

Deficiency Remediation Plan

VIP

July 2020



Deficiency & Weakness Log

Process	Finding	Background	Remediation Plan	Status
Oversight & Account Reconciliations	<ul style="list-style-type: none"> Account Reconciliation Completion & Review Preparation for Audit fieldwork Post Close Journal Entries Role & responsibility consistency across divisions (2018) 	<ul style="list-style-type: none"> 4 business units (BUs) acquired Insufficient control processes (Acquired BUs) <ul style="list-style-type: none"> 5 payables functions across BUs 5 payroll functions across BUs 200+ cash accounts in acquired BUs 6 general ledger accounting systems in acquired BUs 	<ul style="list-style-type: none"> Monthly reconciliation completion tracking & approval 	<i>In process</i> <i>Sept 2020</i>
			<ul style="list-style-type: none"> 2020 audit PBC planning workshop 	<i>Planned</i> <i>Oct 2020</i>
			<ul style="list-style-type: none"> Acquired business functional consolidation 	<i>Complete</i>
General Ledger	<ul style="list-style-type: none"> Prior Period Journal entry controls 	<ul style="list-style-type: none"> Acquired business predecessor's accounting systems were never closed since inception. 	<ul style="list-style-type: none"> Test environment close of 15 years in acquired company's systems. 	<i>In process</i> <i>Jul 2020</i>
			<ul style="list-style-type: none"> Implement system period end closing in acquired business units. 	<i>Planned</i> <i>Aug 2020</i>
Inventory	<ul style="list-style-type: none"> Insufficient process and controls for existence, valuation and reconciliation (2018) Intercompany profit elimination (2018) Reserves for vendor rebates (2018) Reserves for obsolescence (2018) 	<ul style="list-style-type: none"> Acquired company BU's perpetual inventory activity was never reconciled to the general ledger. Physical inventory required roll back to balance sheet date (12/31/2018) using unreconciled general ledger. Acquired company BU's did not eliminate intercompany profit on stocked inventories. Identified post close (NWC claim). Reserves for obsolescence & rebates were estimated post close (NWC claim). 	<ul style="list-style-type: none"> Implement inventory receipt module in all BUs Effective physical inventory process completed in 2019 	<i>Complete</i>
			<ul style="list-style-type: none"> Intercompany eliminations accurately recorded in 2019 	<i>Complete</i>
			<ul style="list-style-type: none"> Reserves for obsolescence & rebates accurately recorded in 2019 	<i>Complete</i>
Business Combinations Accounting	<ul style="list-style-type: none"> Maintain staff with relevant skills, background and controls to account for business combinations (2018) 	<ul style="list-style-type: none"> During transition, the company utilized transition contract resources and consultants to address technical accounting responsibilities and implement accounting for business combination processes. 	<ul style="list-style-type: none"> The company staffed the consolidation function & accounting leadership team with capabilities & capacities to accurately record business combinations. 	<i>Complete</i>
Stock Based Compensation	<ul style="list-style-type: none"> Calculation of fair value Recognition of expenses associated with grants (2018) 	<ul style="list-style-type: none"> During transition, the company had deferred stock-based compensation recognition to after finalization of purchase accounting valuations. 	<ul style="list-style-type: none"> Stock compensation accurately recorded in 2019. 	<i>Complete</i>

Oversight and Account Reconciliations

2019 - Policies and procedures should be in place to ensure account reconciliations are completed and reviewed timely. In addition, the completion and review of account reconciliations should ensure all necessary journal entries are recorded.

During our audit process, we noted management was not fully prepared for audit fieldwork. Reconciliations of supporting documentation related to each significant area in the consolidated financial statements was still in process during our audit fieldwork. This resulted in the following:

Additional time required to complete audit fieldwork - Receipt of multiple versions of certain schedules and reconciliations during our audit fieldwork. Multiple versions were required as the schedules were not always fully reconciled by management prior to submitting to our team.

Total 58 journal entries (50 provide by management and 8 proposed by audit team) recorded to the original trial balance.

2018 - The consolidation includes the financial results of each of Company's subsidiaries for which separate accounting departments are located. For the period from September 25, 2018 (Inception) to December 31, 2018, the Company's accounting departments utilize different accounting system platforms and have different processes and controls related to the Company's critical accounting areas such as billing, cash disbursements and financial reporting. In addition, the roles and responsibilities for review and oversight during the period were not clearly identified or consistent between the accounting departments. The lack of consistency across the Company's subsidiaries contributed to the recorded audit adjustments detailed in the Report to the Audit Committee dated June 27, 2019. The Company should ensure that accounting processes and controls are documented and consistent across each accounting department. Roles and responsibilities for review and oversight should also be clearly identified by the Company.

Remediation Workplan	Status	2H 2020 Remediation / Monitoring Activities
<ul style="list-style-type: none"> Acquired companies' accounting function consolidation 	<i>Complete</i>	Staff transitions and corporate hiring complete for acquired companies' transitions.
<ul style="list-style-type: none"> Company global close calendar implementation 	<i>In Process</i>	Project underway to accumulate all close tasking into a single close control checklist.
<ul style="list-style-type: none"> Uniform reconciliation completion tracking, review & reporting 	<i>In Process</i>	Project underway to measure completion and review of reconciliation of every balance sheet account on a monthly basis.
<ul style="list-style-type: none"> Postmortem coordination with FP&A to improve accuracy 	<i>In Process</i>	Project underway to implement monthly postmortem coordination with FP&A to improve accuracy of transaction activity.
<ul style="list-style-type: none"> 2020 audit PBC planning workshop 	<i>Not Started</i>	Workshop will be held to evaluate audit deliverables and timelines and late deliverables from the prior year.

General Ledger Posting

2019 - During the audit work performed around journal entry testing, it was noted that processes and controls currently allow the user to enter a transaction date of their choice that may not have a direct correlation to the reporting period. This allows for the possibility of journal entry to have an inaccurate transaction date that does not correspond to the accounting period. The Company should ensure that processes and controls are in place around the posting and effective date of journal entries rather than just the effective month.

2018 - During the audit work performed around journal entry testing, it was noted that processes and controls currently allow the user to enter a transaction date of their choice that may not have a direct correlation to the reporting period. This allows for the possibility of a journal entry to have an inaccurate transaction date that does not correspond to the accounting period. The Company should ensure that processes and controls are in place around the posting and effective date of journal entries rather than just the effective month.

Remediation Workplan	Status	2H 2020 Remediation / Monitoring Activities
<ul style="list-style-type: none">Evaluate ability to post into unopened future periods	<i>Complete</i>	<ul style="list-style-type: none">Systematic controls exist to restrict the ability to post into unopened future periods.
<ul style="list-style-type: none">Implement process to close each period on a monthly basis to eliminate potential for prior period postings.	<i>In Process</i>	<ul style="list-style-type: none">Test environment close of 15 years in acquired company's accounting systemsImplement system period end closing in acquired company's accounting systems.

Inventory

2018 - The processes and controls surrounding the physical existence, valuation and reconciliation of inventories of acquired company during the period from Inception to December 31, 2018, were not sufficient to reconcile and adjust inventories.

- Lack of reconciliation between inventories reported per the Company's perpetual inventories records as compared to inventories reported per the Company's accounting systems including, but not limited to the following:
 - Analysis of inventory goods received at the Company prior to receiving an invoice from the respective vendors
 - Analysis of invoices received from vendors at the Company prior to receiving the inventory goods
 - Analysis of adjustments recorded by management into the Company's perpetual inventory systems
 - Analysis of adjustments recorded by management into the Company's accounting systems
- Lack of review and elimination of intercompany profit recognized and recorded by Company in inventories
- Lack of review and reserve for slow-moving or obsolete inventories
- Lack of review and reserve for vendor rebates in inventories

The Company should ensure that processes and controls are documented and provide for appropriate observation, valuation and reconciliation of the reported inventories.

Remediation Workplan	Status	2H 2020 Remediation / Monitoring Activities
<ul style="list-style-type: none"> • Implement inventory receipt module in all BUs 	<i>Complete</i>	<ul style="list-style-type: none"> • Maintain activity-based tie outs to ensure alignment of perpetual and general ledger activity
<ul style="list-style-type: none"> • Effective physical inventory process completed in 2019 	<i>Complete</i>	<ul style="list-style-type: none"> • Maintain annual physical inventory count program as well as periodic cycle counts.
<ul style="list-style-type: none"> • Intercompany eliminations accurately recorded in 2019 	<i>Complete</i>	<ul style="list-style-type: none"> • Monitor monthly close process tasks over inventory eliminations to ensure accurate completion.
<ul style="list-style-type: none"> • Reserves for obsolescence & rebates accurately recorded in 2019 	<i>Complete</i>	<ul style="list-style-type: none"> • Quarterly reserve review by operations function and finance leaders.

Business Combination Accounting

2018 - During the audit work performed around the business combinations, there were several adjustments proposed and recorded to the Company's initial analysis of its business combinations, including adjustments to the purchase price consideration, and the valuation of assets and liabilities. A summary of the recorded audit adjustments is included in the Report to the Audit Committee dated June 27, 2019. The Company should ensure that it has the necessary financial reporting resources, including individuals with relevant skills and background, and controls so that the Company can properly account for business combinations.

Remediation Workplan	Status	2H 2020 Remediation / Monitoring Activities
<ul style="list-style-type: none">The company staffed the consolidation function & accounting leadership team with capabilities & capacities to accurately record business combinations.	<i>Complete</i>	<ul style="list-style-type: none">Maintain experience and capacities to ensure accurate and timely completion of business combination accounting.

Stock Based Compensation

2018 - During the period from September 25, 2018 (Inception) to December 31, 2018, employees of the Company were granted Class B units in the company. In connection with the units granted, no estimation of the grant-date fair value of the units or the required stock-based compensation expense related to the options was completed by the Company.

Remediation Workplan	Status	2H 2020 Remediation / Monitoring Activities
<ul style="list-style-type: none">Stock compensation accurately recorded in 2019.	<i>Complete</i>	<ul style="list-style-type: none">Maintain experience and capacities to ensure accurate and timely completion of stock-based compensation recognition.