

CASE STUDY: Does your family office conduct proactive forensic analyses of key financial processes?



OVERVIEW

RSM's client is a successful celebrity. He is founder, owner and former chief executive of a public company and has a family office to manage his various interests and household employees. Over the years, the client had become more aware of his increased spend, as well as the increased complexity of his various assets, accounts and related financial processes. By the prudent recommendation of the client's wealth manager, RSM US LLP was engaged to conduct a proactive forensic analysis, or checkup, of several areas, including key financial processes and important assets.

Project

To scope this proactive forensic checkup, RSM worked collaboratively with the client to identify and prioritize areas of concern and develop a customized work plan. For this client, RSM's scope included payment integrity testing and compliance assessment of the client's new bill pay process, recommendations for personal financial reporting, internal controls assessment around key assets such as a wine collection, and a forensic review of spend regarding a large home construction/renovation project in New York City.

Payment integrity assessment – RSM's primary focus was the client's new bill pay process. The client had recently worked with his accounting firm, wealth managers and household manager to implement a new bill pay system centered around Bill.com. RSM held interviews with all of the individuals that interacted with the bill pay process in order to gain a thorough understanding of the process, how it should work and why it was set up the way it was. The payment integrity testing considers various forensic routines including assessments for duplicate payments, suspicious transactions or vendors, errors or gaps in supporting documents, as well as effectiveness with the client's new bill pay process for dual approvals and segregation of duties. RSM's in-depth understanding of the various ways families use Bill.com in collaboration with our financial accounting outsourcing (FAO) practice was instrumental in identifying further improvements to the client's bill pay process to reduce manual steps, improve segregation of duties, decrease payment time and provide recommendations to improve related financial reporting.

Wine inventory assessment – RSM's second priority was to address concerns the client had related to a significant personal wine collection. The client maintains a close relationship with his wine consultants, who regularly purchase wine on his behalf from various sellers, wineries and auctions across the world. Thus, tracking bottles from time of purchase to receipt as well

as accurate inventory reporting was a key concern for the client. RSM held interviews with individuals at the client's wine storage facility, the client's wine consultants and the household manager to develop a comprehensive process map and related internal controls. RSM was then able to identify gaps in controls related to tracking, inventorying, communication and transportation protocols, as well as logical access controls related to wine in various homes and at the storage facility.

Home renovation forensics – The client was in the process of renovating two townhouses in Manhattan to combine them into one home. This construction process involved multiple years, dozens of subcontractors, dozens of change orders and millions of dollars. Given prior errors identified in invoices reviewed by the household financial manager and the volume of these transactions and spend, the client requested that RSM conduct a construction cost assessment to determine if invoiced amounts were accurate, related to the project and in accordance with the contract. This workstream is in process as of the date of this case study.

Solutions

RSM's payment integrity assessment identified portions of the bill pay process that were not consistently followed, including various transactions without proper approvals, transactions with insufficient support and duplicate payments. Our observations led to a robust conversation about the bill pay process and proposed changes to streamline it and increase compliance. The client worked with his accounting and wealth management firms to implement these changes to his policy/process and the client is assessing whether a periodic payment integrity reassessment is needed. During this process, RSM identified manual and error-prone steps in the client's financial reporting and made recommendations on how the client could obtain more frequent financial reporting on spend through changes in the roles and responsibilities of the accounting firm and wealth managers.

RSM identified gaps in the wine controls related to tracking and access that may unintentionally provide opportunity for theft or loss of the wine by various individuals who come into contact with it. RSM provided documentation on current state process flows as well as recommendations related to protocols for wine storage, consolidated inventorying, periodic existence testing and transportation to enhance security of the wine and more readily identify any missing or damaged bottles.

Key benefits of this proactive forensic analysis include:

- A streamlined bill pay process to increase efficiency and understanding of household compliance with the process
- Increased comfort and control around payment integrity and practical recommendations to mitigate fraud, waste and abuse
- Identification of process changes to mitigate gaps in wine processes that may lead to exposure or loss
- Identification of tools and process enhancements to streamline financial reporting or increase timeliness and accuracy

+1 800 274 3978

rsmus.com

This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute audit, tax, consulting, business, financial, investment, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed. RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International. RSM, the RSM logo and the *power of being understood* are registered trademarks of RSM International Association.