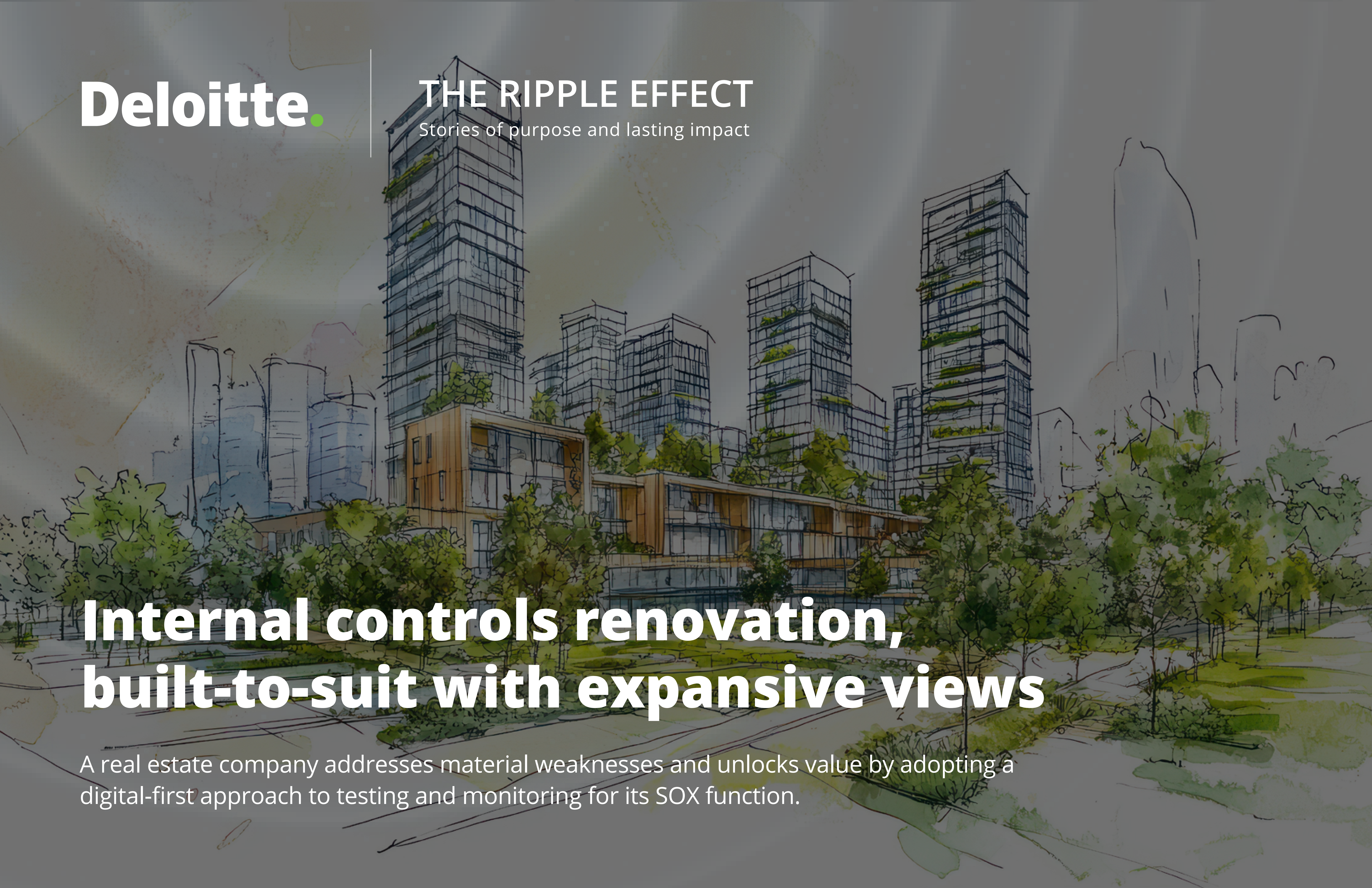


Deloitte.

THE RIPPLE EFFECT

Stories of purpose and lasting impact

Internal controls renovation, built-to-suit with expansive views

A real estate company addresses material weaknesses and unlocks value by adopting a digital-first approach to testing and monitoring for its SOX function.

MANUAL MONITORING HAD CREATED CRACKS IN THE FOUNDATION.

THE SITUATION

POV: A business leases space in a large building in a major US metropolis. It is one of many businesses operating within the walls of the skyscraper, which is part of a global real estate company's vast portfolio.

Now, consider the city skyline from a broader perspective: The real estate company manages similar properties throughout the metropolitan area and in cities globally. And it needs to account for each of them, at the transaction level, to maintain Sarbanes-Oxley (SOX) compliance.

In real estate, transactions are often conducted locally. They might begin on a notepad, become formalized later, and eventually get recorded in a journal—manually. And sometimes, given the high volume of complex transactions an organization like this particular real estate company executes regularly, this manual preparation and oversight of journal entries can create SOX assurance challenges for the larger enterprise.

The real estate company allocated people, processes and technology to maintain a transparent and auditable record of all journal entries—as is essential for compliance with accounting standards—and it identified material weaknesses in its internal controls environment. This wasn't uncommon in the real estate industry, where many businesses adhere to traditional, i.e., manually managed, accounting processes.

Acting quickly, leaders appointed a new executive to address the deficiencies. And following a traditional industry approach to risk mitigation, the company brought in multiple professionals from different organizations to monitor each transaction by going into every journal manually. This was labor intensive, akin to looking for needles in a virtual haystack—and while improvement was realized, it was costly, and the issue wasn't fully resolved. So, when Deloitte's POV for the "Future of Controls" landed in the new SOX assurance leader's inbox, the executive found its fresh approach compelling.

THE SOLVE

A multidisciplinary Deloitte team met with the SOX assurance executive and other company leaders, showing up with a vision for curing the public-facing material weaknesses and a plan for operationalizing that vision. Unlike the previous approach, Deloitte's digital-first strategy was designed to X-ray the entire proverbial haystack, not just find the needles. This resulted in Deloitte's engagement to build a monitoring mechanism from the ground up.

A collaborative relationship began in the kickoff meeting, where the group spent significant time together whiteboarding wireframes and designs to address the company's specific requirements and challenges. Next, the real estate company onboarded to [Deloitte's Nexus Digital Nerve Center™], where it could access digital monitors for testing, as well as data and insights it could use to enhance operations for the company as a whole. Within six weeks, Deloitte created an initial version of a journal-entry monitoring tool.

The tool provides an expansive view of transactions and activities across the global organization from a single, secure vantage point. Deloitte designed user-friendly dashboards to highlight risks—existing and emerging—in an easy-to-digest format. The real estate company's finance and accounting professionals and SOX teams gained easier access to journals and the ability to extract more detailed information than manual monitoring provided. Built to meet rigorous functionality and testing standards, the tool was refined through multiple rounds of review and iteration with the client. Finally, the company's independent auditor aligned with the organization's risk criteria and its approach to management's scoping and monitoring.

The material weakness was remediated, and the real estate company pivoted from using dozens of third-party professionals to targeted monitoring by a small internal team supported by Deloitte.

The company realized value from implementing Nexus as a Deloitte managed service, and news of the success spread internally, emphasizing quality, efficiency, and leading technology. This led others in the organization to approach the SOX team to see how their teams could leverage Nexus' powerful capabilities and the detail it avails for their own purposes. The chief accounting officer appreciated how Deloitte's efforts enhanced teams' performance, reduced costs, and shortened the close cycle. This drove discussions about expanding the collaboration to include a co-source model for the company's SOX program.

To help the company reimagine its risk assessment and SOX scoping, Deloitte assembled a multidisciplinary team that paired its specialized audit-and-assurance-focused industry eminence with delivery excellence and tools. The team implemented Deloitte's SOXwise Mosaic Scoping™ tool to enhance the company's scoping and accelerate quarterly monitoring with risk-intelligent procedures.

With a mix of SOX and external audit specialists, the team had a multilens perspective and could present forward-thinking views on matters that can contribute to risk-aligned controls' efficacy. Deloitte's multidisciplinary model is supporting an expanded suite of services in the company's risk and controls space, including controls strategy work, cyber controls support, third-party risk management, and environmental, social and governance.

THE IMPACT

The real estate company's internal controls environment renovation delivered significant value:

- Its view became more expansive and it unlocked savings. By eliminating the need for multiple service providers to monitor transactions, a smaller team delivers deeper insights at a lower cost.
- The company saved time. Deloitte's approach reduced the company's close cycle by ~30 business days on an annualized basis.
- The digital reimagination also decreased the level of effort required for the external auditor, which subsequently lowers audit fees and reduces the total cost of compliance.

The company maintains a large global footprint but strengthened its controls and enhanced SOX compliance by transforming its approach from a broad *monitoring* function to a *strategic* function—driven by a streamlined team that leverages digital monitors and support from Deloitte, using people, processes and technology together.

With a joint focus on continuous improvement, Deloitte is helping the real estate company explore the potential for further modernization initiatives including Generative AI (GenAI) and automation to help maintain competitive advantage and drive efficiency:

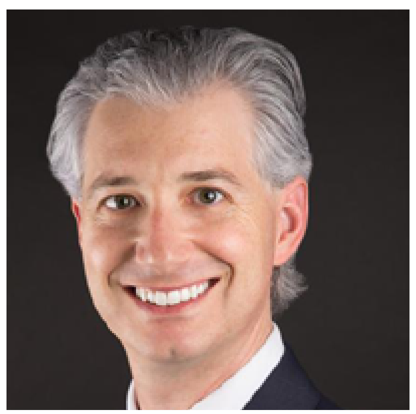
- A pilot aims to eliminate time spent updating process flow diagrams and narratives, making it possible for GenAI to take the first pass at these time-consuming tasks so company stakeholders can refine.
- Deloitte is working with the client to design a chatbot that can cite regulatory documents to help inform company employees' work in the compliance space.

Deloitte's multidisciplinary model is core to the ongoing, multiyear engagement. What began with a material weakness needing remediation has resulted in a meaningful boost of enterprise confidence and strength.

REMOVING THE PAIN POINTS OF FINDING NEEDLES IN THE HAYSTACK

LET'S CONNECT.

Do these challenges sound familiar?



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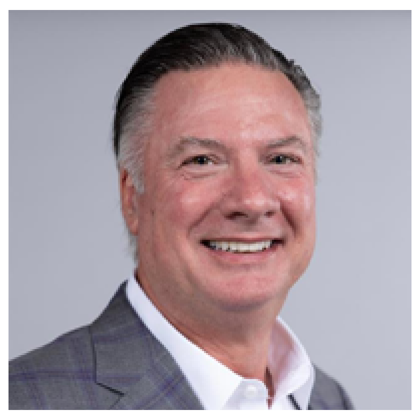

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