

## **Transportation Firm Cuts FAS 123R Review from Days to Hours**

*Equity Focus "Pays for Itself" in Saved Audit Time*

### CUSTOMER CASE STUDY



#### KEY BENEFITS

- Provides transparency of stock option administration
- Eliminates spreadsheets
- Is stable and audit friendly
- FAS 123R calculations cut from "a number of days" to "a couple of hours"
- Preferred by auditors

#### **Challenge: More transparent documentation of stock option expensing**

Express-1 Expedited Solutions, Inc. is a transportation and logistics management company with more than 150 employees and approximately \$120 million in annual sales. A growing company, Express-1 found that its record-keeping procedures had not kept pace with its expansion. The Board demanded greater transparency regarding stock option administration. And, in the wake of more stringent FAS 123R requirements, Express-1's auditors were becoming increasingly uncomfortable with the company's reliance on spreadsheets. "Our FAS 123R calculations," says CFO and Board member Mark Patterson, "became a big point of contention between the company and our auditors."

Patterson became responsible for identifying a way to convert the company's stock option records and FAS 123R reporting from spreadsheets to "something more stable and audit-friendly." As he was already starting to work on the company's year-end financial statements, time was at a premium.

#### **Solution: A comprehensive, reasonably-priced tool for satisfying audit and governance requirements**

Patterson decided that it was time to move to a commercially available system and preferably one that was available as a hosted solution to avoid any delay or technical requirements. He reviewed the systems that were commercially available and selected the one that best met his primary three demands:

- The right solution had to be *comprehensive*, supporting corporate governance in addition to satisfying the FAS 123R reporting requirements.
- "It had to be *reasonably priced*. Everything else I looked at was ridiculous."
- Express-1 needed a system that was *easy to learn* so they could get up and running *fast*. They wanted to produce reports from the solution within a week or two of purchase.

"Equity Focus from Two Step Software was the only product that met all my criteria," Patterson says. It met all of the reporting requirements for FAS 123R, but also dynamically connected the related board minutes and signed stock option agreements, as well as the back up documentation for the FAS 123R assumptions or calculations. The cost of Equity Focus was less than many other systems that Patterson considered. And finally, Two Step arranged for online training within a few days and technical support was able to handle any of the more detailed implementation questions. In less than a week, Express-1 had moved all of its stock option records to Equity Focus and was able to complete its FAS 123R calculations and reporting.

Complete stock plan administration, FAS 123R valuation and expensing, and capitalization table management for venture-backed and other privately held companies.

- One centralized location for all equity transactions
- Intuitive administration with easy-to-use tracking wizards
- Complete audit trail with supporting legal documentation
- Fully diluted capitalization tables for all types of securities
- World class hosting facility so you can get started right away

## ABOUT EXPRESS-1

Express-1 Expedited Solutions, Inc. is a non-asset based services organization focused on premium transportation through its business segments. These segments are focused on same-day, time-sensitive and dedicated transportation as well as freight forwarding services. The Company serves more than 2,000 customers.

## Results: Reduced audit time and increased confidence

While the implementation and reporting was easy, Express-1 faced a larger hurdle: How would their new system stand up to a test by their auditors? "The auditors loved it," says Patterson. Their initial review of five to ten records was both smooth and fast. In the past, their auditors had tested more records from the spreadsheets and the process had taken a long time. With Equity Focus in place, the review of their FAS 123R calculations was cut from "a number of days" to "a couple of hours." Best of all, Patterson says, "the tool gave our auditors assurance." Since the audit firm had been pushing Express-1 to move to a commercially available system, they were more comfortable knowing that all records were tracked in the system in the same manner and all calculations were run consistently.

An automated system that integrated option administration with equity compensation expensing removed many potential sources of errors and inconsistency. Patterson added that in the spirit of greater transparency: "Our auditors have now grown so comfortable with Equity Focus that we allow them direct access to the system and they can run reports themselves to check our internal work."

Patterson has been very pleased that he took the advice of his auditors and moved away from his spreadsheets and purchased a commercially available system. The ROI was a pretty simple calculation as he put it: "Equity Focus paid for itself in audit time saved."