

**The Evil Data:
Stock Plan Data Horror Stories and How to Avoid Them**

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Materials

A link to the materials was sent to all registered attendees.

If you did not receive the email, materials are also available here:

<http://www.sos-team.com/PDFS/evil-stock-plan-data.pdf>

Please note that the URL is *case-sensitive!*

Disclaimer

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Agenda

Data Propagation

User IDs

Vesting, expirations and terminations

More real life horror stories

Data Propagation

- Understand how systems propagate your data
- Not just an administrative platform issue
- Multiple applications along the way with individual logic
- What may not be a data issue for an administrative platform may present itself as evil downstream.
 - Example- western characters created an issue where trades were not getting processed. Losses amounted to over \$100k.

User IDs - Domestic

- Client provides incorrect social security number which causes the following issues:
 - Incorrect year end statements under the wrong SSN
 - Incorrect 1099 statements reported to the IRS
 - Participant can view or process a transactions from another participant account with the same ID
 - We will have to run several purge jobs to delete information

User IDs - Global

- Global IDs present a unique challenge due to their lack of uniqueness
- Companies must ensure that they are not sending over duplicate IDs
- Example: Recently a client that administers internally sent over multiple duplicate IDs.
 - The IDs linked on the platform and linked data for multiple participants into one account.
 - Participants could see other users data.
 - Another participant got linked to a control account and the value of the participant account showed as \$700,000,000!!

Vesting, expirations and terms

- Incorrect vesting schedule have been sent
 - Which causes out of balance on the total vested, exercisable and outstanding
 - If it's a FAS client the expense filing is reported incorrectly on financial report to the client
 - If client allows dividends, the system will calculate the wrong dollar amounts and shares
- Client provides the incorrect vest start date
 - The FAS expense filing will start on incorrect date
 - It can affect termination processing if term logic is based on vest start date

Vesting, expirations and terms

- Client provides the incorrect expiration date
 - This also affects the FAS reports (expected life of the grant)
 - This creates a market risk since the participant will be able to exercise after the true grant expiration date or the system will prevent the participant from exercising if the grant expires prior to correct date
- Client provides wrong termination date or reason
 - Participant can exercise or release the incorrect number of shares (market risk)
 - Plan share pool is out balance
 - Incorrect plan and FAS reporting is provided to client
- These issues often requires patches. The patches are often more evil than the bad data as down the stream issues pop up sometimes years later

Horror Story – RSU Release

It is Release Day. The awardees are anxiously awaiting delivery of their shares. The equity plan manager enters the Fair Market Value for the day, presses a few buttons to process the release, begins to audit and something is very WRONG!! The number of shares don't tie out, some tax calculations look wrong, names look funny...

Where to start? How did this happen???

RSU Release – Find and Fix

- **Shares don't tie** – determined whether we had bad vesting dates, incorrect control data, or missing people. Appropriate fixes were made.
- **Wrong tax calculations** – determined whether people were missing taxes partly or completely, certain records were incomplete, or max limits weren't in the system properly. Appropriate fixes were made.
- **Funny names** – determined whether first/last names were in appropriate fields, parts of names were missing, or if import file was corrupt. Appropriate fixes were made.

RSU Release – Error Avoidance

- Create a detailed process document
- Refresh yourself on the process well before the actual release date. Make updates to process document, as applicable
- Create a checklist of all pertinent data elements and determine the best way to audit to that level of detail
- Do ALL of the audits from Step #3
- If possible, run a complete test process

Horror Story - ESPP

- The client created the contribution file manually using Excel
- They needed to delete one participant's contribution dollar amount on the file
- Client inadvertently shifted the contribution fields for all participants by one
- The end result was every participant had an incorrect contribution amount

ESPP – Find and Fix

- The client realized this when we provided them purchase reports for approval
- We had to delete the contributions and rerun the purchase using a corrected file
- Load was delayed by a day

ESPP – Error Avoidance

- Work closely with local/global Payroll to understand source data and even integrate them into the audit process
- Minimize manual processes where possible
- Perform a random spot check
- Create separate reconciliation document
- Vlookup
- Control numbers to vendors with files

Contact Information

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