Activity: Audit Confirmations

Short Description: An Audit Confirmation is a request by a third party auditor for verification of a client's holdings in a fund for a given quarter.

Long Description: The Accounting Department comes to you for help. They have a manual process that over time has become more complicated due to the number of request being received. Keeping track of request and meeting deadlines has become a challenge. Every so often a missed request ends up bubbling up to Senior Management which creates problems for everyone.

The process that the Accounting Team would like to automate is called Audit Confirmations. An Audit Confirmation is a request by a third party auditor for verification of a client's holdings in a fund at a specific point in time.

Fund managers create funds in which they execute investment strategies. The fund will have a defined set of asset types which it transacts in and holds, will specify the duration of the overall investment and outline the risk to return objectives. These funds are then marketed in an effort to raise the capital necessary to meet investment objectives. The marketing process is called fund raising. The typical investor is a Union, Endowment, Insurance Company, Sovereign Entity, etc.

Clients undergo audits of their own to insure that the investments they have claimed on their books truly exist. As such the fund manager may receive a request from a third party audit firm requesting confirmation of the position held in a given fund by the client for a given quarter. It is the fund manager's responsibility to then furnish the requested information in the time frame requested.

Current Process: Audit confirmation request are received via hard copy mail, fax, and email by either Client Relations or Accounting. All received requests are sent to a clerk who is responsible for processing the request. Following are the steps involved in processing a request.

1) Date stamp the request when received.
2) Enter the request into an excel spreadsheet
3) Read the request and identify
   a. Who the response needs to be returned to
   b. Is a delivery method specified (mail, fax, email)
   c. Is a due date specified
   d. What fund/s is the request for
   e. What period / quarter is the request for
4) Prepare the confirmation package – which includes
   a. A cover sheet highlighting client/fund/quarter and a place for the reviewer to sign off
   b. The original request with requested items/quarter highlighted
   c. Fund specific report for the quarter requested
   d. Supporting documentation
5) Submit the completed package for manager review / approval
6) Follow up with managers to retrieve packages
7) Remove the cover sheet (review for additional instructions from manager)
8) Remove supporting documentation

9) Email or mail the request to the person indicated on the request
10) Update the excel spreadsheet to indicate delivery

Conditions to consider:

1) The same request may be received multiple times
2) Managers sometimes misplace the confirmation package given to them
3) Managers are sometimes out of the office
4) Requestors call asking for status

Business Process Problem Statement / Challenge

	Problem	Description
1	Decentralized	Multiple copies of the same request
2	Tracking	Not certain that all request were captured or processed
3	Prioritization	Request worked on a first in basis
4	Physical	Dealing with a lot of paper – moving and tracking file between managers
5	Mailing	Package and mail, request for re-mailing
6	History	Difficult to search
7	Lost / Misplaced Files	Unable to locate prepared files – multiple reworks
8	Responsibility	Unable to balance workload amongst approvers
9	Visibility	Unsure if request are late or how many are in any given approvers possession
10	Visibility	Dependent groups unable to answer client questions