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Boosting Financial Institution Efficiency From Assessment to Implementation

October 4, 2024

Why a Business Opportunity Assessment (BOA)?

- Focuses on the intersection of structure, process, and systems
- May assess a functional area, specific department, or entire organization
- Objectives of recommendations include efficiency, quality, control, and innovation
- Recommendations include staffing changes, process improvements, and/or system selection
- Goal is improved operational efficiency and effectiveness



Analysis of Current and Future State



Current State Summary



Future State Vision



Prioritization Matrix



Implementation Roadmap

BOA Next Steps

Business Opportunity Assessment (BOA)

System Optimization

Discover ways to improve process and system efficiency

System Selection

Choose systems that support efficient operations

Contract Negotiation

Contract for system efficiency

Implementation

Implement improvements and systems



Timeline Considerations

	Weeks		Months			
	Business Opportunity Assessment	System Optimization	System Selection - Core System	System Selection - Ancillary System	Contract Negotiation - Core System	Contract Negotiation - Ancillary System
Process	8-10	10-12	10-14	5-6	6-8	4-6
Implementation	Varies	Varies	6-12	4-8	6-12	4-8
Total	8-10 weeks ¹	10-12 weeks ¹	16-26 months ²	9-14 months	12-20 months ³	8-14 months ³

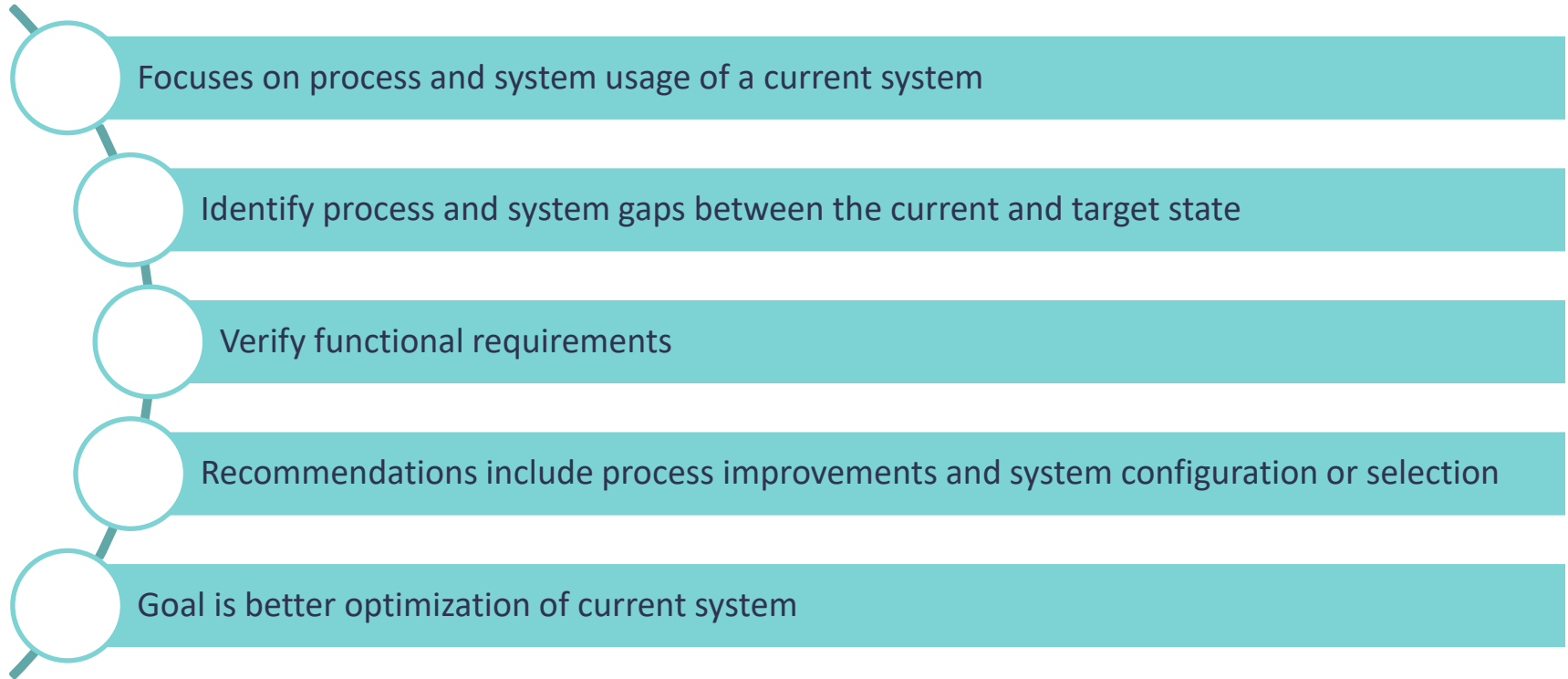
¹Not including next steps

²Ideal time to start is 18-30 months before current core system contract expires

³If implementing a new system



Why System Optimization?



Current State and Gap Analysis



Current State Summary



Functional Requirements



Future State Vision



Implementation Roadmap

Case Study



Institution assessed its loan operations and identified delays in the loan origination and approval processes.



As a result, loan origination workflows were restructured to eliminate redundant steps and streamline processes.



The loan origination system was enhanced to automate various stages of the loan process, from application submission to approval.



Enhancements were made to the integration between the loan origination system and other systems. This improved data flow and reduced processing times.



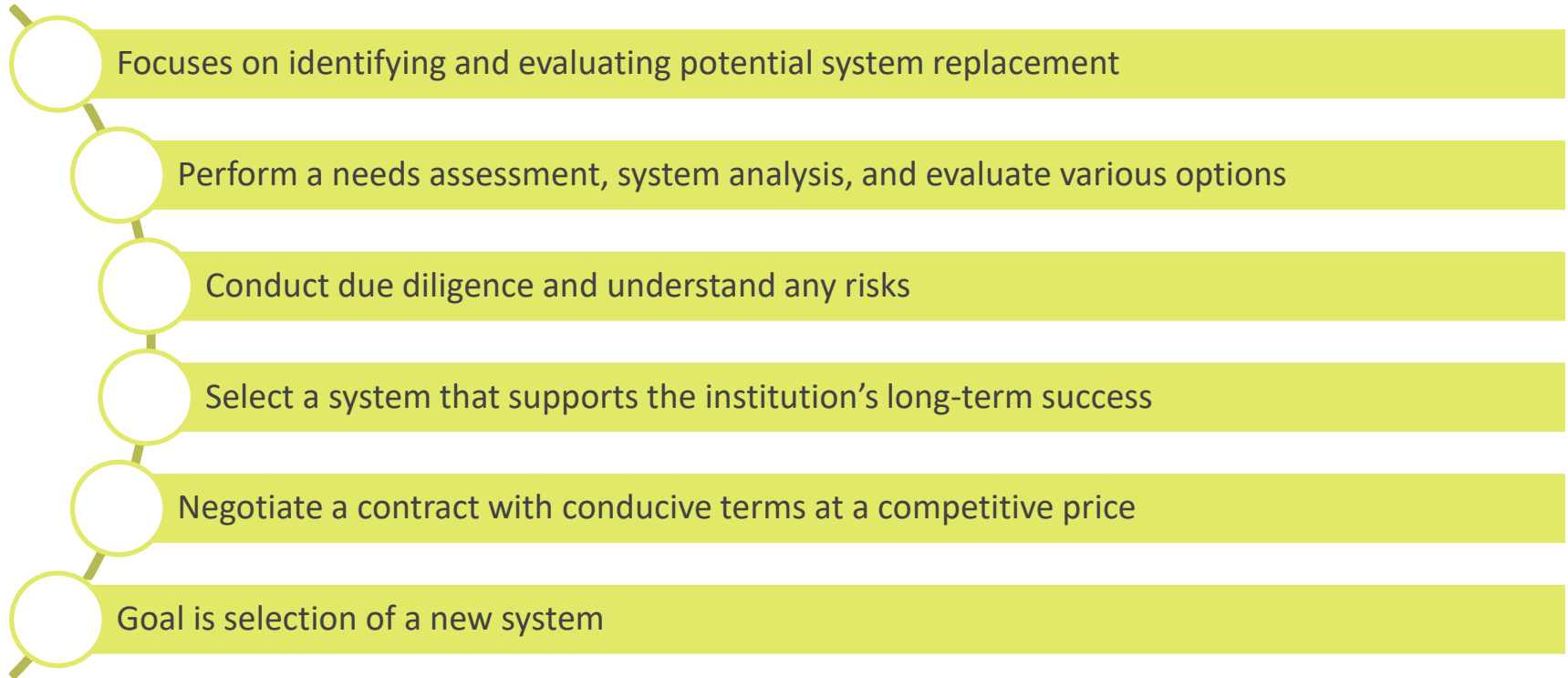
The institution significantly improved its loan processing efficiency, reduced errors, and enhanced satisfaction.

Considerations

- Existing technology versus new
- Technology integration
- Security and access controls
- Scalability
- Vendor management
- Test environment
- Predictive analytics



Why System Selection?



Strategic System Selection



Needs Assessment



System Analysis



Due Diligence



Select System



Contract Negotiation



Case Study



Institution signed an agreement in which all products had an initial term of seven years.



BUT the “start date” for the products was not well defined in the agreement:

Some product start dates began at execution, while others began at implementation.

Additionally, the products had different auto-renewal term lengths.

Also, new products were added by the institution throughout the term, each with unique expiration dates.



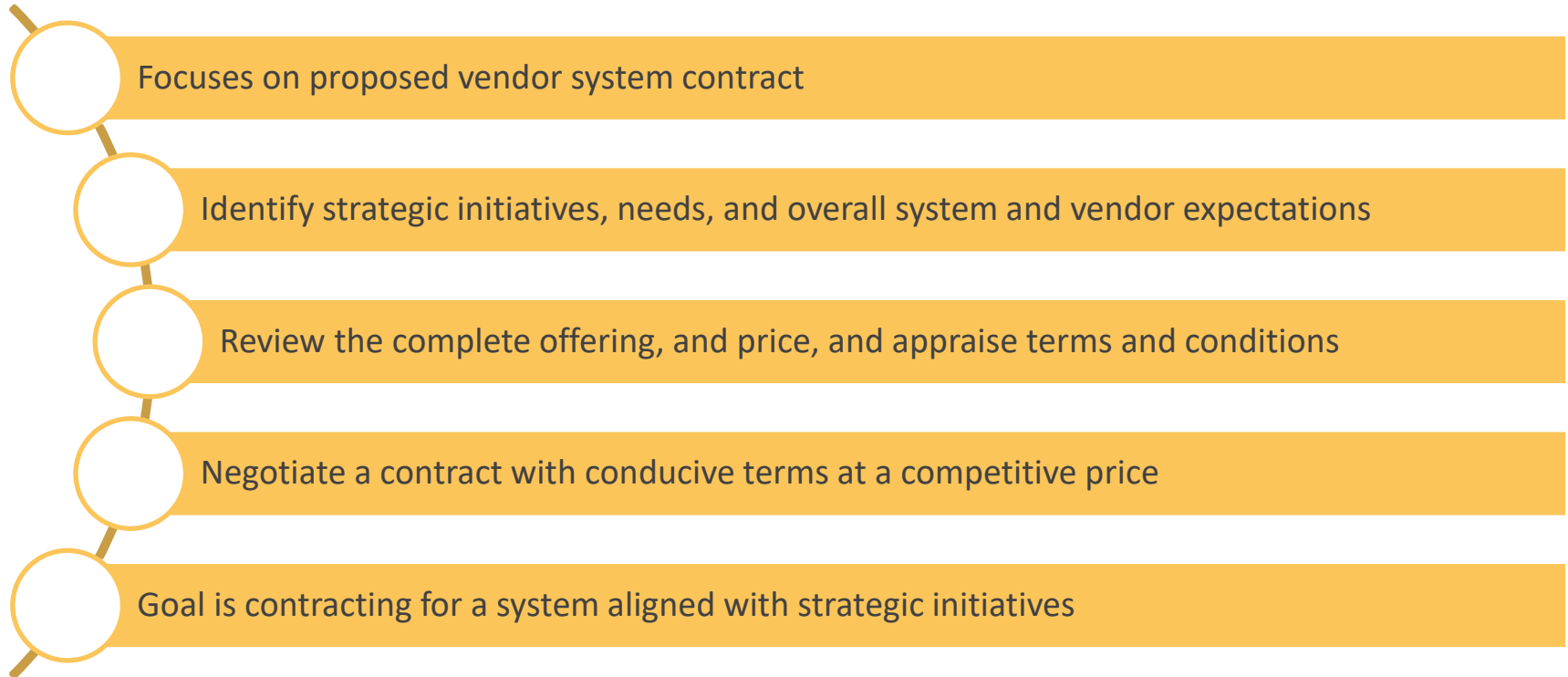
The institution was unable to terminate their existing agreement without incurring significant penalties.

Considerations

- Incumbent system
- Ancillary systems
- Technology integration
- Due diligence
- Role of third and fourth-party vendors
- Running dual systems
- Vendor management



Why Contract Negotiation?



The Cost of Doing Nothing



Auto-Renewal on Existing
Contracts



Non-Coterminous
Contract Expiration Dates



Unmonitored Service
Level Agreements



Long-Standing Master
Agreements



Not Engaging a Trusted
Advisor

Case Study

Institution signed an agreement in 2001, with a five-year initial term and a one year auto-renewal term.

Beginning in 2006, the agreement auto renewed for one year.

The agreement continued to auto-renew until 2024, when the institution decided to negotiate a short-term extension to provide time to begin a system selection.

The institution engaged their trusted advisor to review the current agreement. Their trusted advisor determined that the institution was paying fees significantly higher than fair market value.

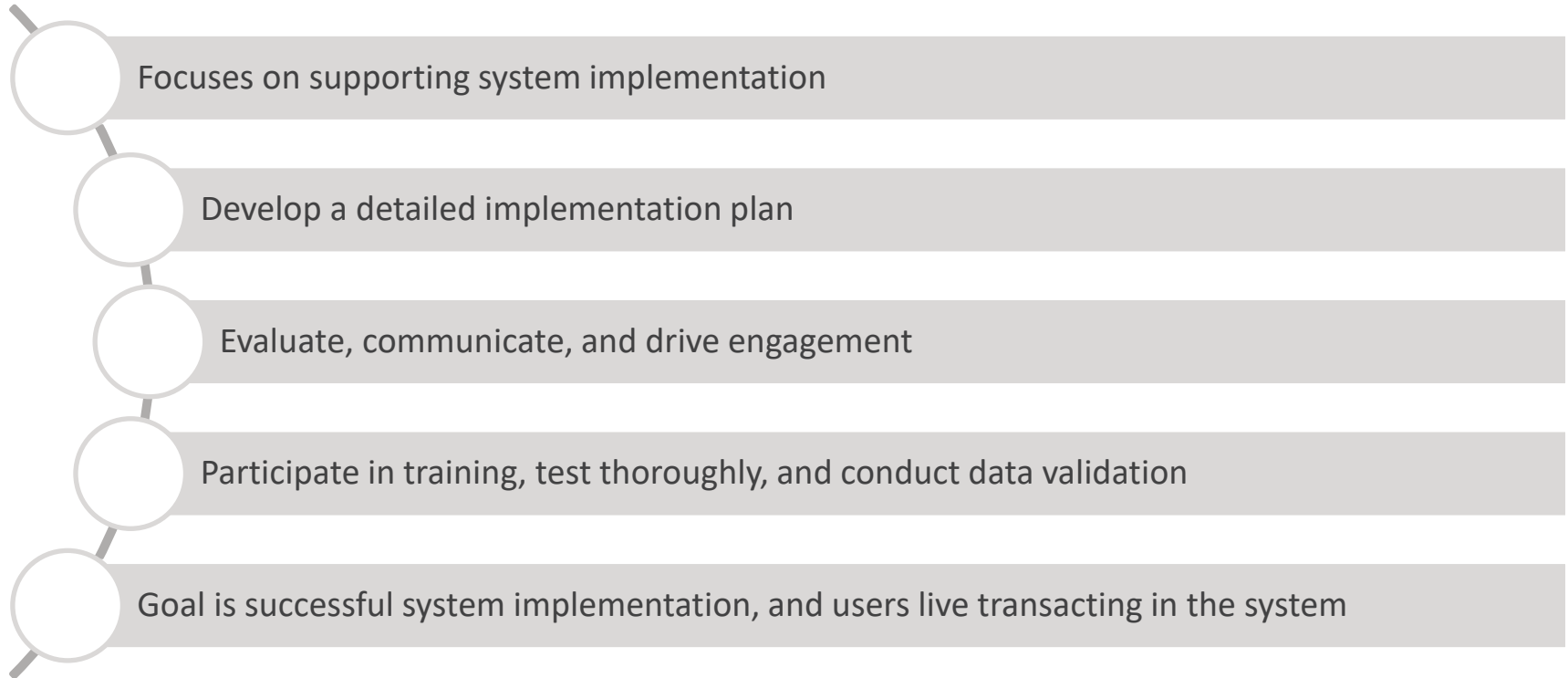


Considerations

- Term length
- Pricing
- Contract language
- Service level agreements (SLAs)
- Ongoing vendor monitoring
- Ongoing SLA monitoring
- Business continuity planning



Why Implementation Advisory?



Successful Implementation



Dedicated Resources



Pre/Post Implementation
Assessments



Ongoing Vendor
Management

Case Study

Institution implemented a new core system without assistance from their trusted advisor

The new core system experienced frequent outages and performance issues, disrupting operations and external access

Data migration errors led to incorrect account balances and transaction histories

Technical issues led to a surge of complaints and a decline in satisfaction, impacting the institution's reputation

The institution incurred costs for troubleshooting and fixing the issues, thereby increasing operational costs and affecting profitability

The issues attracted scrutiny from regulators, who were concerned with the impact on customers and the overall stability of the system



Considerations

- External impact
- Data quality and volume
- Technology integration
- Extensive testing
- Training issues
- Clear communication
- Unforeseen costs



Thank you!

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