



# SYSTEMS & PROCESS REVIEW

This is an example of a report created after performing a review of their systems and processes. It includes the raw notes as an appendix, which this client wanted but isn't always included.

# Table of Contents

- Executive Summary ..... 3
  - Purpose of Engagement..... 3
  - Management Issues and Objectives ..... 3
  - Approach ..... 3
  - Summary of Findings and Recommendations ..... 3
  - Recommendations ..... 4
    - Cultural Recommendations ..... 5
    - Systems and Process Recommendations ..... 5
- Appendix..... 9
- Existing Process & System Overview ..... 10
  - Process..... 10
  - Systems..... 10
- Existing Process & System Detail ..... 11
  - Sales / Installation ..... 11
    - Current Process & Systems ..... 11
    - Issues ..... 12
    - Recommendations ..... 12
- Commissions ..... 15
  - Sales Representative ..... 15
  - Sales Manager Overrides – Monthly ..... 17
  - Business Development ..... 18
  - Contract Adjustments ..... 18
- Warehouse ..... 18
  - Current Process..... 18
  - Recommendations ..... 19
- Payroll ..... 20
  - Current Process..... 20
  - Recommendations ..... 20
- Accounting ..... 21

Current Process..... 21

Recommendations ..... 23

Reporting..... 24

    Summary of Findings ..... 24

    Current Capability & Issues ..... 24

    Recommendations ..... 26

Commissions Basis Calculation ..... 29

Staff interviewed ..... 29

## Executive Summary

### Purpose of Engagement

425 Consulting Group (425) engaged with ABC Corporation (ABC) staff to complete a detailed review, documentation and analysis of its financial systems and processes and provide recommended next steps for improvement. The report documents how systems and processes work today, identifies opportunities for improvement and proposes short-term (quick win) and/or long-term solutions for addressing Management’s Issues and Objectives.

The report specifically addresses the following:

- Document the tools and processes for sales orders including: time of order inception, sales initiation, install process, and reporting function analysis.
- Recommendations to improve the end-to-end and sub-processes.
- Determine if a new payroll or accounting system is needed to facilitate process improvements.

### Management Issues and Objectives

ABC has identified the following objectives as priorities:

- Readily understand the profitability of each job by improving the job costing process.
- Accelerating the financial close and payroll processing.
- Creating transparency for salespeople to understand commission and bonus calculations.
- Create accurate/timely reporting.

### Approach

Our approach was to interview the ABC employees responsible for each of the business processes under review to develop a level of understanding necessary to identify opportunities for improvement. We broke the review into categories that span customer order through receiving cash, ordering supplies through paying vendors, payroll, accounting tasks and month-end close.

Individual transactions were followed from start to finish to identify inefficiencies in process and/or systems. For areas where we did not have enough information to develop specific recommendations to resolve management issues, we recommended follow up actions to investigate further.

### Summary of Findings and Recommendations

With relatively small investment we believe the existing systems will address the majority of management’s stated issues and support broad improvements through: basic process changes, leveraging existing tool functionality, and systems integration. In addition, we believe there is a need for management to make constant improvement and efficiency an expectation and characteristic of ABC culture.

## Recommendations

There are several things that can be done immediately to significantly improve the overall performance of ABC in the areas of management concern. These items can be done without significant systems investment but may require further guidance if in-house expertise is unavailable. Other recommendations will require additional research and investment but are likely necessary to support the company’s growth, profitability, and transparency objectives.

Summary		
Category	Short-Term	Long-Term
<b>Cultural</b>		
Make constant improvement a cultural norm	Encourage the immediate move from paper and re-keying to data exports/imports either automatically or through the interim step of spreadsheets.	Establish a recurring forum or some other feedback mechanism for employees to communicate efficiency opportunities and to make constant improvement and efficiency a characteristic of ABC culture.
<b>Systems &amp; Processes</b>		
Fully Utilize Existing Systems	<ul style="list-style-type: none"> <li>• Use <b>SystemX</b> job number throughout systems &amp; processes.</li> <li>• Use <b>SystemX</b> to capture subcontractor costs by job</li> </ul>	<ul style="list-style-type: none"> <li>• Use <b>SystemX</b> to capture employee installers &amp; sundry costs by job</li> <li>• <b>SystemX</b> module for commissions</li> </ul>
Integrate Systems	<ul style="list-style-type: none"> <li>• <b>SystemY</b> to <b>SystemX</b></li> <li>• <b>SystemX</b> feeds to <b>Accounting System</b> for Sales Information</li> </ul>	<ul style="list-style-type: none"> <li>• Payroll to <b>SystemX</b></li> <li>• Payroll to <b>Accounting System</b></li> </ul>
Reporting	<ul style="list-style-type: none"> <li>• <b>Excel based financial reporting built outside of Accounting System (&gt;250 lines)</b></li> <li>• Commission reporting to sales reps</li> </ul>	<ul style="list-style-type: none"> <li>• Separate financial from operational reporting                             <ul style="list-style-type: none"> <li>○ Financial Statements (Accounting System based)</li> <li>○ Job Profitability (<b>SystemX</b> based)</li> </ul> </li> <li>• Analytics platform</li> </ul>
Automate Commissions Calculations	<ul style="list-style-type: none"> <li>• <b>Eliminate paper &amp; consolidate calculations instead of processing individually</b></li> </ul>	
Analyze Systems functionality & Business Process	<ul style="list-style-type: none"> <li>• <b>Payroll System – can employees enter job details in timesheets?</b></li> <li>• <b>SystemX – can it calculate sales commissions?</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Leverage SystemX &amp; retire SystemY</b></li> <li>• <b>Accounting System – will it support long-term needs of the company?</b></li> <li>• <b>Warehouse – business process or new system?</b></li> </ul>
Streamline Accounting Process	<ul style="list-style-type: none"> <li>• Modify the contract adjustment process</li> </ul>	<ul style="list-style-type: none"> <li>• Establish disciplined month end close schedule</li> </ul>

## Cultural Recommendations

As stated above, we believe there is a need for management to emphasize that constant improvement and efficiency are two of the key values of ABC culture.

In the short-term, employees should be encouraged to immediately move from paper and re-keying to data exports/imports. The current financial processes include only one, abbreviated, data feed between systems. All other system-to-system connections appear to be handled by printing details from one system and re-keying the same data into another system. Much of an employee's time is spent on manual data entry and re-entry. This results in lower employee productivity, increased dataflow and reporting times and the potential that different teams will be working with inconsistent information.

In the long-term, we believe there is a need for a recurring forum or some other feedback mechanism for employees to communicate efficiency opportunities to management. In our discussions with ABC employees, several communicated ideas for how to address management's issues but were either satisfied with the status quo or did not feel it was their responsibility to investigate new ways of doing things.

## Systems and Process Recommendations

- **Fully Utilize Existing Systems**

- *Short-Term*

- Use SystemX's project number (instead of SystemY's) throughout accounting to facilitate the connection of sales and cost activity. This will provide ongoing company-wide improvements to business intelligence, financial risk and employee workload.
- Use SystemX to capture sub-contractor costs by job. SystemX can include subcontractor installer costs using the Labor function. We recommend pursuing this functionality immediately while investigating how to include employee installer costs.

- *Long-Term*

- Use SystemX to capture employee installers and sundry costs by job. We recommend investigating Payroll System (or alternative timesheet system) to see if details can be imported to SystemX labor for a complete view of job profitability.
- Use SystemX for sales commissions. SystemX does have options for sales commissions calculations. We recommend pursuing this functionality immediately. A meeting is going to be scheduled by ABC with their corporate parent sometime after xx/xx/xxx to confirm the functionality.

- **Integrate Systems**

- *Short-Term*

- Enable to SystemX: Today there is a process to export data from SystemY and import customer information into SystemX. Review this process to ensure all the relevant information is being exported and no redundant data entry is necessary.
- SystemX to Accounting System: Use the export function within SystemX to load sales, customer information, job number, job costs, and job status to Accounting System. SystemX would be the source of job detail. Accounting System would be used for financial accounting only. The benefit would be the elimination of redundant manual data entry and possibility of inconsistent job information.
- Long-Term
  - Payroll System to Accounting System: Payroll System (or alternative payroll system) payroll details should load directly to Accounting System without manual data entry.
- Automate Commissions Calculations
  - Short-Term
    - Eliminate paper & consolidate calculations: Consolidate calculations by exporting SystemX sales data weekly and handling all commissions in a single spreadsheet at once rather than processing each job individually using paper forms. Use job status to determine eligibility for both A and B commissions. This will drastically reduce the risk of error and save at least 24 hours of work per week between sales reps, admin, and accounting.
- Reporting
  - Short-Term
    - P&L: Management would like to have detailed financial statements that are beyond the capability of Accounting System to deliver. Export all Accounting System transactions into a tool like Microsoft Power Pivot or Power BI to develop flexible, custom reports that meet management's needs. Allow for customizable detailed reporting without limitation.
    - Commissions Reporting: There are two options for making commission details available to sales reps in the short-term. Eliminates manual/individualized commission emails and keeps sales reps engaged until collections is completed.
      - Use the consolidated commission calculation spreadsheet above as a data source to populate personalized sales rep reports in Excel utilizing a series of secured file shares and a custom macro.

- Use the consolidated commission calculation spreadsheet above as a data source to populate a single Power BI report using standard security functionality to limit sales rep access to their own sales.
- *Long-Term*
  - Separate financial from operational reporting: Utilize **Accounting System** for accounting and financial reporting (P&L/BS) and **SystemX** for operations reports (Job Profitability and sales status). This would enable operating (job) reporting throughout the month without dependency on the financial accounting close process.
  - Analytics platform: To meet the long-term data and reporting needs of the business, consider developing a comprehensive analytics platform connected to all **ABC** systems. This would include a cloud-based data warehouse and reporting tools, like Power BI, so you can monitor and analyze your business and gain new insights about how it is performing.
- **Analyze Systems functionality & Business Process**
  - *Short-Term*
    - **Payroll System**: Perform a deep-dive investigation into the functionality of **Payroll System** for employee job tracking to aid in job profitability reporting.
    - **SystemX**: Investigate the ability to calculate and report on commissions within **SystemX**. Functionality may exist in **SystemX** but has not been enabled at **ABC**. This may eliminate the need for a spreadsheet calculation and short-term reporting solutions described above. A meeting is being scheduled with **SystemX** the week of xx/xx/xxx to investigate.
  - *Long-Term*
    - Leverage **SystemX** and retire **SystemY**: Utilize **SystemX** to be **the** tool for capturing sales creation (leads) data. Requires **SystemX** support to develop the functionality and deploy at **ABC**.
    - **Payroll System** to **SystemX**: Investigate the time keeping options. Can employee installers enter time by job while entering timesheets? If so, can employee time and payroll be integrated into **SystemX** like subcontractor costs? This will bring in employee installer costs to complete job profitability. 425 reached out to **Payroll System** but was told they would not discuss system functionality without an account. Suggest setting up a call with **Payroll System** to discuss options, referencing the **ABC** account.
    - **Accounting System**: **Accounting System** appears to meet the minimum requirements to address ABC management issues. Further analysis should be completed after the other systems and processes are enhanced and working. 425 met with 2 local Dynamics implementation vendors and



Velosio seems to be the superior vendor for this type of work if/when ABC is ready.

- Warehouse: There are two options regarding warehouse and inventory management. Both options would provide tighter inventory control and better costing information.
  - Purchase and implement a warehouse solution to track sundries to allow for job tracking and Just in Time (JIT) automated ordering.
  - A cage and manual tracking process like XYZ Corp.
- **Streamline Accounting Process**
  - *Short-Term*
    - Modify the contract adjustment process: Consider modifying the contract adjustment process of restating sales and commission history. Manage as an independent process used to understand and resolve root causes and accountability for contract adjustments. This would accelerate the accounting close and could save nearly 40 hours of work per week.
  - *Long-Term*
    - Establish disciplined month end close schedule: Consider establishing a disciplined month end cut-off schedule for recording sales and other transactions and communicate expectations broadly to accelerate financial reporting. Any transactions not entered into the system by the established deadlines should either be accrued for or entered in the following month. This will allow management to review, analyze, understand, and act on financial results days or weeks sooner.

## **Appendix**

Raw notes taken during employee interviews.

## Existing Process & System Overview

### Process

- CRITICAL – Manual Efforts:
  - All processes are heavily reliant on many manual steps comprised of both system-generated information and manual input, manual calculations, and manual review. The start in the sales creation sub-process and continue through to accounting recognition of costs.
  - There are multiple standalone systems in use that do not currently share information electronically. All sharing is done by manual input and manual cross-referencing.
  - Commissions are entered manually into a spreadsheet 1 by 1.
- Different teams use different tools, not always using the same info to make decisions.
- No efficient way to share information back and forth other than email or paper.
- Month-end accounting close is not completed until the middle of the month, sometimes as late as the 20th.
- The data flow from the start of the process in sales/operations does not match/feed to the accounting team in an efficient manner. Specifically, job numbers are not consistent across the systems and no mapping tables exist to match them together.
- Sub-processes are repeated in several different roles and teams, most of the time involving the same data.

### Systems

- Confusion of job numbers from two different systems.
- CRM systems do not talk to each other.
- No formal way to check jobs by sales rep or contractor (ad hoc reporting in SystemX).
- No way to check profitability by job, product type or sales rep.
- No automated way to calc commissions or bonus.
- Warehousing solution does not exist to track the extras for installation.
  - Requires manual counting each month by team (2 people \* 8 hours \* 1 day)
  - No way to track what goes in and out
- No connection to source system.
- Employee Installer costs are not available.
- System integration is lacking.

## Existing Process & System Detail

### Sales / Installation

#### *Current Process & Systems*

#### **Sales/Business Development**

- **SystemY** is the tool that the marketing and sales teams use to track the sale including:
  - Lead information
  - Contacts
  - Sale characteristics
  - Customer name is the main job tracking mechanism. There is a number associated, (187-18-7364), but name is the main item.
- Once the sale is made, the Admin team will get the job jacket info from **SystemY** and start in **SystemX**.

#### **Admin**

- Entire process is estimated at 5-7 weeks; all depends on timing and availability.
- **SystemX** is used to track the customer order as it becomes a sale from then on.
- Admin team will build out the **SystemX** item manually with a new **SystemX** # and information using job jacket from **SystemY**.
- Release to measure is set up.
- They will then set up the job for processing.
  - Release to measurement and estimation is kicked off to Signature team.
  - Places order for products based on above.
  - Estimates ship date and ready for install date.
  - When product arrives, become ready for install in **SystemX**.
- Will adjust deposit amount (if any) and total sales amounts.

#### **Customer Experience Team**

- Consists of acct reps for customer interaction & install coordinator.
- Schedules the install w/customer.
- Aligns the sub or employees to do the install.
- Preps the warehouse for the delivery and install.
- Once install happens, Signature team follows up and closes out.
- Admin team then enters in final date and enters in payment types.
  - Credit cards/finance are done by admin team.
  - Checks/cash done in Acct.
- Job is marked as completed.

## Installer Processing

- Currently there are two options to get product installed. Company employees and subcontracted installers.
- The employees' hourly costs are in the S&W line of the P&L and therefore will not have a "cost" associated with individual installations.
- For the external installer (sub-contractors), there is not a current process to know the exact costs until the bill comes in after the installation occurs (can be 1-4 weeks after). **SystemX** does capture the installer name for each job.

## Issues

- It's unclear if **SystemX** has a workflow status enabling teams to know each step and who is accountable for performing those steps.
- **SystemY** and **SystemX** do not use the same job tracking #
- **SystemY** and **SystemX** are not fully integrated.
  - This is ok as they support different teams.
  - But still requires manual work by the admin team when a sale becomes live and transitions between the tools.
- **SystemX** today does not track the cost of the installs. No sub-contractor or labor cost in there
- Displays the total cost of the products themselves, but not the misc extras that go with.

## Recommendations

### Summary

- Use **SystemX** as the one source of collection related to jobs - "**SystemX** is the source", with real time update option. The **SystemX** number would be associated with everything.  
**This is key.**
  - Would require **SystemY** to have ability to track to it.
  - OR have the **SystemY** number entered into **SystemX** (electronically, not manually input)
  - This would allow tracking down to everything.
- Everything related to a job must have an **SystemX** job number associated (and entered)
- Remove the manual paper shuffling of information.
  - Use spreadsheets at a minimum to share information.
  - Utilize the export function within **SystemX** to feed data to **Accounting System** daily
- Use system-generated numbers for all reporting (no more manual populated commissions sheets)
- Utilize system feeds to populate numbers.
- Set up a SharePoint or file share system for everyone to use.

- Can be used for companywide sharing.
- Can have designated employee folders (commissions reporting).
- Create Department, locations, etc. to break out in more detail in Accounting System.
  - Can have a Dept for Acct, Dept for Sales, etc. vs just Cost element breakout.
  - Also use a location for the store breakout vs cost element breakout
- Get exports from SystemX for accounting processing.
  - Today, the controller does manual entry for everything. Sales and costing.
    - Daily feeds would upload of numbers.
    - Would require changes to be all keyed off SystemX number.
  - Would need to also track the subcontractor costs by job in the system
    - GM posed the question to see if that is an option in SystemX.
    - If so, this could also flow out into acct to see the whole package.

## Steps

### SystemY

Start to transition out of SystemY into SystemX by either:

#### Option 1: Continue to use SystemY

- Make SystemX as the main job detail #
- Move away from using SystemY Job # for anything other than reference to sales motion.
- Enter in the SystemY # in each SystemX jobs allowing easy reference to lead generation.
- Utilize export functions for commissions calculations (see below in Commissions calc for recommendation)

#### Option 2: Transition out of SystemY (as time permits)

- Move all sales lead information into SystemX.
- Enables one system for ALL sales input.
- Seamless transition from Sales Lead to Sales generation.

### SystemX

- Make decision to make SystemX be the one source of truth with real time update option
  - SystemX number get associated with everything. This is KEY.
  - SystemX entry needs to include SystemY number.
  - All Accounting functions are based off SystemX information.
  - Admin's/Signature team need to be responsible for updates.
    - Final payouts do not occur until job marked complete in SystemX.
    - Any changes made in SystemX need to be accurate.
    - Updates need to be made on time (not marking complete or ready to order would cause A&B to not be paid out).
- Start to use exports from SystemX to populate Accounting System to eliminate the manual entries.

- Allows the “by job tracking” creation automatically in Accounting System.
- Can be set on a schedule, allowing changes to flow automatically from SystemX to Accounting System. Would recommend DAILY or Weekly at a minimum.
  - Net sales adjustments would flow in
  - Changes to cost would also flow in (based on Installer costs being implemented into SystemX as well).
- Enable the check-in/check-out ability for installers to use
  - Allows analysis on job duration.
  - Ability to see location of installer.
- Enter in sub-contractor installer costs for each job.
  - Ability needs to be turned on in SystemX. SystemX may need to be adjusted to ensure it works correct. SystemX tech person said it is possible if it is not in there today.
  - As installers are identified and assigned, enter in the costs associated.
  - SystemX has the ability to enter in \$ for each install using Labor section.
  - Also enter in any extra costs (construction or misc items) that are associated with the install.
  - Operations manager does have exact cost information prior to the install date and can enter this in.
  - Alternately, enter an estimated cost for each job, x% for installers. There are some variations based on who the installer is, but this could be set by using a table lookup each time the vendor is listed. Also, would provide a quick view for by job profitability.

## Accounting System

Enable imports from SystemX of:

- Sales data
- Cost Data
- Installer costs
- Commission amounts
  - This may need to be adjusted based on decisions on Commissions processing.
  - Will not include costs associated with Employee installers.

Option 1: Use daily/weekly exports from SystemX into a spreadsheet or csv file. Then import into Accounting System.

- This will require investigation into Accounting System abilities and how to configure imports to feed correctly.
- Eliminates manual entries for sales, cost and commissions.
- Automatically creates job details into Accounting System.
  - Net Sales

- Unit Cost
- Job #
- Installer Cost
- Allows the by job creation automatically in Accounting System.
- Can be set on a schedule, allowing changes to flow automatically from SystemX to Accounting System.
  - Net sales adjustments would flow in
  - Changes to cost would also flow in (based on Installer costs being implemented into SystemX as well)

#### Option 2: Create automated links between SystemX and Accounting Tools

- May require upgrades or different Acct tools (i.e. Dynamics)
  - Would require in depth analysis of needs vs costs.
  - Need to get more details on SystemX capabilities before deciding.
- Min requirements would be ability to link to SystemX directly, accrual/liability engines, inventory imports and ability to accept vendor electronic invoicing.

## Commissions

### *Sales Representative*

#### **Current Process**

- Completely manual
- Sales representative enters sales info into spreadsheet; 1 spreadsheet file per sale.
- Sales representative sends spreadsheet for each sale to Admin team.
- Admin team reviews/edits, prints, delivers to Accounting.
- Accounting reviews/edits, submits for pay, sends weekly snip to employee.
- No SystemX number associated, currently uses SystemY number.
- Accounting will enter these all into an overall spreadsheet, which they use to track weekly to see if the job is completed or not to release the B portion.
- The consolidation of all of these is then used for weekly payroll entry into Accounting System and Payroll System.
- Each sales rep has their own commission % based on their plan.
- Every invoice needs to be checked by Acct to ensure accuracy.
  - Calculation accuracy is reviewed as well as checks to see that construction is not part of the calculations since they do not get commissions on that portion.
  - This amount generated is split into two amounts and A is sent to Payroll System (manually) to be included in the weekly payroll.
  - B commissions are only paid out once the job is completed. This is a manual process to review all the jobs .



- Acct then sends a screenshot of each sales rep's spreadsheet total to show what was processed and what is due.
- This process is done each week, for each rep, for each job. Having to always be looking at past jobs and current, new ones.

## Issues

- Completely manual; there are no automated reports or tools to calculate the commissions amounts.
- Each team manager sends the info down via spreadsheets with the numbers pre-populated.
  - Sources of %'s and or pay are all saved on spreadsheets (could have different rates if there are changes since no central location or tool, but sounds like they share changes very well)
  - Acct will verify, manually, each and every sales rep/job sheet to make sure the calculation is correct.
- Acct will consolidate every one of the Commission calculations into a spreadsheet to be used for Accounting System and other Acct needs.
- If a file is late or was sent incorrectly, Acct will need to go back and adjust that record in the overall consolidation file.
- There is no association to the SystemX number. So very hard to track back to the sales jacket easily. They manually associate to the SystemY number by stapling the lead generation info, which is where the % plans are stored. Very messy.

## Recommendations

### Option 1: Enhanced spreadsheet-based calculation

- Admin team would own this operation (no more Sales Rep).
- Use SystemX data export of weekly sales on Monday AM.
- On one spreadsheet, all sales reps and their sales from last week displayed.
- Use auto calculations to use calculate commissions payouts for A&B commissions.
  - Sales Rep table with all relevant %'s
  - SystemX as source of Net Sales Amount
  - Calculates A&B in total, showing dates of each based on SystemX dates
  - All listed on one sheet in a row
- Provides a column for admin to “check off” they have verified.
- Save overall file out to SharePoint (or email) final product.
- Saves at least 3 days of manual work per week.
  - 2 days processing time for Admins down to 2-3 hours
  - 2 Days of processing time for Acct down to 2-3 hours

### Option 2: Turn on the Commissions module within SystemX

- Requires setup work in SystemX to enable and configure.
  - Corp will need to be involved.
  - Need to enable functionality.
  - Ensure Sales Rep %'s are accurate and maintained.
  - All calc's based on SystemX information.
- Need to move calculation from one-off, manual spreadsheet to SystemX
  - Allows real time calculations against real time sales information.
  - Allows for the calculation automatically (according to SystemX tech)
  - Would eliminate paper processing.
  - Allows for specific commission for each Sales Rep, allowing for calculations to be created within (no more manual calculations)
  - Use updated information to always calculate
    - A will be based off initial order
    - B can be adjusted as needed for any changes to order.
  - Export each week for manager to verify and Acct to use to populate Payroll System.
  - NO more paper copies by job, by sales rep
- Weekly exports into Acct tools
  - Accounting System can import the weekly commissions amount based on SystemX exports.
  - Payroll System can accept import of weekly amounts by sales rep and job.
- Reduces most manual calculation. Requires just reviews of #'s before hitting submit.
- Weekly export into spreadsheet if needed for audit purposes .
  - Manager could use to verify
  - Same file sent to accounting to verify in total and process.

## *Sales Manager Overrides – Monthly*

### **Current Process**

- Process today, in total, is acceptable.
- There is not a systematic approach to this that could be easily programmed to do all of the calculations.

### **Recommendations**

- Use Accounting System or SystemX as the source of pulling Net Sales figures to start the calculation.
- Acct can kick off the process by pulling the above and sharing the 1 spreadsheet file with the manager.
- Acct can use the 1 spreadsheet for all to enter in amounts.
- Use SharePoint or Dropbox as sharing mechanism.

- No more paper transmission
- Limit email exchange of data

## *Business Development*

- Recommend sticking to current calculation method, outside of a system calculation.
- Currently using **System Y**; not sure there is ability to enhance the ability.
- Current process works but should be done on one spreadsheet and used throughout. NO more paper

## *Contract Adjustments*

### **Current Process**

Retro adjustments for prior sales. Takes 2-3 hours of acct time each to process the adjustment. Need to follow the entire sale backwards all the way up to the CEO for bonuses.

- Take the Sale adjustment amount.
- Follow this back to the job, identify the sales rep.
- Calculate the A & B commission amount.
- Calculate the overrides for the manager
- Does this effect ARC?
- After all the above, does the amount change the overall tiers forcing an adjustment?
- So far, does not seem there is a major adjustment made.
- Currently costing 1 FTE to process this, plus the amount of time each manager spends on adjustments.

### **Recommendations**

- Can there be a threshold where this process should be initiated? Not sure what that is, there needs to be some analysis to determine that amount.
- Is the result worth the cost to manage?

## **Warehouse**

### *Current Process*

- Products are already assigned to a job and are trackable when they come in. Operations manager states there are no issues in tracking these. And the warehouse system there manages the process well enough. Largest issue is just the space, but the staging of product is working.
- Extras - this is where the potential problem comes into play. Today, the process is to essentially put a bucket together of all the extras for each unit for install. This is thought to be about \$25 of extras per unit that goes out the door. This is not an exact process, but was an exercise done in the past to estimate what goes in.

- Inventory management is not done now. What goes out vs what is needed is not a solid process. Warehouse staff stack out what is needed. Sometimes extras are put back. But no tracking to do that.
- The team will go down once a month and do a physical count of all supplies. Then order up the items that are running low. Estimates are done to see if the rate of use checks out or not, but no real actions taken.
- Current process is around monthly counts and ordering based on history/knowledge. Then they do a sort of calc to do total usage / products installed to see if it is in the round about ballpark

## *Recommendations*

Solution here is dependent on Management's desire for details. There are work arounds in place and that can be set up.

### Option 1: Purchase the tracking system for the Sundries (\$50-\$75k)

- Will pay for itself in 2 years (no headcount hired to track the inventory)
- Allows tracking of what goes in and out by assigning supplies to a specific job (Scan SystemX job, scan parts needed)
- Just in Time (JIT) inventory ordering (space vs needs)

### Option 2: Manual real-time tracking

- Have a person "own" that process and have folks check out and check in products as installers come into the warehouse. This could be expensive as it would require a person to be in charge of this process.
- Pros: allows control of what is taken and returned, keep shrinkage from occurring, get estimates of what avg job needs and adjust accordingly.
- Cons: Expensive, still no computerized system to track, large purchases made when low, not necessarily when needed.

### Option 3: Manual monthly tracking

- Warehouse team manually counts inventory monthly.
- Lists out current stock quantities.
- Orders are then made based on need, monthly PO processing.
- If product runs out outside of that counting window, quick PO process.
- Reduces ability to utilize space in warehouse (buying in bulk vs JIT).
- Create a spreadsheet-based inventory tracking template with costing built in
  - need to add in #'s to calc total cost
  - Share this with Acct for Sundry costing
  - Need to audit each month vs sales to see if the \$25/unit still holds true

## Payroll

### *Current Process*

Payroll is run weekly, with checks being distributed every Friday.

- Numbers are sent to Acct by Tuesday AM.
- All calc's and final numbers MUST be in **Payroll System** by Wednesday 5pm
- Checks/Paysubs are delivered to the office Thursday.
- Checks/Paystubs are handed out to the team Friday AM.

There are several different systems and tools used to calculate payroll. Each department has different schedules and methods of calculation. In the end, **Payroll System** is the system that is used to pay out everyone.

Within **Payroll System**, there are different modules.

- xxx is where the hourly folks will enter in their hours each week. The managers must then approve that time by Monday of each week to make the payroll process for that Friday. There are usually delays and reminders needed to get the managers to approve. Thus processing will occur on Tuesday normally. It must wait for all manager approvers to be complete.
- Salary folks are also in **Payroll System**, but no employee information is entered weekly. Flows automatically.
- xxx is where the information is entered for the bonus calculation and such as per below. The information from the xxx for hourly folks will flow through to here after managers all approve (Acct will hit the "process" button for it to go
- Hours are submitted in these tools for full time employees who are paid via salary/hourly rates. Hours are not submitted for those who are commissions based.

### *Recommendations*

- Overall, this tool has the functionality required for the business.
- Enable auto load from **SystemX** or **Accounting System** for commissions
  - Requires manual entry for commissions \$\$ for pay currently.
  - This may be automated to feed in once the commissions process is worked out
  - There is an option for uploads, but will need to be set up after the
- Enable feeds out of **Payroll System** to enable load into **Accounting System** for regular employees (non-commission based)
- Enable the option for time recording to be job specific.
  - According to the web literature, this is an option.
  - Will require **Payroll System** /xxx team to engage here to help turn this feature on.
  - Doing this will allow employee detailed costing, providing accurate “Job Profitability” reporting.

- There are options out there to replace Payroll System but suggest waiting on this decision based on the SystemX progress and Acct system solution. Needs to be able to play with the upstream system abilities.

## Accounting

### Current Process

#### Chart of Accounts

- Chart of accounts are the only way right now to break out the depts/ activity/location.
- Accounts are used to break out the different buckets. Suffix is location, i.e. 12000-01 Accounts Receivable is one location is xxx and 120000-02 Accounts Receivable is yyy.
- The job numbers from the SystemY system do break out the store locations between xxx and yyy.
- But SystemX numbers do not tell that. But they do have locations in the tool, but not derived as it was with SystemY.

#### Transactions & Journal Entries

Each month, Acct manually goes into Accounting System and posts JE's for accruals. All these items are manual in terms of getting the numbers and processes accordingly.

- Use Tax
  - This is a manual look at each bill as they come in. Some vendors do not put tax on their bills. So, the team needs to go in and calc.
  - They keep track of this in a spreadsheet, then post the entry.
  - By each vendor, each month.
- Inventory
- Unpaid Rent - they used to sub-lease the space upstairs. OR one time they felt like not paying the rent to the landlord. All manual and kept track of in a spreadsheet. Then posted ME JE
- Depreciation (comes from CPA) - uses the CPA's numbers.
- Accrued Liabilities - examples if this are the items that employees pay for. They take a weekly amount out of the checks but pay the accrual monthly.
- Insurance Expense -
- Prepaid Expenses - anything that is being paid in advance, but not released until used. Say a tent for an event in two months.
- Deferred Revenue
- Accounts Receivable.
- Accrue Commissions/Overrides/Bonuses - This is a messy manual process.
  - There are two parts of an override.
    - Part A at the start of the sale

- Part B at the end of the sale when money comes in
- Rental Income - not really used presently.
- Cross-billings - this is the internal dept cost sharing. For example, where someone works for both stores, they will do a manual allocation to make it balance out.
- Work Comp - accrues based on employees/salaries.
- Net Sales info is sent to the team on the ~10th of each month. This will be a manual pull that the admin team will send over to show the net sales by sales rep and month.
  - This is delayed until the 10th so that the sales folks will be able to get the sales in the month to flow in as completed or not (if cutoff was the 30th, this would not allow for the jobs to be recorded if the payment was not processed on time, or there were corrections on the job, delays in marking complete, etc.)
  - While I was there, a revised net sales amount was sent over on the 14th. There was an error on one of the sales reps and the total he had sold. This caused a ripple effect in that the commissions were calculated incorrect, and the close process was delayed as this then needed to flow through to the accruals and entries.

#### Specific Examples:

- A significant example of transferring data between systems by manual input is between the operations tool (SystemX) and the accounting tool. Sales are made using SystemX, capturing all the relevant information that is needed including customer information, sales amount, install dates and product used. As the week or month closes, accounting staff will manually input this same information into their spreadsheets and/or Accounting System; there are no data feeds exporting this information from one system to the other. With a current sales volume of 100-200 sales per week and at least 4 main data sets, this manual activity results in *at least* 400-800+ possible ~~gross~~ points of error every week.
- Outside of the system processing and flows, there is not detailed “By Job Profit” reporting available today. There is a manual version that can be ran out of Accounting System, but it only has revenue and unit cost and is only available after sales data is manually entered into Accounting System for each sales transaction. The Accounting System report is missing the installer cost, commissions and sundries. Currently there is not a tool or one source of data that would allow for accurate job profitability reporting. Data does currently exist in disparate systems but is not automatically consolidated in an easy-to-use format.

#### **Month-End Close**

- Accounting System is the accounting software.
- P&L is only available at the end of the month. No views are possible until close if complete.

- Currently there are no feeds at all from the SystemY or SystemX systems into Accounting System.
- All entries are entered in manually throughout the month, most at month end close.
  - Accruals/Liabilities are created & maintained by spreadsheets.
    - Using bills and estimates for accruals.
    - Liabilities based on spreadsheet formulas and estimates i.e. Insurance for the year based on sales and spread to each team. Uses HC and Sales numbers.
  - Sales are entered in by job numbers (SystemY and SystemX mixed)
    - This process kicks off when Acct is sent an invoice for deposit
    - Of when the final payment gets processed
    - Something can be done by the team looking into SystemX to see what's in there.
  - Subcontractor costs - this gets entered in manually from bills (SystemX will have who the subcontractor is but not have the final cost entered)
    - Finds the job number, manually writes it in
    - Entered into Accounting System with job number and costs
    - Operations Manager does have this information outside of SystemX, but not readily available to Acct.
      - Costs are tracked by vendor.
      - Completion dates may differ from Acct completion dates.
        - Operations Manager will complete when job is complete.
        - Acct will be complete when bill arrives.

## Recommendations

- Need to use more feed structure to get data into Accounting System.
  - Eliminates manual entry.
  - Reduces redundancy.
  - Always updated with latest, greatest from source systems
- Accounting System has the ability to intake feeds directly from SystemX.
- Adjust the strictness of policy to allow for quicker close.
  - Decision to adjust policy on 10-day grace period. IF not in by the end of the month, does not make into current month.
  - Accrue for items that are known (i.e. installer costs but bill has not arrived)
  - If not 85% sure on amount, do not accrue.
  - If Net Sales info doesn't need to be so precise, adjust cutoff off to last day of month.
- Create/use automated quarterly recon process to check for accuracy in the following areas:



- Where there is missing or substandard data tie back between processes/systems
- Where there are manual inputs (currently at high volume) inaccurately or insufficiently captured in the appropriate systems
- If using system generated numbers that feed, set up system recons at the end of a qtr to ensure accuracy.
- Changes made after month end close were made, this process would catch it
  - i.e. Net sales in **Accounting System** vs Net sales in **SystemX**.
  - Installer costs that were adjusted after sales "closed"
- Remove the Retro-Collection process?
  - Is it worth the employee(s) time to process these changes?
  - Can there be a threshold of change before processing all the flow (not only does net sales change, commissions, overrides all need to be investigated)

## Reporting

### *Summary of Findings*

- Confusion of job numbers from two different systems.
- CRM systems do not talk to each other.
- Different teams use different tools, not always using the same info to make decisions.
- No formal way to check jobs by sales rep or contractor (ad hoc reporting in **SystemX**)
- No way to check profitability by job, product type or sales rep
- No automate way to calc commissions or bonus
- Warehousing solution does not exist to track the extras for installation.
  - Requires manual counting each month by team (2 people \* 8 hours \* 1 day)
  - No way to track what goes in and out.
- Manual entry throughout processes throughout
  - Commissions are entered manual into a spreadsheet 1 by 1.
  - No connection to source system once this occurs.
- No way to share information back and forth other than email.

### *Current Capability & Issues*

#### **SystemX**

- **SystemX** does have reporting functionality.
- Ad hoc "create your own" report and can save.
- Data basically.
- Can be exported into a spreadsheet for pivots and reporting.
- But not really used other than ad-hoc needs.
- Met with Sales Manager.

- He has an accounting background with a technical drive. He is the one who built out a lot of the **SystemX** information and reporting. I walked through him what we are finding and posed the questions accordingly.
- All of what is needed in **SystemX** is there, just needs to be exposed.
- There is the ability to add in costing to **SystemX** - we called the tech guy for **SystemX**.
- There is a module in **SystemX** to do commissions on the fly. We just have not turned it on.
- Job costing can be done very easily in **SystemX** if these items were there. Does not need to be in **Accounting System**.

## **Accounting System**

### **P&L**

- There is a report option from **Accounting System** for a P&L
- This breaks out the store locations (using chart of accounts)
- Has different levels of detail but limited by 250-line items only (**Accounting System** 50 limit).
  - If you want to see details of one section, need to limit another.
  - Limited by **Accounting System** hierarchies/accounts
  - This is causing issues in that P&Ls are limited and require manual work arounds for different views.

### **Job Profitability**

After making the monthly entries above, the team will run the monthly job Report. Used to adjust **Accounting System** for jobs that are completed or not. One by one scrub to ensure accuracy.

- This includes
  - Job ID,
  - Customer name
  - job description
    - Breaks out windows/door type
    - Helps determine cost basis
  - Job Status
  - Trx Data
  - Vendor
  - GL Acct
  - Est Revenue
    - This is entered in by Controller manually when running report.
    - Not system generated or even entered by sales team.

- Actual Rev
- Actual Exp
- Profit \$
- Profit %
- The team goes through this report line by line to determine if job is complete or missing items.
  - Uses highlighter to determine if action is needed or something is missing.
  - Will put a C next to it if complete, then will go into Accounting System and enter as inactive.
  - Active means it will still show up in this report.
  - Investigations are made 1:1, involving lookups into SystemY/SystemX or billing statements.
- Essentially this is the recon of each job and what has been entered in for it
- Done one by one.

### Issues

- Done manually .
- Job ID's are not the same throughout all of the systems
  - SystemY (187-19-###) or (34-19-###) where 187 and 34 are the locations.
  - SystemX (34557584)
  - Accounting System is using what is entered in, usually the SystemY number.
- Does not include sundries.
- Does not break out the employee-based installers.
- Must wait until invoices from sub installers come in before entered into Accounting System (no view until project is completed)
- Not a consistent, formatted report that can be shared. Not easily searched. More in tune of being used to recon the information that is in Accounting System.

### **SystemX Reporting**

There is also a power BI-like reporting tool from Corp called “xyz”. These are all canned reports built by Corporate. This is simpler to Power BI but not user enabled to build their own reporting. Would require IT help.

## *Recommendations*

### **Basic Principals**

- Remove the manual paper shuffling of information.
  - Use spreadsheets at a min to share information.
  - Save to a central location (SharePoint or file share).
- Use system generated numbers for all reporting (no more manual populated Commissions sheets)

- Utilize system feeds to populate numbers.
- Set up a SharePoint or file share system for everyone to use.
  - Can be used for companywide sharing.
  - Can have designated employee folders (Commissions reporting).

## Job Profitability

Utilize the reporting function of **SystemX** to create the “Job Profitability Report”.

- Ownership for accuracy shifts to Admin and Sales team to keep information up to date.
- Acct then uses that as the source/triggers for actions.
- Would include the existing Sales amounts.
- Use calculated commissions from Commission Module.
- Installer costs would be entered in as well.
- Unit costs already there based on ordering process.
- Only missing item would be the Sundries (\$25) + FTE installers (see below for options related to these).

Option 1: Create an **SystemX** based report for Job Profitability.

- Can be executed at any time to see latest information.
- Would include all data as entered in **SystemX**.
- Can be ad-hoc or using xyz.
- Limitation would be that would only include details within **SystemX**.

Option 2: Have 425 Consulting build out Reporting.

- Would use Power BI as the reporting tool.
- Connect to **SystemX** and other systems if needed.
  - ♦ Sales data from **SystemX**.
  - ♦ Employee installer costs from **Payroll System**.
  - ♦ Warehouse Sundry costs from Inventory process.
- Daily reporting that can be sent via email and/or viewed on any screen.
- Customizable and security enabled.

## P&L and Job Details

- Depending on the feed, it’s possible to have a P&L available throughout the month using either option below.
  - Will require entries to be into **Accounting System** (expenses as they come in, commissions by week, etc.)
  - Allows for review during close process vs one shot at the end.

Option 1: Use exports to build outside system-based P&L.

- Can add hierarchies to accounts allowing for drill down from highest level to account.
- Can utilize spreadsheet expand/collapse.
- Can be built in Power BI for visual representation.

- Allow customizable P&L's and reporting outside of Accounting System formats.

#### Option 2: Use System based reporting.

- May require system enhancements beyond Accounting System.
- Refine the Chart of Accounts to be more aligned to current needs.
- Remove the ability for the Chart of Accounts to dictate location.
- Requires data from SystemX for location (WCPA bs CPA).
- Requires SystemX to be able to send the information and be accurate.
- Utilize Accounting System hierarchy tools (Dept, location and account as report options).

### **Commissions**

- For Commissions reporting, short term could simply be a Power BI solution or file with permissions, that would allow each Sales Rep to see their commissions on a real time basis.
  - Accounting would still need to do the calculations of the totals but would save it out to a file.
  - Power BI could then import and report on it, with row level security. Thus allowing only the right person to see their results.
  - Could be expensive for Power BI though, as each user would need a license?
- Identify a central location for the "rules". Rates and amounts are all on each of the worksheets.

#### Option A: Spreadsheet-based commissions reporting

- Can be used with data either from SystemX or Excel.
- Utilizing the overall Commissions data (the spreadsheet file saved out from Option 1 or the export in Option 2) to expose Commission amounts per Sales Rep.
- Create a folder for each employee where the file is saved with their sales information.
  - Would be a cumulative listing of all sales and their related commissions amounts.
  - One file for each employee, folder security for only Acct, Manager and Sales Rep to see.
- File would be a pivot table, filtered for just that employee.
- File would be refreshed either.
  - Employee or Acct team can refresh the pivot and save.
  - Create automated Excel (VBA) job to open and refresh each week.
- Allows for systematic updates based on changes (if something changes in calc, this will flow through)
- Employees can “self-serve” for their information vs being sent a screen shot in email.

#### Option B: Power BI

- Can be used with data either from SystemX or Excel.

- Utilizing the overall Commissions data (the spreadsheet file saved out from Option 1 or the export in Option 2) to expose Commission amounts per Sales Rep.
- Create a Power BI solution displaying the relevant employee's data.
- Requires more build time from Reporting experts.
- Security enforcement.
- Web Based solution, anytime/anywhere access.
- Self-Serve.
- Auto updated on any schedule
- Allows for visual representation vs spreadsheet.

## Commissions Basis Calculation

Commissions calculations are done different for each group

- Business Development group
  - Paid based on leads.
  - There is an hourly wage + a commission calc based on what they generate.
  - If there is overtime, the bonus will also get adjusted accordingly.
  - Each has a table to calculate their amounts (coefficients).
- Shows & Events.
  - Paid based on the number of shows.
  - Schedule for each scenario.
  - Manager of the team also get commission for overall team.
- Sales Teams (A and B commissions)
  - Commissions are calculated based on total sales amount.
  - Paid out in two buckets.
    - A is when the sale is made (50%) - ready to order.
    - B is when the job is complete (50%) - job complete.

## Staff interviewed

- GM
  - Overview of the team structures
  - Walk through of SystemY and SystemX at a high level.
  - Overall business flow
- Controller/Acct team
  - Walked through Acct processes
    - Accruals/Liabilities
    - Commissions/Override processing
    - Contract Retro correction
  - Accounting System overview
  - Close processes

- System flows
- Reporting needs
- Acct issues
- CEO
  - Overall team setup
  - Reporting needs
  - Deliverables/expectations
- Operations Manager
  - Installer details
    - Installer selection
    - Installer Costs
    - SystemX data entry
    - SystemX data requests
  - Warehouse inventory
    - Current processes
    - Wish list for tracking
    - Requirements
- Admin team - Admin/commissions calc
  - SystemX
    - Sales entry
    - Processes for data input
    - Sales/install processing
  - Commissions
    - Current process
    - Wish list
- Sales Manager
  - Overall Sales process
  - Team structure
  - Commissions calculations for his team
  - SystemX setup (prior experience as he helps with IT)
  - Overall view of company/teams
- Owner