CONTROL ACTIVITY
PROGRAM TESTING GUIDES

CONTROL ACTIVITY PROGRAM

The first unit of the manual describes the governance journey from big G Governance to little g governance, using risk assessment and an oversight strategy to identify the scope of what needs to be covered within the internal control program. Presented are concepts, models, and a general discussion about the broader aspects of governance. From the first unit, by following the exercises you should have prepared and ranked a list of processes and accounts where there is control risk. These are the processes and accounts where you will want to focus on control activity first.

The second unit of the manual describes the internal control program and dives deeper into specific control environment policies, procedures and processes to complete the governance journey. In addition to the internal control program itself are specifically chosen policies and programs that are universally recommended for all companies regardless of the type of industry. To be effective in your company, the programs and processes presented *must be customized;* however, to serve as an effective control, the strategic intent and concepts presented must remain the same.

The exercises presented in the internal control program should assist you in identifying control objectives and activities which would be suitable for addressing the risks identified from the first unit. This third unit should aid in putting the rest of the program together including testing, monitoring, and reporting.

This third unit of the manual uses the basic structure of the internal control program presented in the second unit to build specific internal control activity plans. Within this unit are finished product testing guides with an accompanying excel worksheet (available via the URL download) ready for you to conduct the control activities, monitor, and track remediation efforts. For most companies these testing guides will be too generic to serve the purpose of providing complete control activity coverage.

Therefore, rather than just present a series of flowcharts, questions, and activities to perform, it is better to first provide instruction as to how to build your own set of testing guides. Following this chapter are the templates and forms referenced in this introduction and following those forms are actual testing guides for you to customize.

Instruction for Building Your Testing Guide

The testing guides should be made available to anyone who wants to review them and use them as interim readiness or preparation checklists. These guides must change as the result of risk assessment change, as actual control activities are performed and findings are discovered or as the internal control professional deems necessary.

The sample of test guides issued within this unit has assumed risk assessed processes and subprocesses have identified the focus areas. The internal control representatives have decided on a level of testing commensurate with the level of risk. Use these as a guide or point of reference for developing your own internal control activity testing plans and guides.

Testing guides are prepared by the internal control department and may contain input from internal audit, compliance, and the process manager. Since the internal control department has prepared, reviewed, and approved the use of the guide.

The testing guide template used as the control activity plan serves as the cover sheet to the evidence collected. The guide and the summary evidence is then attached to the Result of Control Activity Testing form, otherwise known as the findings report.

The header of this form contains information required for the classification and administration of this document. The procedure number should follow the same "smart numbering" criteria used to classify and group the

company's policies and procedures. The section name refers to the functional area or business unit responsible for the process. Process refers to the department or functional area that oversees this process. The issue date refers to this version of the testing guide and for tracking purposes; you may want to reference the document date that this guide replaces.

The rest of the heading refers to this testing cycle and indicates the name of the process owner and the physical location where the control activities are tested. The internal control representative conducts or oversees the testing and the date the tests begin and end.

Reference those policies and procedures that apply to this process or that influence this process's control environment.

Flowchart refers to including a high-level flowchart or list of procedure steps to be followed. The intent is to summarize the process flow so that anyone picking up the document would understand the scope of the process under review.

If developing flowcharts for the first time, unless you are an engineering company where everyone understands how to read and use flowcharts, I strongly recommend keeping flowcharts simple. Ask what input is required to start the process then continue to ask "then what" until the output has been identified. At decision points, ask about the criteria for decision making, who reviews the information prior to the decision, and who is authorized to make those decisions. When flowcharting decisions make sure the "Yes" and "No" response have output boxes.

Hint: Make sure lines go into and out of every box, don't get caught in loops.
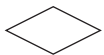
Use the standard flowchart symbols and connect them with lines and arrows showing the direction of the process flow.

- *Process symbol*—describes what has to be done. Hint: begin with a verb where possible.

- *Database symbol*—identifies stored data. The process may call for data to be accessed, changed, and replaced.

- *Decision symbol*—identifies a point where a decision is required. Ensure the likely outcomes of the decision; for example, "yes", "no" responses are indicated on the flow.

- *Document symbol*—identifies the point within the process where a hard or soft copy document is produced or referenced. Document symbols are often attached to process box symbols.

A popular alternative and substitute to simple process flowcharts are swim lane process flows, emphasizing roles and responsibilities.

Control objectives and activities are selected to address the specific risk identified. The Internal Control representative will be testing for the existence of the control objective which if present would eliminate or mitigate the risk. Specific control activities are selected or designed to ensure those objectives are met. Evidence is collected to support the fact that an appropriate level of due diligence has occurred. Findings and areas of improvement are identified on the Result of Control Activity Testing form.

Control Objectives

As defined in previous chapters, generally accepted control objectives are:

- Compliance with laws and regulations

- Compliance with company policies, procedures

- Compliance with contract terms and conditions

- Authorization and approval

- Internal controls over financial reporting (ICOFR) includes control objectives to address that:

  - Payments are paid, recorded, and reflect authorized transactions.

  - Payments are received, recorded, and reflect authorized transactions.

  - Transactions are recorded in a timely manner.

  - Disclosures provide transparency to the transaction.

  - Operational and financial reviews are conducted as due diligence

- Reconciliations

- Integrity is made up of accuracy, completeness, and timeliness.

- Segregation of duties

- Safeguarding assets

Control Activities

When considering approaches to collect and evaluate evidence consider cost versus benefit. Some common types of control activities are described.

- Direct or sample testing, ordinarily performed on a periodic basis by individuals with a high degree of objectivity relative to the controls being tested. Because this type of control testing requires time and resources, not only from internal control professionals but from the process stream, this is a disruptive and costly control activity that should be used in high-risk areas. In the first year or early years of an internal control program, more direct testing may need to be done in order to establish a baseline of controllable activities.

- Checklists are generally used when there are a lot of steps and/or decisions which may require alternate processing streams. You may want to design into the process description peer or management reviews for selected transactions over a pre-defined threshold limit. For example, sales orders over $100,000 require peer-to-peer review, and sales orders over $500,000 require management review of the checklist.

- Peer-to-peer reviews is a useful tool when (1) training new employees or (2) validating that the process is being followed. Peers may review the output of the process or observe the entire process to ensure that each process step and especially control steps are not bypassed. Having current and management approved desk procedures are useful when peer-to-peer or checklists are used as control activities.

- Control self-assessments tools generally mirror audit working plan and ask that the process owner take responsibility for being prepared for an audit or internal control testing. The use of a control self assessment by a process owner may not be accurate in that they know the "intended" approach and may not be objective or diligent to observe the actual approach. It is recommended that self-assessments be facilitated by an objective,

independent third party who understands the process and control environment. The facilitator must not only challenge the process owner about following the defined described steps but also note and include suspected areas of control weaknesses and deficiencies. A truly knowledgeable facilitator will also be able to recommend process improvements.

- Observation controls are similar to peer-to-peer reviews of the process; however, like self-assessments, these are undertaken by objective, independent facilitators. This approach is mostly used when there is little or no documentation to support the process. The observer walks the process from beginning to end and prepares notes as to the steps performed, highlighting areas that need additional control or process improvement. The comments and notes the observer makes assist the process manager in formally producing documented procedures.

- Ongoing monitoring and tracking of key performance indicators is a normal management activity for recurring activities. These are generally automated controls mapped across time with acceptable control variances determined ahead of time. Periodically, test the thresholds of control variances to ensure that the limits are established appropriately. This type of testing is appropriate for high-volume, low-risk areas.

It is not enough to simply perform these control activities; it is vital that the approach and the results be documented. Regardless of the approach used, it is important to document the type of activities performed and in support of those activities collect evidence to prove the status of the control effectiveness.

Readiness checklist is used as a preparation guide for the process owner. The answers to these questions and evidence to support the answers should be made available to the internal control representative prior to the testing. However, if this is not completed before, then the internal control representative could use this as a prelude to the actual control activities.

The readiness checklist is designed to:

- Identify audit readiness or self-assessment questions. These questions should be answered as "Yes" or "No," with the "No" responses indicating a control weakness.

- There is a similarity of questions from process to process because these readiness questions are generally aimed at ensuring the basic requirements exist.

- Regardless of whether detailed control activities are scheduled for a process, the process owner should review their responses to the readiness checklist at least annually.

- Each business area and/or process owner must have sufficient documentation and evidence to support their readiness checklist or self-assessment responses.

Key measures are intended to demonstrate that the process is measured, monitored, and tracked. List key or likely operational indicators and/or measures that may be monitored to ensure control objectives and activities are met. These should be recurring measures that the process owner uses to oversee the effectiveness (refers to defects and efficiency; refers to cycle time of the process). List key financial indicators that would be used for decision making and reporting purposes.

Instruction for Completing the Result of Control Activity Testing Form

The Internal Controls—Result of Control Activity Testing form is presented at the end of this chapter and can be used as an aid when documenting, ranking, and consolidating the control activities.

To complete the form, identify the following information as part of the header:

- Company refers to the company, functional business area, or process being tested.

- Location refers to the geographic location where the test is executed.

- Financial period refers to the financial period or transaction period under review.

- Date refers to the date the test is conducted or use a start and end date if the testing period is over a significant amount of time.

- Prepared by refers to the person or team leader conducting the internal control test.

- Reviewed by refers to the person or team leader overseeing and reviewing the test and findings.

Purpose: Identify the purpose of the testing as:

- *Self-assessment*—conducted or overseen by the process manager. Results of self-assessments should be shared with the internal control representative or may be submitted directly to the internal control program manager.

- *Interim control activity assessment*—conducted by an internal control representative as an "off-cycle" assessment that could be a surprise spot assessment or a remedial assessment.

- *Control activity assessment*—conducted by the internal control representative as part of the planned internal control testing plan.

Scope or process description: The intent is not to duplicate existing documentation but to reference the procedure in existence at the time of the testing. Reference to the in-scope process documentation may include policy and procedures, instructions, and forms.

Result of Control Activities Tested:

- Number and identify each control objective and activity being tested. Follow or create a cross-reference to the control objectives and activities as listed on the test guide.

- Result of the control activity should identify the size of the sample criteria used for sampling and the finding; reference findings as (E) controls were found to be in existence, (CT) controls were found to be executed completely and in a timely fashion, (VA) controls were found to be valid and accurate. Include other assertion levels as appropriate to your test plans.

- Assessment refers to your evaluation as to whether the control is working as it should be. **Rate as 1 to 4, with each rating defined as 1 as a significant deficiency, 2 as a material weakness, 3 as a reportable condition, or 4 as an effective control.**

Evaluation: is the place where you can offer an overall evaluation as to whether internal control objectives are being met or not. Include an overall rating of 1, 2, 3, or 4.

Signatures are required from those who prepared or led the control team conducting the review and those who reviewed and approved the findings and results.

Process owners may use this form to identify control activities they perform on a regular or ongoing basis. In this case, I recommend completing the form once a quarter and attaching the results from each review, noting the timing, extent, and result of the control activity.

Following is a list of the most common result of control activity testing comments and identified areas for improvement.

- *Inadequate knowledge of company policies, procedures, or governing regulations.* Employees generally feel very comfortable executing their duties in order to "get the job done," and for the most part, these instructions should not pose internal control issues. As we all know, employees often encounter roadblocks and have to find another route or bypass and this is where the control issues are hidden. Employees may not be aware that there are overarching policies and procedures that address unique situations. Ensure that there is periodic training and review of all policies and procedures.

- *Inappropriate access to assets.* Employees often have a level of trust that might compromise the safeguarding of assets through such activities as sharing passwords, leaving keys in the open or offices unlocked, and access to cash and/or checks not fully secured.

- *Form over substance.* Having this type of control exposure refers to when employees really don't understand the full extent of their responsibility; for example, *review and approve* has a different connotation than *approve.* Employees must ensure that not only the control directive is followed but also its intent.

Having the best internal controls in place may still be hampered by a soft control environment where managers or others may exercise "control override" for the sake of "getting the job done" or excusing mistakes and errors as "human errors."

Other types of internal control missteps indicative of a weak control environment include:

- Lack of adequate management oversight and accountability and failure to develop a strong awareness of internal environment which respects internal controls.

- Inadequate assessment of the risk of certain activities. Unfortunately, this is often skill and/or experience related with the risk mitigated by building controls into the process and ensuring employees follow the process.

- The absence or failure of key control activities, such as segregation of duties, approvals, verifications, reconciliations and reviews of operating performance.

- Inadequate communication of information between levels of management, especially in the upward communication of problems.

- Inadequate or ineffective internal control program and other monitoring activities.

Once the form is complete, attach the test guide and supporting evidence and forward to the internal controls program manager. These forms are consolidated and used to follow up on remediation plans for items rated 1 or 2 and to determine the overall status of the company's internal control environment.

Monitoring and Tracking

Monitoring refers to the assessment of internal control performance over time. It is accomplished by collecting key performance indicators, results from the various types of testing approaches and of course by direct testing. The purpose of monitoring is to determine whether internal controls are adequate to detect and prevent exposures and unnecessary risk.

Monitoring could be the same as a control objective and/or activity. For example, authorizing documentation is a control objective with the evidence of that authorization serving as support of the authorization activity. Performed sporadically, it is a control objective and activity; performed with each qualifying event, it is a monitoring activity.

To the extent practicable, build in standardized consistent control activities that can function as both control and monitoring activities.

Because the internal control program is a process, its effectiveness is an assessment of the condition of the process at more than one point in time. Just as control activities help to ensure that actions to manage risks are carried out, monitoring is the part of the process that ensures that control activities and other planned activities are carried out properly and in a timely manner and that the actionable items that are identified as a result of the testing process are tracked to ensure the timely, complete, and accurate correction of findings and areas for improvement.

The effectiveness of monitoring depends on the persuasiveness of the information obtained and whether or not operational improvements have occurred as a result. Persuasiveness is measured not by the volume of measures but on the quality of the measures and how well they are aligned to the control objective. For example, to measure whether accrual journal entries are posted in the accounting system on time, test the beginning-of-the-month journal entry activity to determine if the data and information was known and should have been accrued at the end of the previous month. Monitor and track the number and dollar volume of the errant journal entries. Correcting the problem is then considered part of remediation.

A clear indication that monitoring is effective is when the appropriate control measures are used to better understand the process and drive process effectiveness (i.e., less defects and efficiencies, i.e., less time and resources) and therefore increase bottom line profitability. Effective monitoring shall be designed to identify and correct weaknesses before those weaknesses could manifest and adversely impact achieving the company's objectives.

Remember that the internal control program and process also requires testing, monitoring and tracking. Control objectives and activities must be established to ensure that this program is working as designed.

Remediation

Remediation refers to the investigation and correction of control deficiencies or opportunities for process improvement. Remediation follows closely to monitoring and tracking in that necessary actions must be taken in between collecting data and information for follow-up. The purpose of remediation and corrective action is to mitigate and reduce the number of internal control findings producing a better-controlled environment.

The remediation efforts begin by identifying and classifying opportunities to improve the company's control posture. These opportunities are collected from the Result of Control Activity Testing form.

- These opportunities are analyzed by process to discover the overall control status of the process and also analyzed across processes where similar deficiencies may point to a centralized solution (e.g., improve access controls).

- Classify and prioritize the items which are to be monitored establishing a qualitative or quantitative indicator for process owners to report.

- Work with the process owner to provide corrective action.

- Collect indicators and analyze trends over the period in between testing.

- Schedule testing more frequently for those areas that have high volume or high risk or are stalled (i.e., no real progress has been made).

- Retain open communication between process owners and senior executives.

- Facilitate and mediate to close the process gaps.

Since decisions to remediate will depend on the diagnosis, accurate assessment of the root cause is crucial. Investigative and correction techniques vary and may include such analytical and decision-making aids as fishbone diagrams, cause-and-effect diagrams, and process value chains. The objective is to identify the root cause of the control issue and design controls into the process that will correct the control deficiency or at least mitigate it.

In the quest to identify and implement the most "elegant" remediation solution, be careful not to overdesign the correction, remember to conduct a cost-versus-benefit analysis and risk assess it before it is implemented. It is expensive, in time and resources, to reengineer a process and the consequences are felt up- and downstream.

The completion and implementation of the corrective action can be tedious with potential for ineffectiveness within the correction process itself. Although the findings have been identified and the detailed plans have been identified, there is a point within correction where scope creep comes into play (i.e., "while we are at it, let's also try to correct this") and boredom sets in (i.e., "is this project still around"). Use the remediation phase to stay focused on the task or divide the remediation effort into milestone stages so that successes can be readily achieved and momentum is not lost.

Measure the results of the remediation efforts and once implemented, conduct a detailed test of the control objectives that were to be remediated. If the control weakness is a high volume and high risk, consider running and testing the old and new control activities in parallel before closing the control issue.

Reporting

As we've previously identified, information and communication are essential to effecting the control environment. Reliable and relevant data and information flowing from the top down, bottom up and across functions are required for an effective program; reporting falls into this category. Open lines of communication must occur between all the stakeholders with reports adapted to address their focus areas. The focus for process owners and participants is at the detail level, while for senior executives it has to do with identifying opportunities and weaknesses which will affect meeting company goals and objectives and for the audit committee of the board of directors and external auditors, it is about transparency and compliance with regulations.

Developing an internal control scorecard to identify the key findings, items to be remediated and the status of that remediation is important for communication. The use of standardized communication reports and vehicles requires up-front planning and ensures that busy executives will likely take the time to review it. Following is a scorecard based on the Internal Control—Results from Control Activity Testing.

Instructions to Complete the Internal Controls–Reporting Scorecard

The Internal Controls–Reporting Scorecard is presented at the end of this chapter and is one way to easily report and communicate on the company's internal control status.

The heading is composed of the following information which is the same as what is required on the Result of Control Activity Testing form. The Reporting Scorecard consolidates the results from the testing form and presents the information at a higher level.

The report should be distributed to those who need to know including and not necessarily limited to: chief executive officer, chief financial officer, executive team, and process owners.

The *purpose* of this report is to consolidate the findings from the Result of Control Activity Testing and report on the progress made to remediate open issues.

The *goal,* of course, is to achieve zero material weaknesses and zero significant deficiencies, as these have been determined to be unacceptable levels of risk. The Reporting Scorecard is required because it is recognized that resolution for these issues may take time and resources to resolve. In the meantime, workaround controls must be implemented to reduce the level of risk and exposure.

Since exposures and risks are identified via the internal control testing process, we have to also identify how well the testing process is going and whether the internal control testing plan is being executed as designed; therefore, a statement is included as part of the goal to indicate that the internal control testing plan is current as of a specific date.

The *findings* table is completed by listing the processes at a consolidated high level such as sales, manufacturing, inventory management, distribution, real estate, occupational health and safety, legal, human resources, finance and compliance. The high-level processes must be comparable to the risk assessments. There could be additional processes identified; however, the processes previously identified as having a high or medium risk level must be included on this list.

In order to prepare the consolidated view, a bottom up build of the processes and subprocesses identified in the Results of the Control Activity Testing forms must be grouped and combined as reports are communicated along the line of command. Supporting reports may or may not need to be distributed based on the volume of issues with unacceptable ratings.

The list of processes must be consolidated at a high level with detail available to drill down when necessary. If this is a report that is distributed to executive leaders, group the processes by functional area with a senior manager. Drilldown of backup charts should be made available upon request and must tie into the data and information collected from the control activities.

Total number of controls refers to the number of control activities that were executed. This is intended to demonstrate internal control due diligence as compared to process risk.

Aggregate the number of activities by the rating they achieved. The ratings must be consistent with the Results of Control Activity Testing forms. Ratings are 1 to 4 defined as 1 for a significant deficiency, 2 as a material weakness, or 3 as a reportable condition Those activities rated as a 4, effective control, do not have to be reported on this table. However, they should be counted in the number of control activities from the first column.

Subtotal the columns, noting that the columns will not add across before of the activities rated as effective. Be careful not to play a numbers game, as more is not necessarily better. It is strategically better to target the control objective and the control activity to get to the data and information required to prove that the control objective exists.

The *action* table brings attention to those items rated 1 (SD) and 2 (MW), representing processes and subprocesses that must be part of everyone's radar screen and require additional information. If you want to get fancy, you can highlight those remediation plans that are past their expected completion date.

The process may be a subprocess of one mentioned above. If the consolidated process was generally found to be acceptable, however, one area or subprocess requires remediation, highlight that one area; example: Accounts Payable—Check Disbursement.

Each subprocess with a 1 or 2 rating must be listed.

The process owner or the person responsible for remediating the exposure is named as is the long- and short-term remediation actions and the expected completion date.

For example:

Actions:

Process	Process Owner	Remediation Actions	Expected Completion Date
Accounts Payable—Check Disbursement	Jane Doe	Acquire a lockbox to store signature plates.	April 1, 2XXX

The final section of this report provides room for internal controls to enter comments about the process including those areas:

• Where additional or potential risk has been discovered

• Which require attention even though the rating has not reached unacceptable levels (i.e., 1 or 2)

• Which are ready for retesting and to eliminate them from the Reporting Scorecard

• Where a solution may be replicated for use in other processes

Internal Control Planning, Testing, and Remediation Worksheet

As described in the second unit the Internal Control Planning, Testing and Remediation Worksheet serves as the database to log findings, monitor, and track improvements and report on progress.

As a planning tool, this worksheet the processes and subprocesses identified in the risk assessment are listed. The potential risks and/or control objectives that must be present in the process are identified and the specific activity to prove the existence of the control objective is identified and planned.

An example of a completed worksheet:

Process/Account	Control Objective or Risk	Control Activity or Test
Accounts Payable	Accurate	There is a chart of accounts and instruction for assigning account distribution for accuracy in recording transactions and classifying expenses. Daily, peer to peer reviews are established. Test a sample of transactions for account coding accuracy.
A/R – Collections	Reconciliation	Review reconciliations of customer A/R balances between the sub ledger and general ledger. Review and reconcile the aging report to the general ledger.
Revenue	Compliance with Contract Terms	All customers have a valid and approved contract. Customers requesting non-standard contract terms and conditions require additional financial and legal approval. Review exception report for customs without valid contracts and remediate for resolution.

As a testing tool, the internal control representative records the details of the testing activities and identifies the supporting evidence collected.

An example of a completed worksheet:

Control Objective or Risk	Sample size and results of Testing	Control in Place (Y/N) if No type of exposure
Accurate	Verified that there are instructions and a valid Chart of Accounts available for coding transactions, however there were errors. Sample size of 50 transactions from all levels of transaction dollar thresholds. A checklist was available for peer to peer reviews. There were lapses in the peer to peer reviews with the most material transaction not fully reviewed. Errors were minor and did not affect financial reporting data or information.	Yes, 3. The control is generally in place, however there is opportunity for improvement.
Reconciliation	Reviewed and analyzed the reconciliations prepared each month of the quarter. Further analysis on unrecognized amounts included a recurring condition where reductions to price were routinely granted to customers who were not satisfied with the product's performance. These reductions were not reflected as an adjustment to revenue but rather recognized within the Allowance for Doubtful Accounts.	No, 2. although the reconciliations were prepared, they were not appropriately analyzed, documented or approved. Revenue is not appropriately recognized.
Compliance with Contract Terms	Sample size 100% of all customer contracts over $100,000, 50% random sample for those contracts between $50,000 and $100,000 and 10% for those contracts less than $50,000. Customer signs standard terms and conditions, however side agreements are present indicating that if the customer is "not happy" the Customer may return the product or accept an adjustment to the amount owed the company.	No, 1. This is a significant deficiency. There are unapproved side agreements with acceptance clauses and revenue is improperly recognized because the price is not fixed nor determinable.

As a remediation tool, those items rated as 1, significant deficiency (SD); 2, material weakness (MW); and 3, reportable condition (RC) require action. Because of the risk of noncompliance exposures, significant deficiencies and material weaknesses require immediate action. Reportable conditions also require action or at least comment as they may be tracking toward an unacceptable level of risk.

An example of a completed worksheet:

Process / Account	Process Owner	Remediation Actions	Next Follow up / Due Date
Accounts Payable	Jamie Doe	1) Automate expense coding into the A/P system. 2) Prepare thresholds for peer to peer reviews including all transactions over a certain size (e.g., $20,000) and 50% randomly selected sample for transactions between $5,000 and $20,000 and 20% review sample size for those less than $5,000. Rather than daily reviews, consider implementing peer to peer reviews once a week and covering the weekly activity. Management to select a sample from each category to review.	1) Investement anlaysis and change request analysis for A/P system in 5 days 2) 5 days to review and update the peer to peer checklist and immediately thereafter re-instate the peer to peer reviews with management sign off.
A/R – Collections	Terry Doe	Review the Company's policies and procedures to ensure that the following is included: appropriate financial and legal approval is required for any and all post contract changes. Ensure the Allowance is only used for Bad Debt expenses, where the customer is unable to pay debts owed to the Company.	Weekly reviews until this issue is resolved, the policies and procedures are clear. Follow up with training for A/R staff.
Revenue	Mike Doe	Review the Revenue Recognition policies and procedures to ensure this topic is adequately addressed. Those not in compliance with company policy may be terminated. Assess current contracts to determine the extent of this issue. Prior period restatement and disclosure to the SEC may be required. Institute a process for monitoring contracts and side agreements, training sales force, sales administration, legal and finance as to revenue recognition issues and consequences.	Within 2 days, assess contracts with this clause. Within 5 days, develop a remediation plan and action.