CLOSE OPTIMIZATION

Month-End Close Health Diagnostic

A structured diagnostic to identify exactly where your close is breaking down — and what to fix first. Check every item that is consistently true.

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How to Use This Diagnostic

This diagnostic is not a pass/fail test. It is a structured way to identify the root cause of close problems — whether your close is slow, producing unreliable numbers, failing audit review, or all three. Work through each section and check the items that are consistently true. The section with the most unchecked items is where to start.

> *Most close problems have one primary root cause. Finding it is more valuable than fixing ten symptoms. This diagnostic is designed to surface the cause — not just the symptoms.*

1. Calendar and Process Structure

Close calendar problems are the most visible root cause — and the easiest to fix once identified. If tasks are not sequenced, owned, and tracked, the close will be inconsistent regardless of how hard the team works.

- ■ A written close calendar exists with specific task deadlines expressed as Day +N after period end
- ■ Every task on the calendar has a single named owner — not a team or department
- ■ The calendar is actively updated during the close — not just distributed at the start and forgotten
- ■ Each task identifies what must be complete before it can start
- ■ A hard cutoff is enforced: no new transactions posted after Day 0 without documented approval
- ■ The same sequence is followed every month — not recreated from scratch each cycle
- ■ A post-close retrospective is conducted each cycle to identify what slipped and why
- ■ The close has completed within the same number of days for at least three consecutive cycles

> *If more than two items above are unchecked, process structure is your primary constraint. No technology investment will fix an unstructured process.*

2. Reconciliation Quality and Completeness

Reconciliation gaps are the most common source of audit findings and close delays. The diagnostic here is not whether reconciliations exist — it is whether they meet the standard required by a reviewer.

- ■ All balance sheet accounts — not just cash and AR — are reconciled every period
- ■ Each reconciliation starts from the trial balance, not a manually entered GL balance
- ■ Reconciling items are listed individually with a description, dollar amount, and date each arose
- ■ No reconciling items are older than 60 days without a documented resolution plan
- ■ A standard template is used consistently — reconciliations are not built from scratch each period
- ■ Each reconciliation includes both a preparer name/date and a reviewer name/date
- ■ The reviewer is independent from the preparer — the same person does not perform both roles
- ■ Reconciliations are completed and reviewed before the financial statements are distributed
- ■ Intercompany balances are reconciled to the counterparty — not just posted and assumed
- ■ Fixed asset, prepaid, and accrued liability reconciliations include a full rollforward

> *If more than three items are unchecked, reconciliation quality is contributing directly to audit findings or close delays.*

3. Accrual Process Discipline

Accrual problems are where most closes get stuck in the middle. Business units submit late, amounts are unsupported, and finance ends up estimating or waiting instead of closing.

- ■ A hard accrual submission deadline exists — late accruals are estimated by finance, not waited for
- ■ Each accrual submission requires a basis: invoice estimate, contract rate, or calculation
- ■ Recurring accruals (rent, insurance, interest, bonuses) are templated — not recalculated from scratch
- ■ Accruals are reviewed and approved before they are posted — not after
- ■ Payroll accruals are calculated to the exact hours worked through period end, not approximated
- ■ Bonus and commission accruals are tied to the approved compensation plan and YTD attainment

- ■ An accrual rollforward exists: beginning balance + additions - payments = ending balance
- ■ Accrual estimates are compared to actuals each period and methodology adjusted when estimates are consistently off

> *A weak accrual process creates weak reconciliations and weak flux analysis downstream. Fix this before addressing speed.*

4. Journal Entry Controls and Documentation

Journal entry testing is required under auditing standards. Auditors will request a complete population of all journal entries and test a sample. Weak controls here are both an audit finding and a broader control environment signal.

- ■ A journal entry policy exists defining who can post, what support is required, and who reviews
- ■ All manual journal entries have supporting documentation attached — not stored separately
- ■ Recurring entries are templated and pull from the same underlying support each period
- ■ Large or unusual entries are flagged for enhanced documentation and senior review
- ■ No entries are posted after the close cutoff without documented authorization
- ■ Period-end estimates and accruals are supported by a calculation, not just a round number
- ■ An independent reviewer approves journal entries before posting — not after the period closes
- ■ A complete JE population can be produced on demand with documentation accessible for each entry

> *Weak journal entry controls are both an audit finding and an indicator of a broader control environment problem.*

5. Review, Flux Analysis, and Error Detection

Most close errors are caught during review — if the review process is substantive. Companies that distribute financial statements without a documented flux review are relying on the audit to catch what the close should have caught.

- ■ A flux analysis is prepared every period before financial statements are distributed
- ■ Flux thresholds are defined: variances above a dollar amount or percentage require documented explanation
- ■ Flux explanations are specific — not 'higher revenue' but the actual reason by contract or cost category
- ■ Unexplained variances are escalated and resolved before the close is finalized
- ■ The prior period flux document is retained as a workpaper available for audit
- ■ A management review meeting is held before the reporting package is distributed

- Errors found after distribution are tracked and the root cause is identified and addressed
- The controller reviews every balance sheet account — not just income statement lines

> *Flux review is not optional — it is the close's quality control step. Errors found after distribution erode confidence in the finance function.*

6. Systems and Data Dependencies

Many closes are slow not because of accounting decisions but because the close is waiting for data. Identifying and eliminating data dependencies is one of the fastest ways to accelerate a close.

- Every data dependency is identified: tasks requiring a report, file, or number from another system or team
- Data dependencies have a named owner and a delivery deadline on the close calendar
- ERP, CRM, and payroll reports that feed the close are automated or scheduled — not manually requested
- Bank feed connections are automated — reconciliations are not blocked waiting for a bank statement
- Subledgers close on a defined schedule integrated into the close calendar
- A backup plan exists for each critical dependency: if the source is late, finance can estimate and true up
- The chart of accounts is clean enough to support automated reconciliation matching
- Historical data quality has been reviewed: prior period reconciliations are reliable baselines

> *Data dependency problems often masquerade as staffing problems. Map your dependencies before adding headcount.*

7. Team Capacity and Ownership Clarity

Capacity and ownership problems look like process problems from the outside. The diagnostic question is whether the process is the constraint — or the people available to execute it.

- Each close task has a single named owner who is accountable — not a shared responsibility
- No single person is the bottleneck for more than 30% of the critical path tasks
- Cross-training exists: at least two people can perform each close-critical task
- The accounting team has the technical knowledge to handle the complexity the business creates
- The controller spends the majority of close week on review and oversight — not transaction processing
- Overtime required to close is tracked: two consecutive periods of significant overtime signals a problem

- ■ Business unit owners submit accruals and data on time consistently — or there is a consequence for late submission

> *If the controller is doing transaction processing during close week, the team structure needs redesign before the process can improve.*

8. AI Platform and Technology Readiness

If you are using or evaluating an AI close platform, this section identifies whether your accounting foundation is ready to benefit from it. Platforms accelerate a structured process — they surface gaps in an unstructured one.

- ■ Reconciliation templates are standardized and consistent across all accounts
- ■ Accounting policies are documented in writing for all significant account types and estimates
- ■ The chart of accounts has been reviewed and cleaned within the last 12 months
- ■ The close calendar is documented and followed consistently for at least two cycles
- ■ Historical data quality is sufficient to provide reliable baselines for flux and anomaly detection
- ■ Journal entry controls are documented and enforced — not assumed
- ■ The team understands which accounting judgments the platform surfaces but cannot resolve
- ■ Post-implementation: the platform's workflow matches how the team actually closes — not just how it was configured at go-live

> *If more than three items are unchecked, an AI platform will surface gaps faster — but it will not resolve them.*

Reading Your Results

> *The section with the most unchecked items is your primary constraint. Start there — not with the section that is easiest to fix.*

Score per Section	What It Means
7–8 checked	This area is functioning well. Maintain the standard and review quarterly.
5–6 checked	Partial gaps. Assign remediation owners with deadlines for each unchecked item.

3–4 checked	Significant gaps. This section is likely contributing to close delays, audit findings, or unreliable numbers.
0–2 checked	This is the root cause. No other improvements will hold until this section is addressed first.

Want a close diagnostic review with a VAO CPA advisor?

VAO CPA works through this diagnostic with your team, identifies the primary constraint, and builds a remediation plan with clear owners and measurable outcomes.

contact@vaocpa.com · (832) 542-6229 · vaocpa.com