

Operational reviews save distressed companies

December 18, 2009 - Spotlights

Improving cash flow:

- * Determining the proper procedures for recording and paying invoices.
- * Determining cash requirements on a daily, weekly and monthly basis.
- * Verifying the proper use of grants.

Improving communications:

- * Identifying breakdowns in communication between management and staff, and a variety of other issues of significant concern.
- * Improving the ways the organization communicates with its staff, management, supporters and vendors.

Providing third-party assurance:

- * Assuring management, board members, and/or audit committees that current activities or proposed activities will not expose the organization to unwarranted risks. This becomes important during times of expansion, since what may be an insignificant problem at present could become a major problem after expansion takes place.

Why it's important to use a third-party, independent external reviewer:

- * It is important to take an independent view of an organization's operations rather than be restricted by habit and practice. With an objective review, the independent reviewer can easily remove the subjectivity that would otherwise be present in cases where management is reviewing his/her own practices and procedures.

There is a need to apply industry experience, as well as general business principles. Your organization benefits from the experience the independent reviewer has gained from other organizations in the same industry. It is therefore important that you ensure that those performing the review have the practical experience, across all aspects of the industry, regarding management and performance.

An independent review allows management to focus their attention on the day-to-day operations of their organization.

It has been our experience that while organizations may be very different in management style, culture and operational structure, they are all challenged with similar struggles. The fight to gain or maintain a competitive edge is an ongoing battle and the most successful organizations are the ones who are open and receptive to change. The organizations that take the time and effort to review how they operate, and why they operate in the manner they do, are the ones most likely to reach their goals.

Stephen Mannhaupt, CPA is a partner at Grassi & Co., CPAs, Lake Success, N.Y.