

Baseline

**JOB SITE:
BUSINESS PROCESS IMPROVEMENT**

Closing the Books on Manual Accounting PROCESSES



BY AUTOMATING THE FINANCIAL-CLOSE PROCESS, ATLAS AIR FREED UP TIME, MONEY AND RESOURCES. By Wendy Shapiro

JOB SITE SUMMARY

The accounting department at Atlas Air Worldwide Holdings, a global provider of outsourced aircraft capacity, embarked on a multipronged process-improvement initiative designed to help close its books faster, streamline reporting and lower costs. Wendy Shapiro, Atlas Air's senior director of corporate accounting, discusses how the Purchase, N.Y.-based company achieved its goals.

TWO QUESTIONS THAT ARE EVER-PRESENT ON the minds of Atlas Air Worldwide Holdings' senior management are, "Can you close your books faster?" and "Can you do your work with less expense?" But closing quicker and with less expense is a challenge because we have to achieve these goals while holding the same high standards for accuracy and maintaining Sarbanes-Oxley Act (SOX) 404 compliance through documentation and evidence of review.

In searching for a better process, we knew that we had to eliminate the tried-and-tested method of completing account roll-forwards in Excel spreadsheets, printing those roll-forwards and collating the required backup through a series of downloads. Once we had compiled the required backup, we had to conduct a manual routing of those documents for review and sign-off. This process had to be tracked to ensure that all appropriate levels of review were completed, and that took time and consumed valuable resources.

We quickly identified the automation of this cumbersome process as a key target area that would enable our global organization to make the process more efficient. As with any project, maintaining scope and clarity of purpose was essential to achieving successful change and improvement.

In addition, we had to identify the shortfalls of the current process while identifying the potential solutions that would

achieve the results we needed. The most obvious strategy was one that offered automation, so we investigated IT software solutions. However, I knew Atlas Air would be very cautious on the amount of resources the solution required because the company was well into its latest growth phase and had many innovative projects in the works.

As the project began to take shape, it became clear that the manual paper-reconciliation process had to be replaced with an automated solution. This initiative had to be implemented quickly to avoid draining valuable resources, and the costs had to be kept to a minimum so other key projects would not be jeopardized. Before presenting the business case, viable solutions had to be researched so that the project's scope and resources would be adequate.

We discovered that automating the closing work papers and financial-close process overall could be tackled from many different angles. However, most of the initial solutions either were incomplete and required work-arounds, or they were not scalable for a global company like Atlas Air.

FINDING THE RIGHT SOLUTION

In mid-2008, I learned about the BlackLine Financial Close Software Suite, which automates closing work papers and task process flows. It also includes balance-sheet variance explana-

tions, journal-entry creation with workflow-approval process and a safe repository for key spreadsheets.

I liked the fact that all financial-close data and supporting documentation are housed in one place. The software also organizes and manages thousands of our documents that previously were stored on disparate servers across the globe.

In addition, I was pleased that the BlackLine suite didn't replace our JD Edwards financial system. Instead, it holds data that can either be pushed from BlackLine (such as approved journal entries) or pulled from our financial system (such as general-ledger balances and transactions).

As information is updated in our financial system, reconciliations that were certified become decertified, and notifications of pending action are immediately sent, thereby alerting the recipient that further review is required. There's no threat that last-minute entries won't be included in the hard-copy, signed reconciliations being reviewed by the auditors.

When reconciliations are fully reviewed and certified, they become available for review by both internal and external auditors. Original signed reconciliations are not signed out and tracked because they reside within the software. At all times, the overall status of the close process can be monitored and gauged for completeness. SOX 404 tasks that are performed—whether monthly, quarterly or annually—can be monitored. And we can place standard journal-entries checklists in the system as tasks and monitored for completeness.

Because the BlackLine suite is deployed in a software as a service (SaaS) environment, with no additional IT hardware required, it offered us a low capital cost solution. Also, since the interfaces were relatively simple, the software required very little IT resources to implement.

We decided to implement the software in a phased approach to manage the process change more effectively. The first phase centered on the implementation of the reconciliations and balance-sheet variances. This phase required building an interface from our existing JD Edwards financial system to the BlackLine system.

It took approximately two months from the start to complete the implementation of this phase. Training the accounting group was easy, and most people found that a one-day course was sufficient, as this was a Web-based solution.

The second and third phases of the implementation entailed adding close-procedure tasks and automating the interface feed from the company's financial system. Finally, we had to expand the software to enable journal-entry creation.

Throughout the implementation process, I found the BlackLine team to be flexible and open to suggestions regarding our requirements and where we thought changes would be necessary. By the end of the software implementation, the slight modifications that were added enhanced the roll-forward capabilities, workflow and user-interaction experience.

MEASURABLE ROI

The BlackLine suite has saved Atlas Air time and money and allowed our accounting groups to focus on playing a more stra-

tegic role in the company as it continues to grow. Overall, the software has reduced our monthly reconciliation-review process by approximately five business days.

In addition, we can submit our Securities and Exchange Commission filings an average of three days earlier. We estimate the total cost savings to be approximately \$125,000 per year, which includes a reduction in audit fees, supplies/storage and headcount.

Employees' morale has improved because they no longer have to perform administrative tasks, such as photocopying for auditors and searching for lost reconciliations. Because the software can be accessed from anywhere, it's easier for employees to work from home, if needed.

On average, each employee saves eight hours during the monthly close cycle. This allows them to work on other projects and spend more time with their families. Many of our employees have told us that their quality of life has improved since we implemented this system. Turnover in the accounting group has also been very low.

The BlackLine implementation has benefited Atlas Air in others ways, as well. I no longer stay awake at night wondering where we are in the close process because it takes only one click to get a status update. The integrity of the close process is enhanced, as the opportunity for minor errors—such as incorrect bal-

ances creeping into the reconciliation reports and variance analyses—is eliminated because balances are pulled directly from our financial system. Plus, standard journal entries and closing items are no longer forgotten because all items are certified as a part of our closing checklists, which are housed within BlackLine's task module.

With the process well-established in the new system, recreating tasks, variance analysis and reconciliations are easier because data from prior periods can be leveraged in the current period. The overall audit process has been shortened, and the overall integrity of the process has been strengthened.

The early stages of the audit process are no longer focused on gathering the required backup and tracking the manual sign-offs and audit requests. Instead, the focus is on enhancing the quality of the reconciliations and support required for the audit.

As we grow and develop the workflow aspects of the BlackLine suite, we see it assisting us in automating other once-manual procedures and making them more efficient. ◀

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