FTG
THE FAST TRACK GROUP

THE FAST TRACK APPROACH

TO

PROCESS DOCUMENTATION

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While completing numerous consulting projects requiring process documentation as a deliverable, we have developed a highly efficient structured process documentation approach. We have utilized this process documentation approach on a wide variety of projects, including:

- Enterprise Risk Management;
- Compliance Management;
- Risk Management;
- Process Improvement; and
- Systems Implementations.

Our role in producing process documentation is never one of being scribes merely documenting "as is" processes. Rather, we create significant value-added opportunities by identifying and remediating control weaknesses and process inefficiencies.

The purpose of this Thought Leadership article is to share our Fast Track approach to process documentation with our clients and friends. The remainder of our Thought Leadership white paper is organized into the following sections:

I. THE TABLE OF CONTENTS
II. PROCESS TITLES START WITH A VERB
III. PROCESS DECOMPOSITION / LEVEL OF DETAIL
IV. THE PROCESS INTERVIEW
V. "IMAGINEERING" – THE VALUE-ADD COMPONENT
VI. DOCUMENTATION FORMAT
VII. TEAM REVIEW MEETINGS
VIII. PROJECT PLANNING AND ONGOING CONTROL

I. THE TABLE OF CONTENTS

The Table of Contents is the first page a reader looks at and to get an overall understanding of a business unit or accounting department's processes. It provides an instant overview or route map of what a department does. The Table of Contents also serves as a project route map for the consultants and for the client's project team.

As a result, developing the Table of Contents is the starting point for any process documentation project – whether it is to develop an entire procedure manual or to document a discreet sub-set of processes. Once the Table of Contents is developed, the

scope of the documentation project is established and the detailed project plan can then be finalized.

II. PROCESS TITLES START WITH A VERB

All process titles start with a verb. That single verb tells the reader what action is being performed by the Process Owner. Each process title becomes a line item in the Table of Contents. If you begin all of the process titles with a verb, the reader can scan the Table of Contents and quickly understand the sequential actions that represent the overall process (see examples shown below on Exhibit 1).

Compute	Post	Reconcile
Disburse	Prepare	Review
Manage	Process	Upload

Exhibit 1, Examples of Verbs Used for Process Titles

III. PROCESS DECOMPOSITION / LEVEL OF DETAIL

In order to flesh out the Table of Contents, we use a process decomposition technique similar to what computer programmers use in Joint Application Development (JAD) sessions. We facilitate a brief, usually around a ½ day, process decomposition meeting with the Project Sponsor and the various Process Owners. We also like to include the Financial Applications or Systems Manager in these meetings. This meeting takes place in a conference room with white boards and/or flip charts. The process hierarchy we use is:

Mega processes;
   Main processes; and
      Sub processes.

We begin by asking the participants to identify all of the processes they perform throughout the entire annual accounting cycle. We use the "Brain Storming" meeting facilitation technique so that there is no right or wrong items being thrown out by the participants and criticism is allowed of any participant's contribution. If something is not right, too detailed, not detailed enough, out of order, etc., we figure it out later during the meeting.

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Once all the ideas are written on flip charts and taped to the walls for all to see, we go back, sort and organize them into a cohesive Table of Contents – using a Verb as the first word in each line item listing. We re-write new flip charts, with the help of the group, crossing out all the previous items that were put up on the walls to make sure we didn't miss any in the re-write. The result is a mutually-agreed-upon listing of all processes performed by the group, in "cradle to grave" order which represents the scope of the documentation project to follow. Without fail, the client's project team always goes away from this meeting with a much clearer understanding of what they all do and how it fits into their company's overall business model. An example of a section of a completed Table of Contents is presented on Exhibit 2 below, which we prepared for real estate related financial services institution:

1. Record property acquisitions
    1.1. Record acquisition deposits
    1.2. Record remaining acquisition payment
    1.3. Set up property in Yardi
    1.4. Record the detailed acquisition entry
    1.5. Calculate and invoice acquisition fees
2. Receive monthly property operating data
    2.1. Import summary Trial Balance into YARDI
    2.2. Verify data transfer
3. Review monthly operating data
    3.1. Review property data for any material unexplained variances to budget
    3.2. Contact Property Managers to investigate material variances
    3.3. Propose adjusting journal entries
    3.4. Lock down system upon monthly close
4. Record changes in asset market valuations
    4.1. Confirm property FMVs are updated and authorized
    4.2. Calculate unrealized gains or losses
    4.3. Review changes in asset values with Asset Managers
    4.4. Post unrealized gains or losses (Mark to Market)

Exhibit 2, Example Section of a Table of Contents

At the conclusion of the Process Decomposition meeting we establish a going forward meeting schedule with the client's project team. Usually these are weekly meetings at a set day and time to review our documentation. We also identify the Process Owner for each main group of process to document. Those are the "go to" people we're going to interview to gain an understanding of how the process works for documentation purposes.

IV. PROCESS INTERVIEWS

Once the Table of Contents is fleshed out, we schedule out our meetings with the Process Owners. These interviews usually last about 45 minutes. We prefer to conduct interviews at the Process Owner's own work space – whether it is a private office or cubical. That way if there is a form, report or computer screen they need to show us that will be readily available for them.

We use a "cradle to grave" interview technique – asking the Process Owner to tell us how the process is performed "from cradle to grave". We list out each step in the process as they describe it to us on writing tablets asking at each point what triggers each process (e.g., a day of the month or the end or output of another process), what the process inputs and outputs are, where they get inputs from, where outputs flow, how documents are filed, etc.. Those notes form the basis for our structured documentation format.

It is important not to get too many interviews completed before the documentation for each interview is completed. Ideally, an interview is immediately followed by writing up the resulting the documentation; otherwise an interviewer's memory becomes fuzzy as to the meaning of their interview notes. Once the initial draft is completed it is immediately reviewed with the Process Owner and the resulting revisions are then made. That helps to ensure buy in to the documentation as its being developed. Only then does the consultant move on to the next process section.

V. "IMAGINEERING" – THE VALUE-ADD COMPONENT!

Once the interview has been completed, and before we actually begin writing up the documentation, we go through a process we jocularly refer to as "Imagineering" (not quite what the Disney artists do). We have found that it is a waste of time and fees for us to document the "as is" processes as mere scribes, showing all the internal control weaknesses or process inefficiencies, just to have to redo the documentation a second time around to reflect the processes as it would be if corrected. Rather than doing two sets of documentation (the "as is" and "will be") we document the processes under an assumed "will be" scenario. We believe this is a far more efficient approach. Therefore, once the process interview is completed we use our experience as consultants with hands-on financial management experience to identify risks associated with the process being reviewed, the control weaknesses and process improvement opportunities. We then develop our "will be" version of the processes and at the same instance develop a tracking list of control or process improvement remediation items that will need to be implemented. We then document the processes as if remediated in the "will be" scenario.

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The result is one set of process documentation and the list of remediation action steps to be tracked and implemented.

In looking back on completed projects, it becomes apparent to us that a highly value-add component of our services lies in this upfront Imagineering that we do. In this way we can identify control weaknesses and process inefficiencies that can save our clients audit embarrassments as well as time and cost spent with the internal and external auditors later in the process.

VI. DOCUMENTATION FORMATS AND SOFTWARE TOOLS USED

While we will conform to any of our clients' documentation standards, we prefer to use a combination of flowcharts and narratives with the flowchart flowing down the left column and the narrative flowing down the right column. The flowchart essentially has three columns: (1) the left column shows process inputs; (2) the middle column showing the processes; and (3) the right column showing the process outputs (see an example Flowchart fragment on Exhibit 3 which follows).

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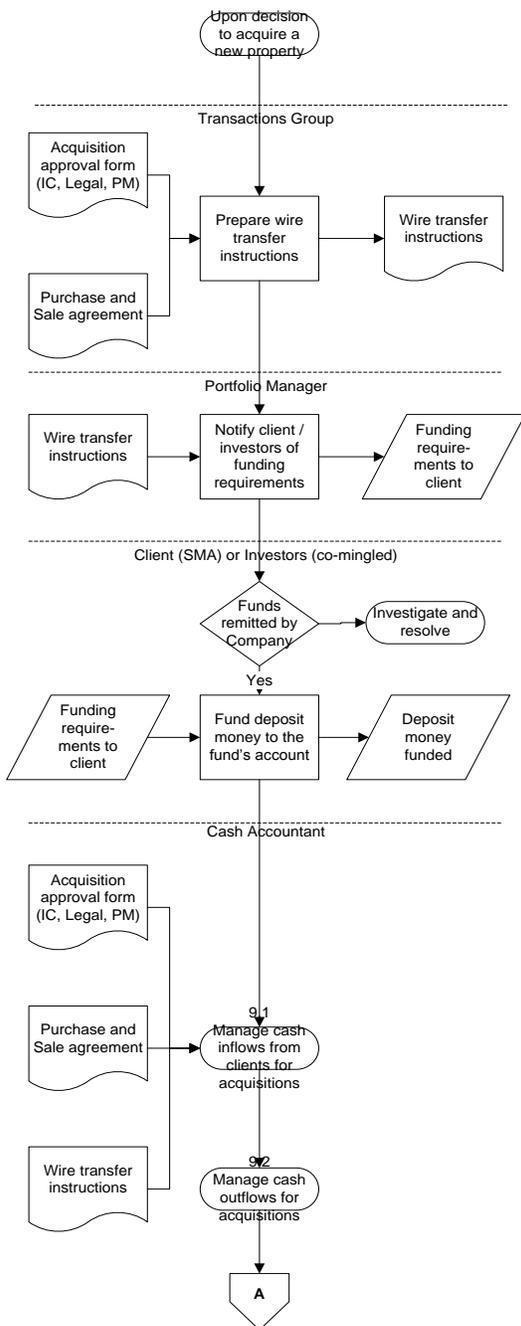
1.1. Record acquisition deposits

The purpose of this process is to record acquisition deposits on the Fund's books.

Deposits are recorded to an acquisition clearing account until the acquisition closes.

Upon an approved property acquisition, the Acquisitions group prepares Wire Transfer instructions.

The Portfolio Manager notifies either the client (in the case of a Separately Managed Account) or the Investors (in the case of co-mingled) funds of their funding requirements for the impending acquisition.

The funding is either being done through the company or via an escrow agent. If through an escrow agent, the client or investors fund the deposit requirements to the agent directly otherwise the funds are remitted to the Company.

See Process 9.1, Control cash inflows / outflows for acquisitions.

See Process 9.2, Control cash outflows for acquisitions.

Transactions Group

- Upon decision to acquire a new property
- Acquisition approval form (IC, Legal, PM)
- Prepare wire transfer instructions
- Wire transfer instructions
- Purchase and Sale agreement

Portfolio Manager

- Wire transfer instructions
- Notify client / investors of funding requirements
- Funding require-ments to client

Client (SMA) or Investors (co-mingled)

- Funds remitted by Company
- Investigate and resolve
- Yes
- Funding require-ments to client
- Fund deposit money to the fund's account
- Deposit money funded

Cash Accountant

- Acquisition approval form (IC, Legal, PM)
- Purchase and Sale agreement
- 9.1 Manage cash inflows from clients for acquisitions
- Wire transfer instructions
- 9.2 Manage cash outflows for acquisitions
- A

Exhibit 3, Example Flowchart Fragment

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To prepare the flowcharts we use the <u>Microsoft</u> Visio flowcharting tool.   We use flowchart symbols found in the Basic and Audit flowchart symbol templates. We try to limit the number of symbols used (see Exhibit 4 below for a legend of the symbols we use).

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Process # Process Title	Process # and purpose of process.
Start / Stop or Process Trigger	Indicates the start or end of a processes. Can be a date or event driven trigger.
----Shows Division of Responsibility / Who's Involved----	
Manual Process	Indicates who is responsible for performing the steps that follow Indicates a manual process that is performed.
Automated Process	Indicates an automated process. The software system or tool used is also indicated.
Decision symbol	Decision symbol usually with a question inside and yes or no branches exiting the symbol.
Misc. Data Input / Output	Indicates miscellaneous form data inputs or outputs; e.g., a phone call with a client.
Manual document	Manual documents used as inputs or outputs.
Database	Indicates a database system with the name of the system or database indicated.
Electronic file or e-mail	An electronic file such as an Excel or Word document or an e-mail file.
◇	Indicates a comparison of one data source to another.
⬠	Off page connector.
Manual file ▽	Manual file symbol indicating the order in which documents are filed; e.g., alpha, date, etc.

Exhibit 4, Flowchart Symbol Legend

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We also show segregation of duties on the flowcharts by placing a horizontal dashed line where there is a change in the segregation of duties. Once the flowcharts have been drawn, we cut and paste them into <u>Microsoft</u> Word where we add the narratives. We use Word templates which we develop from the outset of the project to ensure that all fonts and font sizes, margins, page spacing, headers, footers, etc., are consistent throughout the entire manual. At the conclusion of the project we give our clients both the Visio and Word files, in native file format, so they can maintain the content themselves.

We are typically producing original content for the Procedures Manuals that we develop. It makes sense to put that original work product into a Word format and to focus on substance over format. However, we also encourage our clients to develop or later put their manuals on an "intranet" web site. Once we do that they can simply give all internal users a link to the site. This makes updating and distributing revisions or distributing manuals to new employees a more manageable process. Users can then also use topical search features to quickly find information on topics they may be researching.

VII. TEAM REVIEW MEETINGS

We take a highly collaborative approach on each documentation project. We begin by assisting our Project Sponsor to form the client's project team (the Project Team). The Project Sponsor also announces the weekly meeting schedule throughout the project. Often the Project Sponsor attends these meetings as well. If any participants can't attend a particular meeting, say because of a planned vacation, we go ahead and hold the meeting rather than cancelling it (unless a significant number of people can't attend). We strive to start and end these meetings on time and we produce meeting agendas and materials at least one day prior to the meeting. We also produce and distribute meeting notes afterwards that focus on action items agreed upon by the group. We believe that is only respectful of those client personnel who take the time from their busy schedules to actively participate.

When we perform our "Imagineering" we usually find many control weaknesses and process improvement opportunities. Often they are in the form of approval sign-offs that need to be better documented and retained, say, in a binder. We often also find incompatible duties being performed by an individual that needs to be segregated. We introduce our findings and proposed solutions at the Project Team meetings and explain why these process or organizational changes are important. Naturally this is introducing change and, hence, gives rise to much discussion; particularly with client personnel that have not gone through their first controls review or process improvement project. It is sometimes hard for them to understand just how detailed that process is. Afterwards we sometimes fondly refer to these meetings as "Struggle Sessions". At the end of each

meeting we revise the flowcharts to faithfully reflect the decisions made by the client's team during the meetings regarding our recommendations. That results in the Second draft. Once the entire manual is completed, a select group of team members performs a final review of the entire document. The resulting revised manual is the third and final draft.

VIII. PROJECT PLANNING AND ONGOING CONTROL

Nothing is more unnerving to a client's project team, and to the consultants themselves, than not knowing where a project stands as compared to the project plan. We use a rigorous project planning and control technique to ensure that the client and consultants always know where the project stands.

Once the Table of Contents has been developed, and we then know the full scope of the project, we finalize the detailed project plan using the Microsoft Project tool. That enables us to estimate the work effort required for each section and the overall project duration. As the project proceeds, we update the tasks for percentage of completion, only marking those tasks as complete once they have been 100 percent completed. Then, we only have to scan the Gantt chart and look for tasks to the left of the current date line that have not been completed. That tells us instantly which tasks are lagging for further investigation.

We also develop and use a project tracking matrix to keep track of the project status. This matrix lists all processes to be developed down the first column together with the steps required for each section on the subsequent columns. Our consultants share and update this matrix file on an ongoing basis by simply putting an "X" in the cells of the matrix when a task has been fully completed. They will also put notes on any task cells indicating issues or concerns. Hence we can quickly use this matrix to visually determine the project status and know where the issues are. This enables us to quickly take corrective action, if necessary, to keep a task on track.

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We hope you have found Our Thought Leadership white paper to be helpful and we would appreciate your feedback.

For additional information on our Process Documentation services, please call us on 917-267-7685.

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