quickly. What's more, that newly adopted finance structure and practices enabled employees to keep the workload current, boosting employee morale and eliminating further need for outside help.

All of this is contributing measurably to the company's bottom line. Executive management took notice and personally praised the accounting leadership and team members for taking on the initiative to clear the backlog of accounts before the auditor's deadline and for the resulting improved structure.

Unintended consequences often can subvert an otherwise positive move, like the growth this company was undertaking. Willingness to acknowledge, diligently work through and solve these challenges is what makes the difference between an organization that succeeds and one that continues to struggle along at great cost.

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