



*A Learning Healthcare System Workshop
Roundtable on Evidence-based Medicine*

In Cooperation with . . .

The National Academy of Engineering

April 29 – 30, 2008

The Keck Center of The National Academies – Washington, DC

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Retired Sr. Vice President & Controller
-- Alcoa, Inc.
Vice Chair, Martha Jefferson Health Service



Streamlining The Financial Close Process

“A Cycle-Time Reduction Project”

Within:

Ø Alcoa

Ø U.S. Treasury

Ø Martha Jefferson Hospital



Facts About Alcoa

Start of Project – 10/91

2007

ü \$10 Billion in Sales

\$ 31

ü World Leading Producer of Aluminum & Alumina

Same

ü Decentralized with 22 Business Units

46

ü 150+ Locations Throughout the World

316

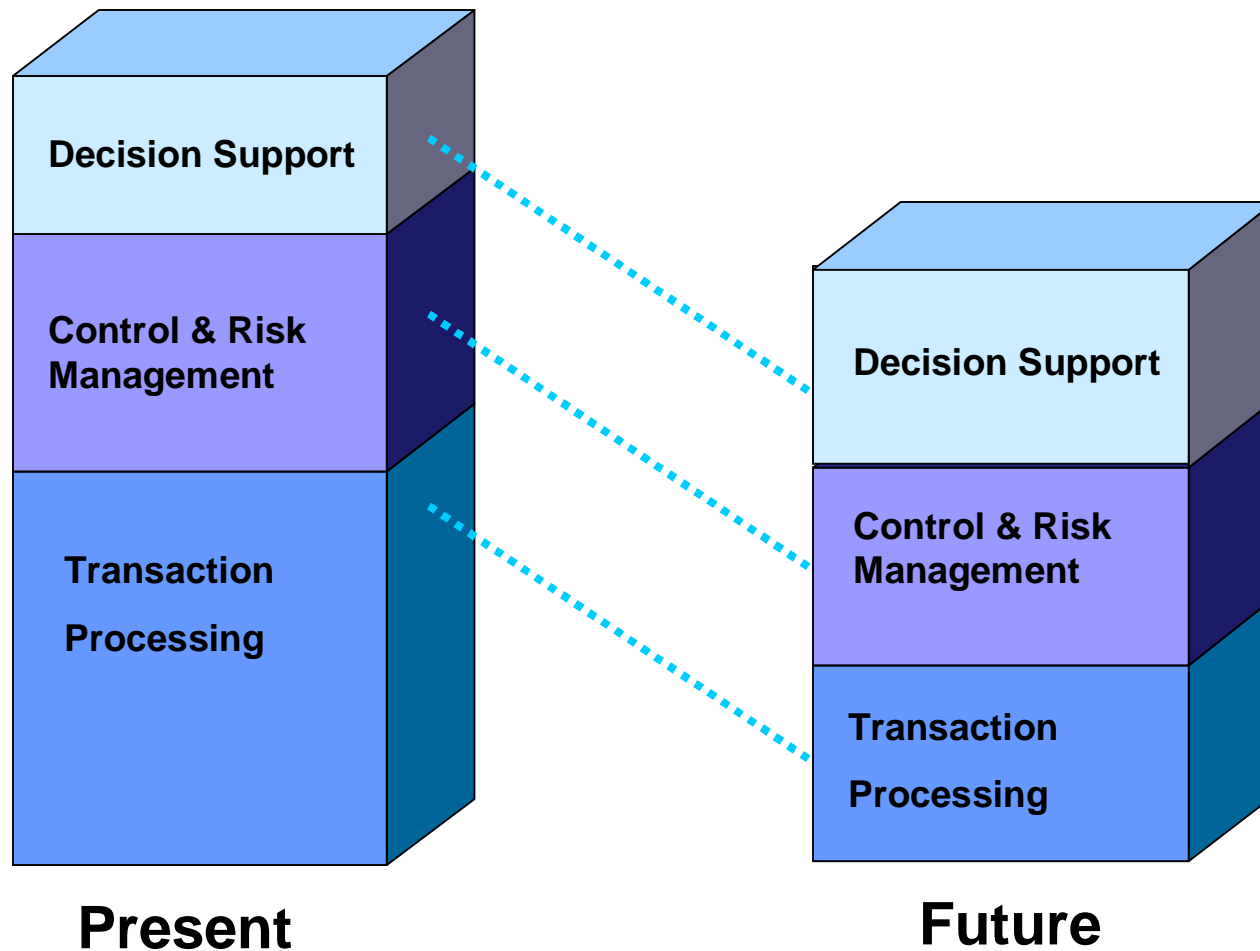
ü 20 Different Countries

44

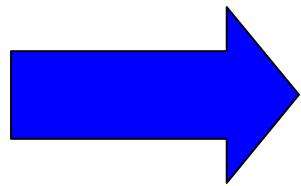
ü Variety of Systems & Processes

Greatly Reduced

*Finance's Challenge is Clear:
Redirect Resources While Reducing Costs*

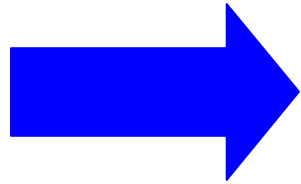


Finance Initiatives



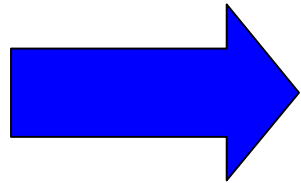
**Establish a
Common Chart of
Accounts
(VISTA)**

- Set up a worldwide common accounting and finance language
- Provide consistent information
- Improve communication among Business Units
- Enable other strategies



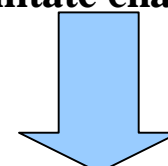
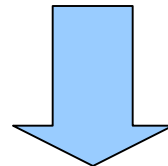
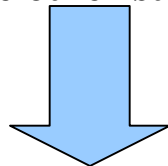
**Accelerated
Closing**

- Shorten the closing cycle to 3 days
- Significantly improve processes
- Provide timely performance information to management



**Shared
Services**

- Pool transaction processing for U.S. businesses
- Lower costs
- Better service
- Refocus on business analysis and support
- Critical mass to facilitate change



Help Both Finance and Business Units Close the Gap



Project Objectives

- ∅ Improved Information Sharing
- ∅ Better/More Timely Decision Making
- ∅ Easier Modeling and Analysis
- ∅ Improved Systems Efficiency
- ∅ Faster Adaptability to Change
- ∅ Enables Shared Ledger Processing
- ∅ Readiness for Growth
- ∅ Immunity to Organizational Change



Opportunity

- ü Alcoa's Closing is Completed at 4:30 PM on the 8th Workday of the Month
- ü World Benchmark for a Comparably Structured Company is 3 Workdays
- ü Validation & Error Correction are Part of the Process
- ü Earlier Completion Would Increase the Relevance of the Information
- ü Staff Time "Freed up" for More Value Adding Work



Project Guidelines

- ü Move from 8 days to 3 days
- ü Target Date: February, 1993
- ü No Interim Targets – Get There as Quickly as Possible
- ü Quality of Data to be Improved
- ü Early Cutoffs Not Allowed
- ü Standard Metrics will be Developed and Published Worldwide

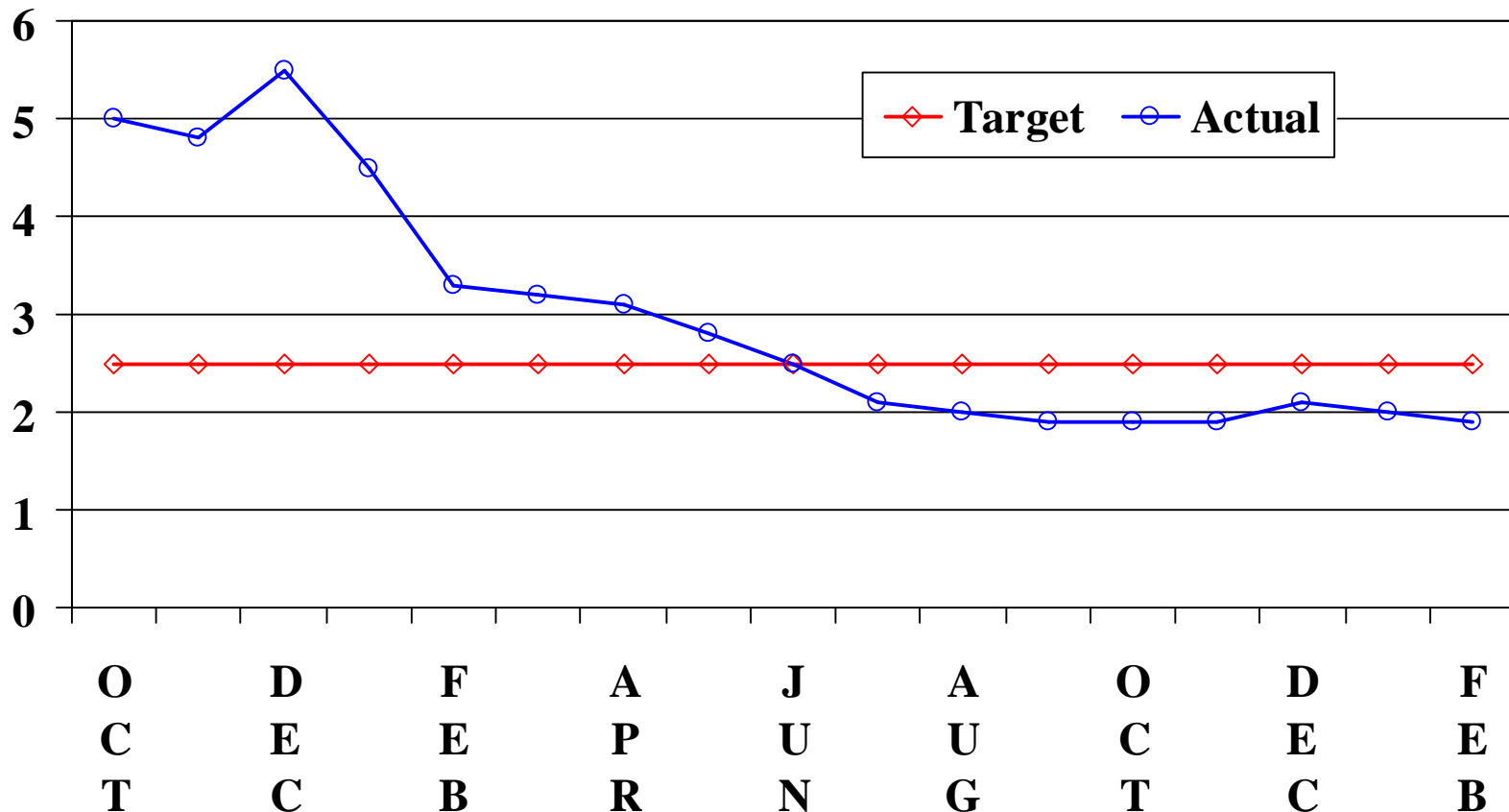
Initial Challenges

- ü Getting the Word Out -- Many Are Involved
- ü Overcoming Inertia
- ü Moving from “Why It Can’t Be Done” to “How It Will Be Done”
- ü Explaining the Real Benefits



Monthly Closing Performance Average for All Locations

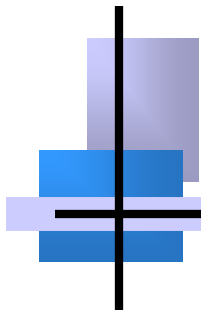
(September, 1991 through February, 1993)





Payoff

- ü Quality Improvement at All Locations
- ü Productivity Improvement = Days Saved x People in the Process
- ü Much Improved Communication & Cooperation
- ü Frustration with a “Painful” Process Greatly Reduced
- ü Advanced Quality Tools Deployed Across Entire Finance Organization



Payoff (Cont'd.)

- ü Earlier Financial Information/Performance Feedback
- ü Positive Image in Financial Community – Efficiency Matters
- ü Have Proven that Significant Improvements Can be Made to Administrative Processes
- ü Higher Level of Employee & Management Satisfaction

UNITED STATES
DEPARTMENT OF
THE TREASURY



3-Day Close Project Overview



Treasury Bureaus

- * > Bureau of Alcohol, Tobacco & Firearms
- > Comptroller of the Currency
- * > U. S. Customs Service
- > Bureau of Engraving & Printing
- * > Federal Law Enforcement Training Ctr.
- > Financial Crimes Enforcement Network
- > Financial Mgmt. Service
- > Internal Revenue Service
- > U. S. Mint
- > Bureau of the Public Debt
- * > U.S. Secret Service
- > Office of Thrift Supervision
- > Departmental Offices

ATF, Customs & the IRS Account for Approximately 98% of All Revenues Collected by the Federal Gov't.

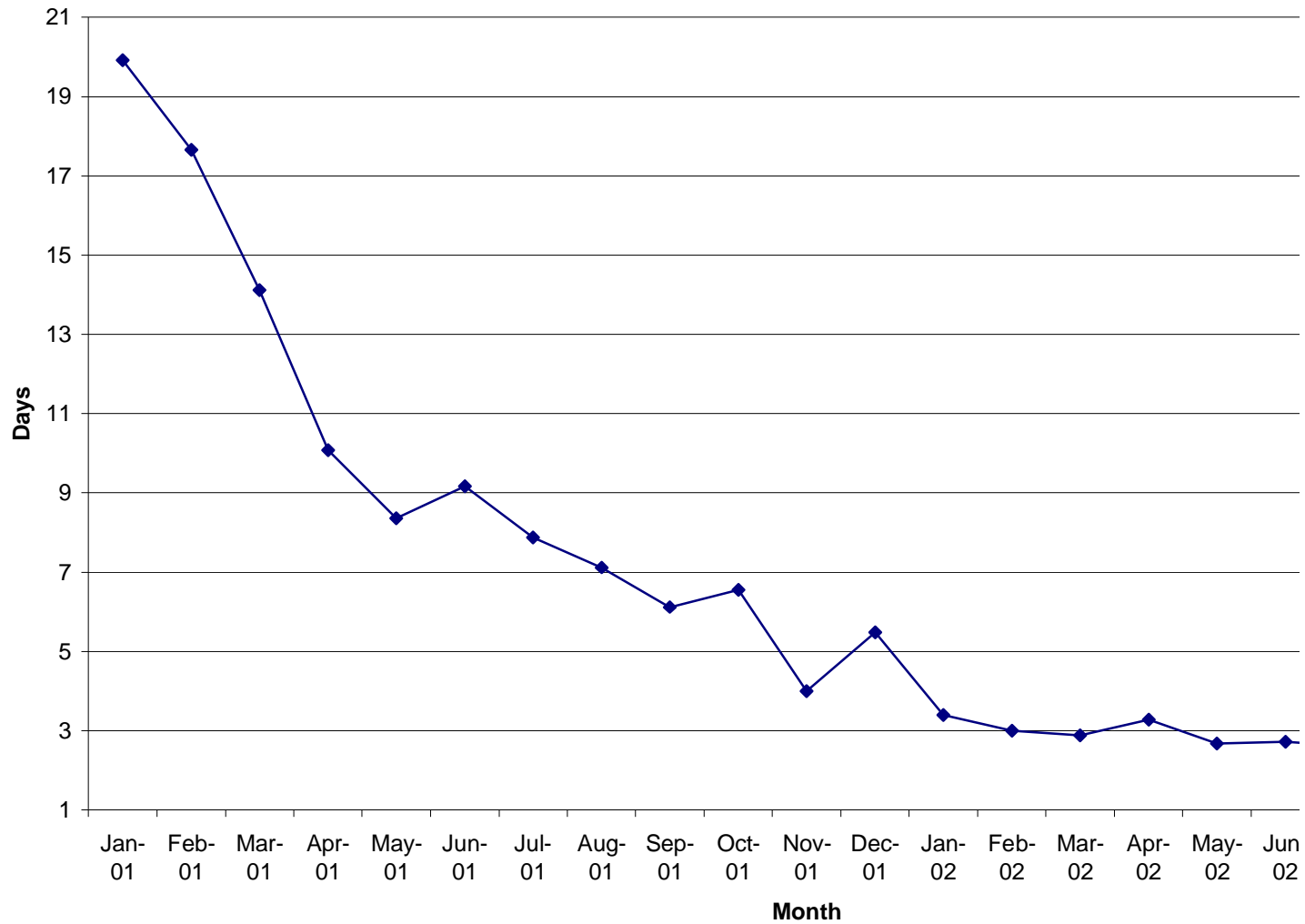
* Now a Part of the Dept. of Homeland Security



Project Background

- ü As of January, 2001 - Bureaus & Reporting Entities were Taking 20 Working Days to Submit Monthly Financial Data Into Treasury's Financial Analysis & Reporting System (FARS)
- ü World-Class Organizations Close Their Monthly Books in 3 Days
- ü On April 11, 2001 - Secretary O'Neill Challenged the Dept. to Achieve a 3-Day Close No Later Than July 3, 2002

Average Submission





Benefits Identified by Bureaus Closing in 3 Days

- ü Data has Become More Timely, Accurate & Meaningful
- ü Better Communication with Internal & External Organizations
- ü More Time to Perform Analysis & Focus on Other Things
- ü Surfaced & Re-engineered Old & Inefficient Processes
- ü Forced Them to Work More Efficiently & Put Previous Month “to Bed” Earlier
- ü Identified & Resolved Key System Fixes
- ü Restructured Some of Their Contracts To Obtain More Timely Information from Contractors
- ü Moved a Monthly Cost Meeting to a Week Earlier in the Month
- ü Helped with Budget Execution & Seeing the Status of Funds



Martha Jefferson Hospital

- ü Not-for-profit, 176-Bed Community Hospital Based in Charlottesville, Virginia
- ü 100+ Year History of Caring Tradition with Close Ties to the Community
- ü Fully Accredited by Joint Commission
- ü Key Services Include: Cancer Care Center, Cardiology Care Center, Digestive Care Center, Vascular Center, Women's Health Center, Emergency Department and Primary Care Services
- ü Medical Staff Comprised of Nearly 400 Affiliated Physicians Representing More than 35 Specialties



Initial Challenges

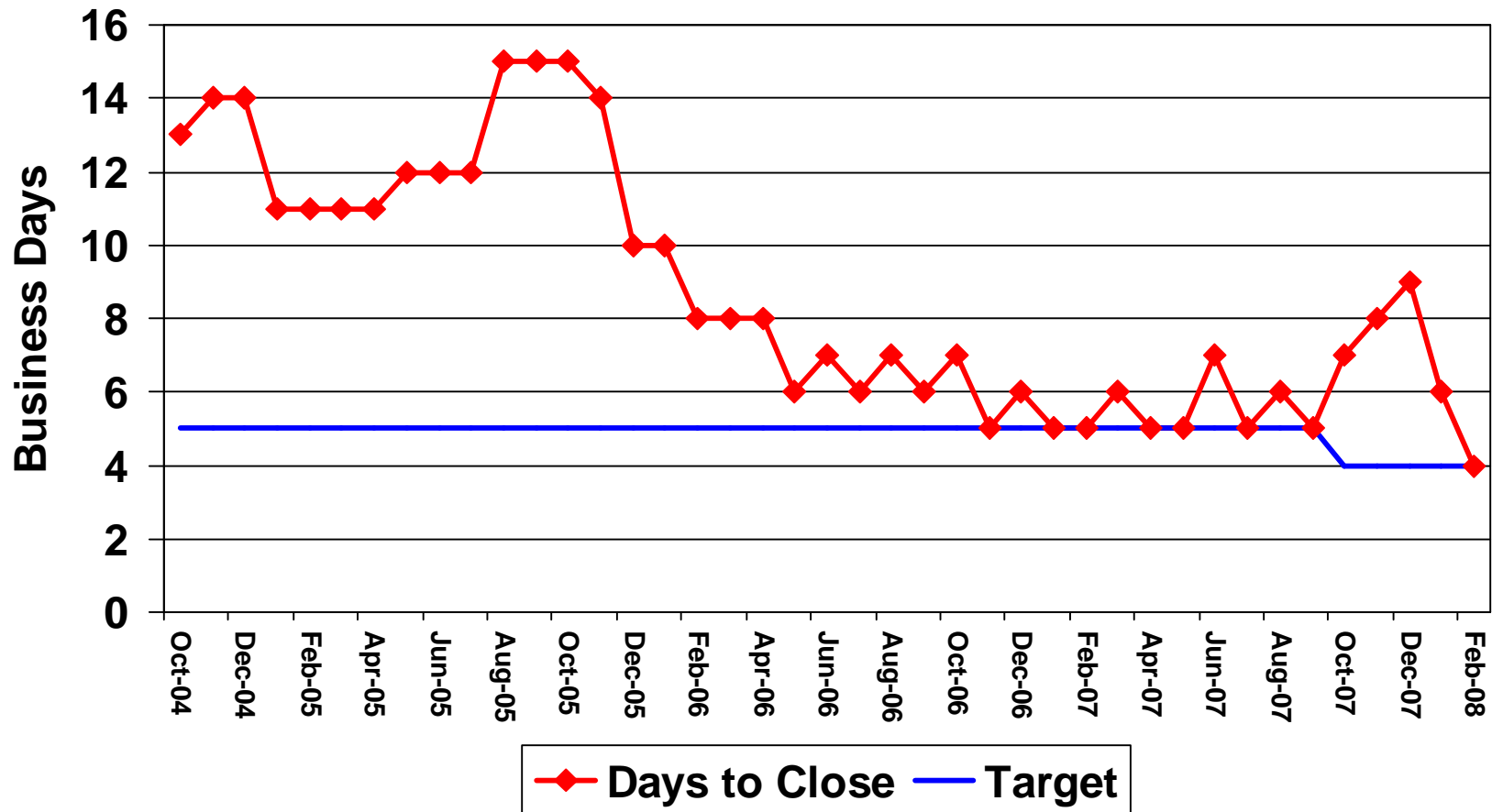
- Ø Making a Break from “the Way We’ve Always Done It”
- Ø Converting Serial Steps to Parallel Processes
- Ø Commitment



2005 Project Guidelines

- § Reduce Monthly Close Process from 15 to 5 Business Days in FY07
- § Distribute Departmental Reports on 6th Business Day
- § Enhance Use of Systems for Automation
 - § Effectively Utilize Recently Implemented GL System (Lawson)
 - § Implement Time and Attendance System
 - § Implement Operating Budget System for Automation of Budget Process and Management Reporting
- § Institute Firm Monthly Close Deadlines
- § Implement Processes Throughout the Month to Ensure Data Quality at Month-end

Monthly Closing Performance





Key Success Factors

- ✓ Commitment to Process Improvement, Deadlines and Each Other

- ✓ Teamwork

- ✓ Systems Working Correctly

- ✓ Belief in the “Possibilities”

- ✓ Catalyst for Change - Chair, Finance Committee

 - > Provided Insight and Support to Team, Ignited the Fire!



Payoff

- ü Timeliness! Transparency! Ease of Access!
- ü More Time Spent with *Information*; Less Time Spent on “*Data*”
- ü Improved Accuracy, Reliability and Consistency of Financial Information
- ü Elimination of Paper-based Reporting
- ü Earlier and Enhanced Insight to Appropriate Financial Information at Each Level of the Organization
- ü Finance Personnel Better Able to Serve and Support Operating Departments in Financial Management of Organization