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Closing the books at a distance...
Financial resilience during a crisis

The current reality

As the effects of the current environment are felt across businesses, the workforce is adapting to social distancing and government orders to stay at home. Accounting and finance professionals strive to be productive in this environment, recognizing that management's need to understand financial impact and financial reporting requirements remain in place to support the integrity of the markets. As "closing the books at a distance" is now necessary, we provide the following considerations for finance leaders during this time.

Framing your response

Resilient leaders take deliberate actions

Time frame

PRIORITIES	RESPOND Organize and prepare	EXECUTE Deliver and monitor
Delivery model	• Stand up **virtual command center** and leadership • Establish **collaboration portal** and user access (such as online file sharing) • Baseline **resource requirements** and effort to complete close • Execute **manager survey** soliciting work impact for all staff • Determine resource gaps and develop **alternative resourcing plans** • **Establish shifts** and working hours based on staff locations and preferences • **Assign resources** to activities on virtual close schedule (RACI)	• Activate **virtual command center** with shifts covering staff working hours • Utilize **collaboration portal** communication channels (such as posts and chat) • Launch **activity completion** in virtual close schedule • **Monitor close** activities and controls via virtual command center • **Check in daily with managers** to evaluate morale and provide support
Technology enablement	• Work with **InfoSec** to assess SSC's ability to perform secure remote work • **Confirm permissions** to finance systems and provide collaboration portal • **Roll out home equipment request process** to enable staff productivity • **Develop onboarding procedures** for alternative staffing and third parties • **Validate VPN** capacity, provisioning, and procedures against IT policies • Develop and **launch virtual close schedule**, accessible remotely by all staff • Communicate **technical support desk protocols**, time zones, and expected response times	• Activate **technical support desk** to drive issue resolution • Provision **home equipment**, as deemed appropriate • Activate **alternative staff onboarding** procedures • **Monitor VPN** performance, remote connectivity, and response times • Maintain **virtual close schedule**, with real-time updates available to staff • Enable issue resolution through use of **collaboration tools** and execution of **defined protocols**
Governance and compliance	• Rebaseline and reprioritize **virtual close tasks and critical path** • Develop **virtual close playbook** governing process execution and controls • Develop requirements for **hard close (Q and YE) and evaluate ability to perform close tasks to a different schedule or revised tolerance** • **Risk-rank** financial statement line items, journals, accruals, and reconciliations • Identify required **control modifications** for high- and medium-risk accounts • **Evaluate accounting impacts** related to current crisis and market events • Determine impacts from **critical third-party vendors** (data and services)	• Leadership shares expectations to **set tone for the virtual close** • **Communicate revised virtual close schedule** with all departments • Distribute and monitor execution against **virtual close playbook** • Communicate and align around implications of **hard versus soft close** • Execute **modified control procedures** for high- and medium-risk accounts • Monitor and communicate **material impacts** to statements and disclosures

Deloitte resiliency insights

Center *for* Controllership™

1 **COVID-19: ACCOUNTING AND REPORTING IMPLICATIONS OF THE OUTBREAK**
What: Special-edition Financial Reporting Dbriefs webcast
How: View on demand

2 **CONTROLLERSHIP'S MEASURED RESPONSE TO A CRISIS**
What: Special-edition Controllership Perspectives Dbriefs webcast
How: View on demand

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Closing the books at a distance

Virtual close playbook

The current reality

Your finance team is now distributed through a work-from-home model. What new protocols are required to maintain quality and control of the close, while motivating your team through a webcam? How are revised expectations communicated to achieve team alignment now that in-person collaboration is no longer an option?

Leveraging Deloitte's Virtual Close Playbook is an initial step to developing a virtual close that includes expectations and accountability for the close team; communication and close process management; and updated protocols for technology and collaboration tools.

Virtual close playbook considerations

	Close activity	Virtual close playbook consideration	Virtual close risks A	B	C	D
Process transactions	❑ Gather applicable data	Ability to access required systems and data in a timely manner via extraction and feeds	✓	✓	✓	
	❑ Run period end transactions	Network capacity and constraints due to the need for employees to access admin systems and other pertinent financial data remotely	✓	✓	✓	✓
	❑ Obtain and review performance data	Data acquisition changes (the need to adjust the interaction frequency and plan between multiple business groups)	✓	✓	✓	
	❑ Confirm payroll information and other HR data	Potential delays with the start of the close cycle due to data hand-offs and knowledge gaps	✓	✓		
Close and consolidate	❑ Preclose meeting	Meeting focus on hypercommunication, use of new collaboration tools (video conferencing, online file-sharing sites)		✓		
	❑ Meet with finance and tax teams to conduct initial analytics	Delays due to system latency, upstream data availability, and shared service centers coupled with inefficient communication and system downtime for nonessential employees	✓	✓	✓	✓
	❑ Reconcile and close subledgers	Simplifying assumptions and/or modified reconciliations and review may be needed to facilitate timely close	✓	✓	✓	
	❑ Confirm corporate sign-off on balances in ledger	Modified sign-off may be needed with additionally documented assumptions and simplifications	✓			✓
	❑ Record recurring journal entries	Confirm entry system accessibility while remote and plan entries may take longer to book remotely due to indirect access	✓	✓		
	❑ Calculate and record inter- and intracompany allocations	Aggregation of supporting materials from varying entities may pose additional challenges and delays	✓	✓	✓	
	❑ Post adjusting and eliminating entries	New and modified entries may be needed due to macroeconomic conditions and regulatory body reaction, including impairment of assets, goodwill impairment, and adjustments to CECL allowance estimate		✓		
	❑ Post top-side and tax provision entries	Additional top-side entries may be needed as a result of macroeconomic conditions and regulatory body reaction		✓		
	❑ Close general ledger	General ledger analytics and final review may be revised to target specific risk areas in financials due to time and resource availability	✓	✓		✓
	❑ Perform consolidation	Significant delay due to upstream activity completion, modified final review to incorporate additional simplifications and assumptions, and focused risk review	✓	✓	✓	✓
Last mile of reporting	❑ Prepare SEC filing (inclusive of footnotes and MD&A)	The impact on business operations and its effect on access for input and version control	✓	✓		✓
	❑ Prepare financial supplements	Ability to access required systems and employees with relevant information to the financial supplements		✓		
	❑ Finalize the analyst and investor packages (earnings release)	Reporting delays associated with the remote workforce and inability to conduct real-time, face-to-face meetings	✓	✓		
	❑ Update required operational and management reporting metrics	Based on network constraints, increased likelihood of reduced real-time performance measures and business insights for investor discussions	✓	✓	✓	
	❑ Finalize STAT, IFRS, tax, and audit reporting, as applicable	Potential modifications to SEC and other regulatory reporting timelines and requirements	✓	✓		
	❑ Conduct reviews with executive team, audit committee, and board of directors	Reduced timeline for conducting executive team meetings and audit committee and board reviews	✓	✓		

A Availability of or access to data B Increased activity time to complete C Third-party or offshore operations disruption D Modified, interim, or circumvented controls

Prepare for, plan, and execute your virtual close

Today

- Understand how teams collaborate virtually
  - Establish command center for oversight and leadership of close
  - Confirm systems are scaled
  - Complete threat and risk assessments before adopting technologies
  - Identify global remote workforce, including data and delivery centers
  - Understand impact to global workforce
  - Consider offshore locations and outsourced functions are functioning effectively
- Close calendar assessment
  - Risk-rank your close schedule, focusing on tasks likely to be delayed due to the remote workforce
  - Reprioritize close tasks
  - Assess ability to complete close tasks more efficiently
  - Evaluate ability to soft-close select tasks

Tomorrow

- Secure remote access
  - Review VPN security protocols (such as patching status and scalability), multifactor authorization deployment, and remote scope of services
  - Evaluate need for scalable VoIP or video conferencing and home equipment
  - Deploy remote workspace capabilities, enforcing secure configuration
- Distribute close calendar – Leverage collaboration tools to share reprioritized close calendar with departments
- Set tone for the close – Be transparent with employees about changes to the close and expectations for the virtual close

Next week

- Establish daily close meetings
- Review and enhance standard close governance procedures and templates
- Initiate preclose activities
- Consider what journal entries can be "soft-closed" using estimates and accruals
- Consider materiality thresholds for journal entries or account reconciliations to add efficiency to close activities
- Where possible, prepare and record journal entries prior to the start of the close

Next month

- Monitor and assess close progress
  - Monitor progress against the reprioritized close calendar
  - Leverage collaboration tools to share progress and updates in real time
  - Drive issue resolution to compensate for lost time (for example, further adjust close activities and/or reprioritize)
- Stay current with guidance from regulatory bodies and associated impacts (such as legislation or filing deadlines and requirements)
- Maintain open communication channels – Conduct biweekly (if not more frequent) discussions with CEO, CFO, audit committee chair, and board members to discuss close status

Closing the books at a distance
Establishing a virtual command center

The current reality

Finance leaders should consider new tactics to lead, motivate, and manage finance teams. New communication protocols may be necessary to adapt to teleworking and responding to the isolation felt by many finance professionals.

Revised accountability and leadership structures reflecting this new reality should be considered to maintain the finance teams' mission and focus. Implementing Deloitte's Virtual Command Center toolkit includes organizational and leadership structure, communication and collaboration tactics and tools, and RACI matrices to communicate and align close responsibilities.

Take charge by activating your virtual command center

Today

- Create virtual command center to oversee and manage your virtual close with a simple charter, including:
  - Command center leadership and responsibilities
  - Establish command center roles and structure and staff accordingly
  - Define decommission criterion
- Define command center charter and protocols
  - Establish command center incident management process
  - Establish communication support hotline and escalation criterion
  - Determine reporting cadence for incident management and close progress

Tomorrow

- Communicate command center charter and protocols
  - Communicate scope of command center responsibilities
  - Distribute command center points of contact and how to reach them
  - Leverage collaboration tools to share virtual close schedule
- Prepare daily and hourly command center schedule with shift and status call hours
- Develop checkpoint status reporting process and structure
- Establish collaboration portal to manage and centralize documents and communications
- Encourage use of communication channels (posts, chat, or notes) via collaboration portal

Next week

- Establish virtual close checkpoint status meetings and communication
- Drive issue resolution by executing defined command center protocols
- Distribute checkpoint status reports
- Provide status updates to CFO, controller, audit committee chair, and board members

Next month

- Request command center feedback from stakeholders and departments
- Evaluate, review, and revise command center charter and protocols based on feedback
- Continue to assess virtual close issues and symptoms that may require intervention
- Reprioritize and Identify opportunities to simplify and shorten the close cycle as "lessons learned"
- Analyze available collaboration resources and review if upgrades are needed to facilitate more effective and efficient teamwork
- Define and maintain your leading practices

Work more effectively with a combination of collaboration platforms

Real-time collaboration tools	Traditional collaboration tools	Close and reporting automation
Efficiently collaborate across your business (for example, business unit, region, etc.) using one shared document with version tracking	Save relevant emails to file-sharing site to demonstrate tracking or versioning where needed	Add visibility, governance, and efficiency into month-end activities and track progress against virtual close schedules
Utilize comments and "@" functionality to decrease email traffic and the need for duplicative virtual meetings	Coordinate across your business (for example, by region, entity, business unit, etc.) with one overall group consolidation for submission	Use prebuilt templates where available to help speed up the consolidation and build
Designate single points of contact across your business (for example, business unit, region, etc.) responsible for that group's files, permissions, and sign-offs	Maintain sufficient time for relevant reviews given required level of effort to consolidate and work by group virtually	Consider auto-certifications for low-risk items

Provide access and permissions

	Direct impact of and reactions to temporary disruptions		Long-term impact of and reactions to economic climate	
Trends	**Remote work and staffing and availability disruption**	**Access to and availability of third-party data**	**Increased access and permissions for reduced workforce**	**Workforce reductions and employee dynamics**
Systems risk	▪ Greater remote access demands test VPN bandwidth and controls ▪ Some technology implementations are fast-tracked ▪ New need to provide access and permissions to more individuals as personnel availability is affected by family care circumstances	▪ Supply chain disruption implicates security operations—contingency providers may not provide the same security coverage, increasing digital risks ▪ Coverage of security service providers is implicated by quarantines	▪ Individuals with minimal close experience are granted access and permissions to critical systems and data ▪ Duties and permissions that were previously segregated now require integration and access to multiple individuals	▪ Employees who once had access and permissions to required systems are laid off or disgruntled ▪ Required trainings to navigate systems and data may be limited or inaccessible
Considerations	▪ Are your remote access controls built to scale? ▪ How will security keep up with expedited tech projects and needed support?	How are you fast-tracking third party security plans to prioritize access and availability of services?	How are you positioned to pursue a risk-based insider threat monitoring program?	Are access and permissions granted to multiple employees to serve as a backup for critical close activities?

Access and permissions checklist:

- ❑ Identify an individual to champion access and permission review
- ❑ Identify systems required to close the books
- ❑ Identify system-related gaps and procure required technologies needed to close the books remotely
- ❑ Deploy remote workspace capabilities for employees and determine if they are securely configured
- ❑ Review VPN governance security posture
- ❑ Review deployment of multifactor authentication
- ❑ Review scope of services to be securely accessed remotely
- ❑ Identify processes and controls that are critical to the close
- ❑ Confirm whether required individuals have access to the system and required permissions to prepare, review, or approve activities
- ❑ Perform mock-close to identify individuals who lack the required access and permissions to prepare, review, or approve close tasks
- ❑ Update access and permissions for systems and individuals who are critical to closing the books

Closing the books at a distance

Virtual close optimization

The current reality

The March 2020 close will be remembered as challenging by many controllership functions. Relocation of finance teams to work-from-home has created many challenges. For many companies, the additional pressure may exacerbate inherent weaknesses in the close. For organizations, effort needs to be rebalanced to address changing close priorities and evolving financial risks.

Now is the time to reexamine the process—reprioritize tasks, leverage automation, and focus the team on the critical path.

Take charge by optimizing your financial statement close

Today

- Assess the current-state virtual close process and understand limitations
  - Define the workforce required
  - Understand what systems, permissions, and data are needed
  - Develop a timeline for pre-, during, and post-virtual close activities
  - Add current-state virtual close activities to the timeline and highlight limitations
- Create a vision for what a high-quality virtual close looks like and design optimization plan
  - Share future-state close process, including an optimized schedule with workforce and obtain stakeholder commitment
  - Schedule mock-close activity to identify limitations, delays or other areas of improvement
  - Identify the tools and accelerators needed to perform virtual close

Tomorrow

- Set up virtual close command center or center of excellence to collaborate amongst workforce involved
- Share materials needed to perform virtual mock-close and actual close activities
- Identify roles and responsibilities associated with activities required to close the books virtually
- Where possible, reduce the number of resources involved to mitigate virtual and remote risks
- Confirm whether third-party data providers are able to meet virtual close timeline

Next week

- Perform virtual mock-close activities and share status update with stakeholders
- Based on results of virtual mock close, recommend updates to schedule, access and permissions, data accessibility, and workforce involved
- Subsequent to virtual mock close, develop a critical path analysis for highest-risk close activities
- Where required, implement enhancements to virtual close schedule, roles, and responsibilities

Next month

- Conduct virtual workshops with workforce to develop lessons learned from first virtual close
- Gather additional enhancement ideas and implement changes to virtual close process where necessary
- Adapt to evolving delivery model and where required, refine activities to address shortcomings identified during the first virtual close
- Update virtual close command center to address gaps in the virtual close process

Five areas to optimize your virtual close

Close to report process analysis

- Critical path assessment of the close and report process
- Comparison to industry benchmarks
- Identification of redundancies and tasks that have limited value
- Review of talent and task allocation

Close automation solutions

- Automate tracking and reporting of virtual close tasks
- Provide access to real-time close task status
- Accommodate multiple levels of review to compare completed virtual close tasks
- Monitor time spent completing virtual close tasks

Balance sheet risk assessment

- Implementation of an analytical process to assign risk ratings to reconciliations
- Review of talent allocations (prepare and review) and reconciliation cadence and frequency
- Deployment of automated reconciliations

Process support

- Analytical review and data analysis
- Close tasks (such as reconciliations and journal preparation)
- Drafting financial statements and other reports

On-call technical accounting

Providing access for your technical accounting team to subject-matter specialists accounting knowledge and advice

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