

CASE STUDY | Cash Processing - Alternative Investments

How the Financial Accounting (FA) department (Americas) of a large bank deployed its cash-processing function for its private-equity-fund investments to Pune, India.



The Problem

The Financial Accounting (FA) department (Americas) of a large bank deployed its cash-processing function for its private-equity-fund investments to Pune, India. Using nine full-time equivalents, the process was very manual with many handoffs between fund accountants, treasury operations and two financial-accounting alternative investment teams in New York and Pune.

Cash-processing was done based on information in funding memos, which were often incomplete or even missing data. People were busy with month-end tasks during the first half of the month, so cash-processing was deferred to the second half of the month, as it was considered non-critical.

When the project began, the average processing time in January was 4.3 days, and eight percent of all transactions took 10 days or longer to approve—consuming a significant amount of resources in both Pune and New York.

Therefore, the team set a goal of reducing processing time down to two days. With this primary metric in place, the team set about developing a new process and solution.

Problem

- ▶ Inefficient and time-consuming cash processing

Solution

- ▶ Established Intranet-based electronic database
- ▶ Enhanced search functionality
- ▶ Streamline communication flows
- ▶ Targeted follow-ups for poorly performing areas

Result

- ▶ Reduced average processing time by 30%
- ▶ Reduced lengthy transactions to only 3% of total

The Solution

Several solutions were implemented to address the problem and achieve the performance target, starting with scanning cash memos and loading them to a SharePoint website. This eliminated non-value added activities in Financial Accounting.

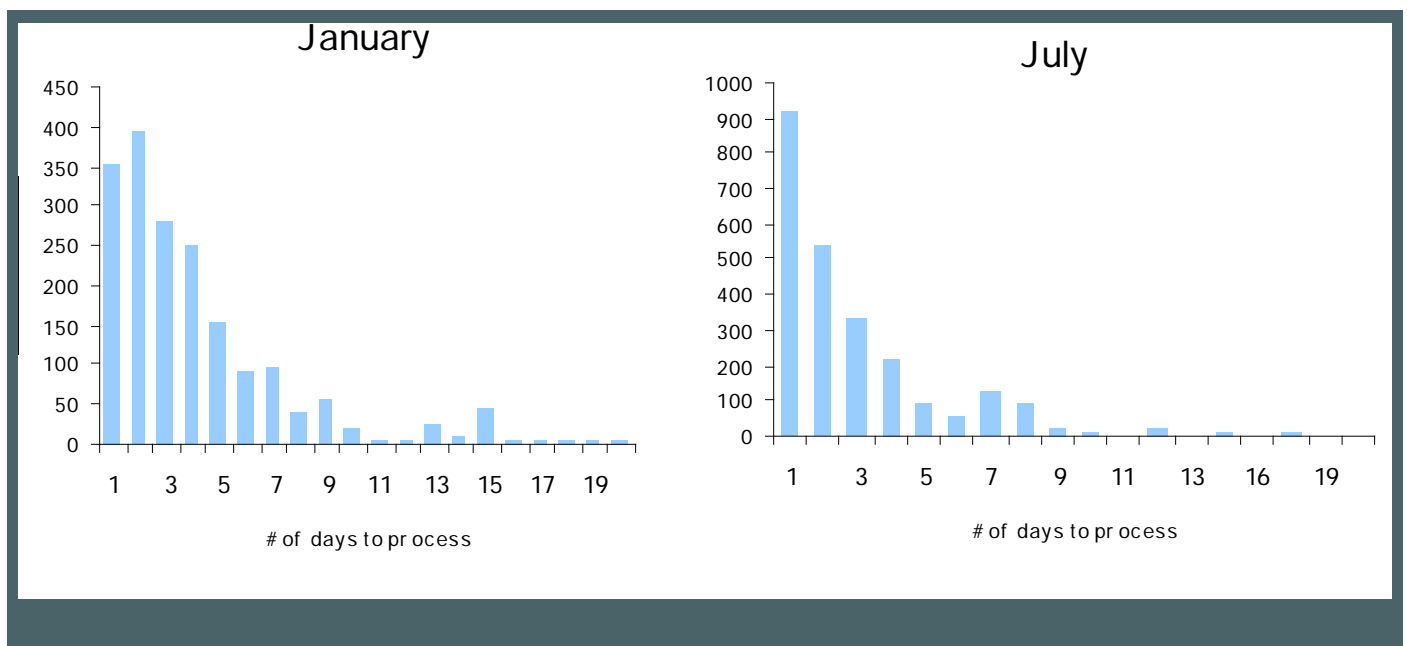
Further, the memos on the SharePoint site had a search functionality already enabled, which previously took every staff member in Pune 5-10 minutes to load every time they opened the file.

FA Pune is directing questions directly to Fund Accountants and doesn't go through FA NY anymore. Then the team instituted specific follow-ups with fund areas that were causing long processing times due to incomplete or missing information.

The Results

Several results were achieved by the team:

- ▶ Average processing time decreased by 30 percent to three days
- ▶ Due to month-end responsibilities during the first week of the month, the original goal of two days couldn't be achieved for the entire month. The average processing time for transactions booked after the sixth of the month, however, decreased from 3.1 days to two days, achieving the initial objective
- ▶ Only three percent of all transactions took longer than 10 days to complete
- ▶ FA Pune produces a monthly management report illustrating processing time for the month and highlighting any issues



A lesson learned from the project is that management support is a critical key to success. Also, process performance can be significantly improved by implementing relatively simple changes. Finally, transparency around process performance is crucial for achieving improvements.