



# Deficiency Remediation

## Case Study

### Background

During a period of significant transition, our client's audits identified six material weaknesses and significant deficiencies which impeded management's ability to confidently represent their results from operation.

### Objectives

- + Evaluate deficiencies communicated by external auditors.
- + Assess remediation required to improve deficiencies.
- + Implement work plan to improve deficiencies.
- + Communicate progress, status and completion to management and Board.
- + Implement monitoring procedures to maintain compliance.

### Solutions

- + Implemented global close calendar to address recurring need for post-close entities.
- + Implemented global reconciliation standard and completion tracking tool.
- + Implemented inventory management processes to maintain alignment of GL with perpetual inventories.
- + Implemented technical accounting processes for stock-based compensation and acquisitions accounting.
- + Implemented prior-period close process.

**Distribution**  
INDUSTRY

**1,500**  
EMPLOYEES

**\$650M**  
ANNUAL  
REVENUE

**Gained Auditor and Board approval of  
remediation plan  
and progress in preparation of fiscal  
year audit.**



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Our deficiency and weakness log outlines deficiency findings and recommendations for remediation. The document also outlines a workplan to achieve remediation, along with a status bar to communicate progress towards the plan. Preview the log below:

### Deficiency + Weakness Log

Process	Finding	Background	Remediation Plan	Status
Oversight and Account Reconciliations	<ul style="list-style-type: none"> <li>Account Reconciliation Completion + Review</li> <li>Preparation for Audit fieldwork</li> <li>Post Close Journal Entries</li> <li>Role and responsibility consistency across divisions</li> </ul>	<ul style="list-style-type: none"> <li>4 business units (BUs) acquired</li> <li>Insufficient control processes (Meeks BUs)               <ul style="list-style-type: none"> <li>5 payables functions across BUs</li> <li>5 payroll functions across BUs</li> <li>200+ cash accounts in acquired BUs</li> <li>6 general ledger accounting systems in acquired BUs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Monthly reconciliation completion tracking + approval</li> </ul>	In process
			<ul style="list-style-type: none"> <li>Audit PBC planning workshop</li> </ul>	Planned
			<ul style="list-style-type: none"> <li>Meeks, Eagle, + Arrow functional consolidation</li> </ul>	Complete
General Ledger	<ul style="list-style-type: none"> <li>Prior Period Journal entry controls</li> </ul>	<ul style="list-style-type: none"> <li>Meeks predecessor's accounting systems were never closed since inception.</li> <li>Arrow and Eagle BUs conduct prior period lockdown.</li> </ul>	<ul style="list-style-type: none"> <li>Implement system period end closing in Meek's MW &amp; W.</li> </ul>	Complete
Inventory	<ul style="list-style-type: none"> <li>Insufficient process and controls for existence, valuation and reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>Meeks BU's perpetual inventory activity was never reconciled to the general ledger.</li> <li>Physical inventory required roll back to balance sheet date using unreconciled general ledger.</li> </ul>	<ul style="list-style-type: none"> <li>Implement inventory receipt module in all BUs</li> <li>Effective physical inventory process completed.</li> </ul>	Complete
	<ul style="list-style-type: none"> <li>Intercompany profit elimination</li> </ul>	<ul style="list-style-type: none"> <li>Meek's BU's did not eliminate intercompany profit on stocked inventories. Identified post close (NWC claim).</li> </ul>	<ul style="list-style-type: none"> <li>Intercompany eliminations accurately recorded.</li> </ul>	Complete
	<ul style="list-style-type: none"> <li>Reserves for vendor rebates</li> <li>Reserves for obsolescence</li> </ul>	<ul style="list-style-type: none"> <li>Reserves for obsolescence + rebates were estimated post close (NWC claim).</li> </ul>	<ul style="list-style-type: none"> <li>Reserves for obsolescence + rebates accurately recorded.</li> </ul>	Complete
Business Combinations Accounting	<ul style="list-style-type: none"> <li>Maintain staff with relevant skills, background and controls to account for business combinations</li> </ul>	<ul style="list-style-type: none"> <li>During transition, ACS utilized transition contract resources and consultants to address technical accounting responsibilities and implement accounting for business combination processes.</li> </ul>	<ul style="list-style-type: none"> <li>ACS staffed the consolidation function + accounting leadership team with capabilities + capacities to accurately record business combinations.</li> </ul>	Complete
Stock Based Compensation	<ul style="list-style-type: none"> <li>Calculation of fair value</li> <li>Recognition of expenses associated with grants</li> </ul>	<ul style="list-style-type: none"> <li>During transition, ACS had deferred stock-based compensation recognition to after finalization of purchase accounting valuations.</li> </ul>	<ul style="list-style-type: none"> <li>Stock compensation accurately recorded.</li> </ul>	Complete