

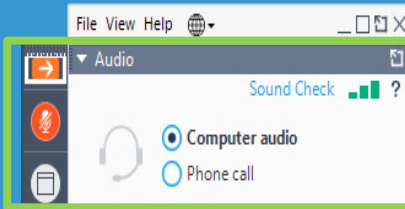
Best Practices: CFO and Accounting Functions – Session 2

July 30, 2020



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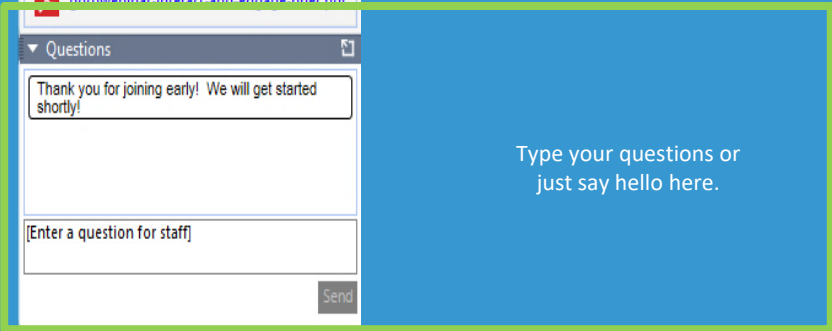
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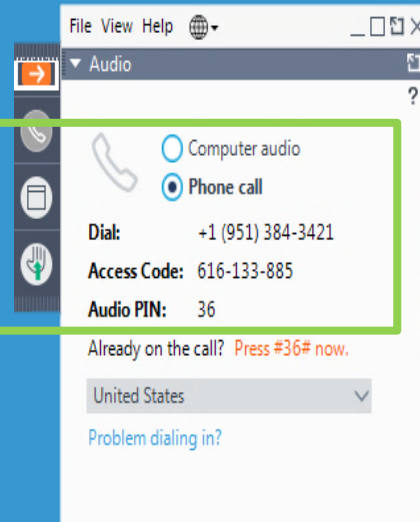
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Attendee Control Panel

Today's Presenters



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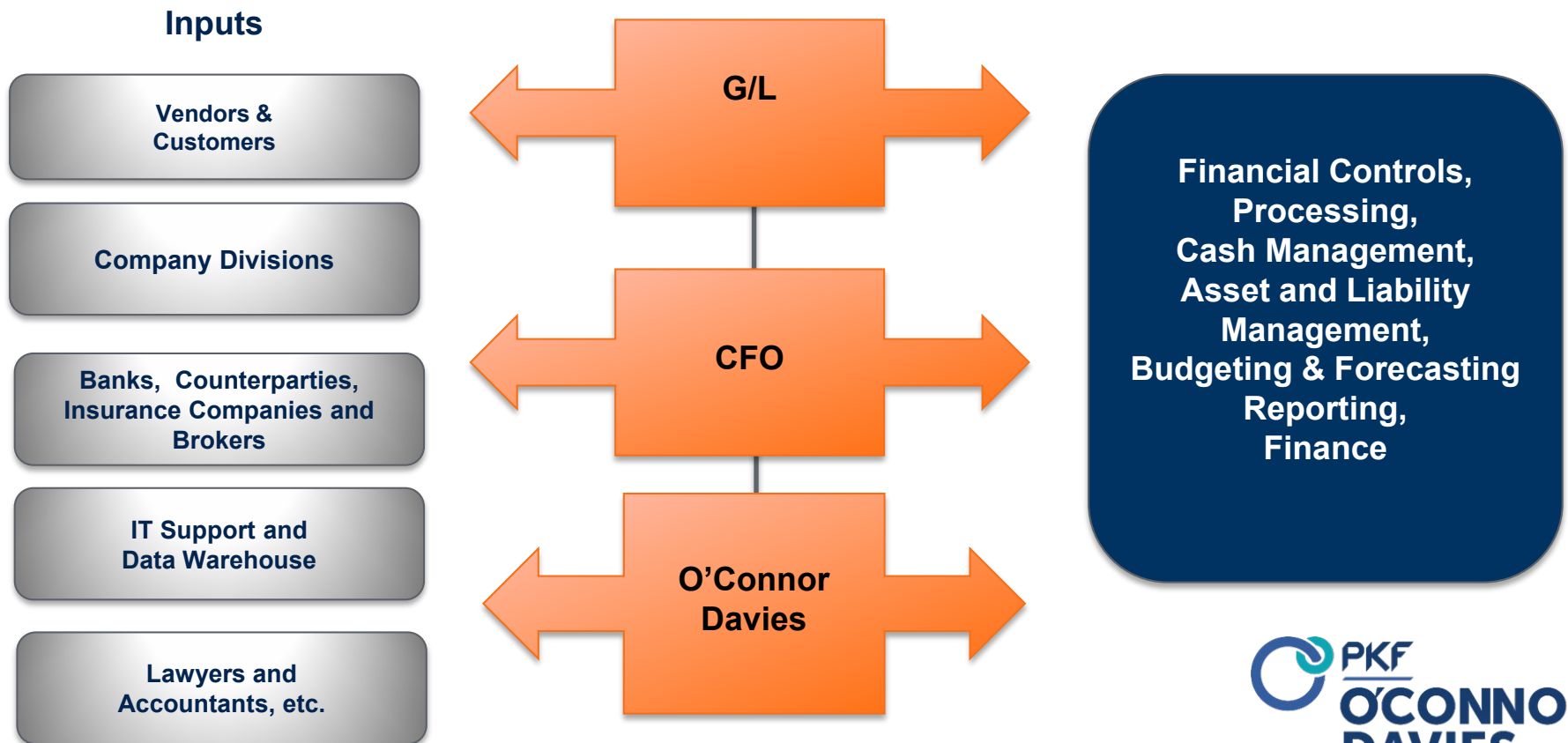
Current Challenges Facing CFOs and Controllers

- Wear Many Hats (Finance, Accounting, Analytics, Insurance, etc.)
- Evolving Business Strategy in a rapidly changing and complex world:
 - Shift product mix to grow revenues and profits
 - Finance new activities
 - Data gathering and analytics management and quality/consistency
 - New projections, scenarios and business plan
 - IT and software challenges and cyber risk
 - Controlling costs and increasing margins
 - Attracting and retaining talent

Design & Optimize Management & Financial Reporting Systems

- Establish a Risk Management (ERM) Framework-see slides from Session 1
- Risk assessment:
 - Risk events
 - Control objectives and controls
- Review, assess and optimize system of internal controls, tasks and workflows

Accounting Framework Design: Use Internal Resources or Shared Accounting Resources – Co-source or Outsource



Co-sourcing – the Hybrid Solution

- Build a team comprised of company employees, outsourced and insourced professionals
 - Dedicated team
 - Local, International & Global via PKF International network
 - Leverage Industry experts
- Benefits
 - Improves resource allocation
 - Reduces cost by optimizing function and costs and technology
 - Shifts technology and HR costs and function to the third party service provider (leverage many companies costs and development)
 - Dedicated staff with back-up and redundancy
 - Flexibility – e.g. sale of PE portfolio company

How to Optimize Monthly, Quarterly and Year-End Close

- Update or create schematic of your accounting, software and IT interfaces.
 - How are management and financial reports generated?
 - List each key task/function: manual vs electronic/automated
 - Evaluate the efficiency of each component
- Who has the authority to make adjusting journal entries?
- Analyze the last three closes to gauge efficiency and effectiveness
- Assess:
 - Data Protection, Privacy & Cyber Controls
 - IT Access & Restrictions

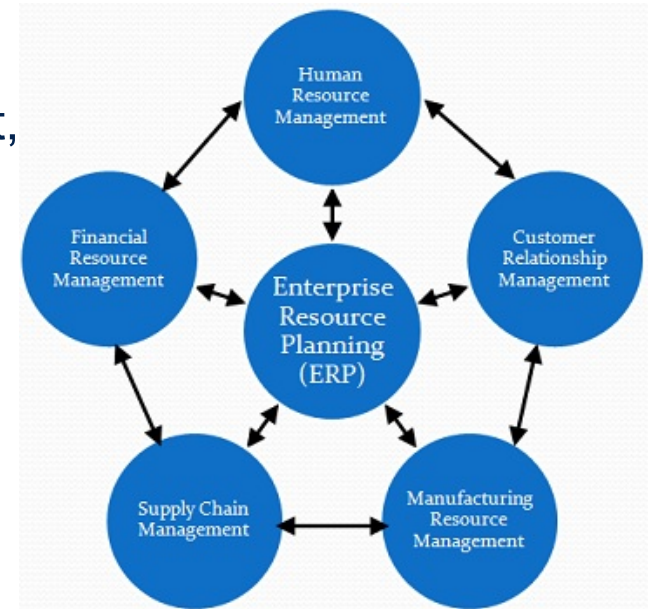
Enterprise Resource Planning (ERP) Systems and General Ledger Systems

G/L Software:

- Exact, NetSuite, SAP, Sage Systems-Intacct, Sage 50,100, etc.
- FundCount-investments and family offices
- QuickBooks & Zero (for simpler reporting needs)

Review your accounting – G/L system – in the overall in relation to your business today:

- Has your business outgrown your software?
- Subsidiary schedules and worksheets: should you use Excel and make a one-line entry into your G/L?



How to Optimize Monthly, Quarterly and Year-End Reporting – cont'd.

- Review your auditor's or independent accountant's Internal Control Memo. Analyze:
 - Any control deficiencies and recommendations
 - Notes from the year-end closing season and tax preparation
- Accounting Policies & Procedures: are they current?
- Estimates – can you use estimates during the months that are not quarter-end, for example fair value?
- Are you subject to any new GAAP pronouncements and have you implemented them (or not)?

How to Optimize Monthly, Quarterly and Year-End Close – cont'd.

- Create an 'audit program' process checklist to facilitate closing and reporting
- Create closing template schedules
- Run a trial balance more than once a month
 - Run a variance analysis vs prior period and vs plan
- Spread the workflow evenly throughout the month, for example daily and weekly. Examples include:
 - Bank recs., accts. payable, A/R aging, insurance, rent and occupancy expenses, fixed assets and capital (debt amortization)

How to Optimize Monthly, Quarterly and Year-End Close – cont'd.

- Data quality:
 - Review the source, quality, accuracy and timeliness
 - Manual versus electronic (EDI-OCR Readers?)
- Are your electronic feeds accurate?
 - Do counterparties' systems communicate with your systems?
 - Would templates and 'workarounds' help?
- Can you review exception reports before month-end?
- Would starting the close a day or two before month-end streamline the process?

Vendor onboarding and accounts payable insights

- Review and update vendor onboarding and accounts payable Policies & Procedures – quarterly or at least once a year
 - Especially when your organization, business and staff have changed
- Review the list of:
 - Executives who have authority to approve a new vendor
 - Sign-off authority – by expenditure, department and amount
- Segregation of duties
 - Create a schematic of who performs each function
 - Assess signoff authority relating to dollar amount and nature of the expenditure
- Is your current configuration suitable for your operations and the related risks?

Vendor onboarding and accounts payable insights – cont'd.

- Review your list of approved vendors
 - Run a vendor ytd. report
 - Are there any new vendors or vendors who were not approved?
- Revoke authorization for dormant and irrelevant vendors
- Can you consolidate vendors?
- Can you reduce your costs:
 - Discounts for volume purchases
 - Make purchase commitments?
 - Discounts for early payment?

Vendor onboarding and accounts payable insights – cont'd.

- Corporate credit cards
 - Who has them?
 - Are they being used in accordance with Corporate Policy?
 - Expense reports: are the requirements adequate?
 - Request employees to aggregate their expenses by category to facilitate coding and data entry?
 - Should you adjust the deadline for submission?
 - Should you audit a random sample of transactions – particularly surrounding T&E?
 - Should you cancel them?
 - Do your e-commerce activity reports agree with your cash activity (credit card detail) and distribution reports from Google or Amazon?

Vendor onboarding and accounts payable insights – cont'd.

- Reexamine cutoff dates
- Create payment cycles – monthly, biweekly, weekly, etc.
- Implement dual approval
- Review or eliminate recurring and automatic payments
- Review your invoice approval and payment review processes
- Cybersecurity
- Required vacations – e.g. consecutive two-week periods
- Escalation controls
- Reconciliations
- Remote (random) transaction audits
- Third party reviews – audit

Improving wire transfer and ACH management (Bill.com/Concur)

- Review payment set-up and approval process
- Implement dual authentication
- Beware of executives' travel schedules – to avoid fraudulent requests for wire transfers and 'emergency' payments
- Train your staff about phishing scams – periodically and continuously

Tax accounting and compliance tips

- Meet with your tax compliance department at least quarterly and when new rules and regulations are issued
 - Review the list of required tax returns and deadlines
 - Update the list of required reports and data and deadlines
 - Analyze their journal entry file which converts GAAP into Tax accounting
 - Review the Tax Accounting Trial Balance

Strengthening budgeting and forecasting

- Create an Excel spreadsheet
- Consider pre-tax vs after-tax dollars
- Master your G/L's export function so you can download your T/B data into Excel
- Estimate A/R aging and timing of cash receipts
- Estimate expenses and possible cost increases
- Review your strategic plan and in particular major projects, CapEx and timing of milestone payments
- Tie the income statement into the balance sheet
- Calculate financial ratios
- Prepare scenarios and possible outcomes
- Generate Pro-Forma Financial Statements

Boosting Key Performance Indicators – KPIs

- Determine which KPIs are relevant to your organization
 - Profitability
 - Cash flow
 - Leverage, and
 - Variance Analysis
- Design timely Dashboards for Management
- Review your debt and other credit agreements to determine the likelihood of a default
- Reprogram your G/L to run KPIs – if practical
- Add formulas to your Spreadsheet Forecasting Model to calculate KPIs
- Run monthly KPI Reports and discuss with key decision-makers and constituents and identify changes to operations which could improve your results

Getting Started

- Assess processes and procedures
- Map tasks to be performed and responsible party
- Identify what's working and areas for improvement
- Select custom KPIs to help drive decision-making
- Design remote access to information, which enables better reporting and more consistent staff
- Explore outsourcing and co-sourcing to reduce costs and improve back office – accounting and reporting
- Run parallel for one to two months to ensure a smooth and efficient transition



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