### COSO SUMMARY – APPLY TO BILTRITE

#### Control Environment Summary

In summary, are Biltrite's processes sufficient to accomplish the seven control environment principles identified and support the achievement of the company's objectives related to financial reporting?

<table>
<thead>
<tr>
<th>Component</th>
<th>Design Effectiveness of Control Environment Component</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Fully Met</td>
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<td>Partially Met</td>
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<td>Not Met</td>
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</tbody>
</table>

Summarize the reasoning for this judgment. Specifically identify ways in which the following attributes have been achieved at Biltrite. If an attribute has not been achieved, provide a suggested approach to Biltrite.

**Principle 1 - Integrity and Ethical Values**

**Attributes of the Principle**
- Articulates Values – Top management develops a clearly articulated statement of ethical values that is understood at all levels of the organization.
- Monitors Adherence – Processes are in place to monitor adherence to principles of sound integrity and ethical values.
- Addresses Deviation – Deviations from sound integrity and ethical values are identified in a timely manner and appropriately addressed and remedied at appropriate levels within the company.

**WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?**

**Principle 2 - Board of Directors**

**Attributes of the Principle**
- Defines Authorities – The board defines and communicates authorities retained at the board level and those delegated to management.
- Operates Independently – The board has a critical mass of members who are independent directors.
- Monitors Risk – The audit committee actively evaluates and monitors risks of management override of internal control and considers risks affecting the reliability of financial reporting.
- Retains Financial Reporting Expertise – One or more audit committee members has financial reporting expertise.
- Oversees Quality and Reliability – The audit committee provides oversight to the effectiveness of internal control over financial reporting and financial statement preparation.
- Oversees Audit Activities – The audit committee oversees the work of both internal and external auditors, and interacts with regulatory auditors if necessary. The audit committee has exclusive authority to engage, replace, and determine the compensation of the external audit firm. The audit committee meets privately with internal and external auditors to discuss relevant matters.

**WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?**

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Adapted from of Internal Control over Financial Reporting – Guidance for Smaller Public Companies

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Audrey A. Gramling, audrey.gramling@colostate.edu, 970-491-6268
COSO SUMMARY – APPLY TO BILTRITE

Principle 3 - Management’s Philosophy and Operating Style
Attributes of the Principle
• Sets the Tone – Management’s philosophy and operating style emphasize reliable financial reporting.
• Influences Attitudes towards Accounting Principles and Estimates – Management’s attitude supports a disciplined, objective process in selecting accounting principles and developing accounting estimates.
• Articulates Objectives – Management establishes and clearly articulates financial reporting objectives, including the role of internal control over financial reporting.

WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?

Principle 4 - Organizational Structure
Attributes of the Principle
• Establishes Lines of Financial Reporting – Management establishes appropriate lines of financial reporting for each functional area and business unit in the organization.
• Establishes Structure – Management maintains an organizational structure that facilitates effective reporting and other communications about internal control over financial reporting.

WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?

Principle 5 - Financial Reporting Competencies
Attributes of the Principle
• Identifies Competencies – Competencies that support reliable financial reporting are identified.
• Retains Individuals – The company employs or otherwise retains individuals who possess the required competencies related to financial reporting.
• Evaluates Competencies – Needed competencies are regularly evaluated and maintained.

WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?
Principle 6 - Authority and Responsibility

Attributes of the Principle

- Defines Responsibilities – Assignment of responsibility and delegation of authority are clearly defined for all employees, including:
  - Board – The audit committee oversees management’s process for defining responsibilities for key financial reporting roles.
  - Top Management – The CEO and top management are responsible for sound internal control over financial reporting, including both initiating and maintaining the internal control system.
  - Senior and Functional Management – Senior and functional management are responsible for ensuring all employees understand their responsibilities for achieving financial reporting objectives through adherence to internal control policies and procedures.
- Limits Authority – Assignment of authority and responsibility includes appropriate limitations.

WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?

Principle 7 - Human Resources

Attributes of the Principle

- Establishes Human Resource Practices – Management establishes human resource practices that demonstrate its commitment to integrity, ethical behavior, and competence.
- Recruits and Retains – Employee recruitment and retention for key financial reporting positions are guided by principles of integrity and by necessary competencies associated with the positions.
- Adequately Trains – Management supports employees by providing tools and training needed to perform their financial reporting roles.
- Evaluates Performance and Compensates – Employee performance evaluations and the company’s compensation practices, including those affecting top management, support achievement of financial reporting objectives.

WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?
# COSO SUMMARY – APPLY TO BILTRITE

<table>
<thead>
<tr>
<th>Risk Assessment Summary</th>
<th>Design Effectiveness of Risk Assessment Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>In summary, are Biltrite’s processes sufficient to accomplish the three risk assessment principles identified and support the achievement of the company’s objectives related to financial reporting?</td>
<td>Fully Met</td>
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<tr>
<td></td>
<td>Partially Met</td>
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<tr>
<td>Summarize the reasoning for this judgment. Specifically identify ways in which the following attributes have been achieved at Biltrite. If an attribute has not been achieved, provide a suggested approach to Biltrite.</td>
<td>Not Met</td>
</tr>
</tbody>
</table>

## Principle 8 - Financial Reporting Objectives

### Attributes of the Principle

- **Complies with Generally Accepted Accounting Principles** – Financial reporting objectives are consistent with generally accepted accounting principles. The accounting principles selected are appropriate in the circumstances.
- **Supports Informative Disclosures** – Financial statements are informative of matters that may affect their use, understanding, and interpretation. Information presented is classified and summarized in a reasonable manner, neither too detailed nor too condensed.
- **Reflects Company Activities** – The financial statements reflect the underlying transactions and events in a manner that presents the financial position, results of operations, and cash flows within a range of acceptable limits.
- **Are Supported by Relevant Financial Statement Assertions** – Supporting the objectives is a series of financial statement assertions that underlie a company’s financial statements, with relevance depending on circumstances.

#### Existence
- Assets, liabilities, and ownership interests exist at a specific date, and recorded transactions represent events that actually occurred during a certain period.

#### Completeness
- All transactions and other events and circumstances that occurred during a specific period, and should have been recognized in that period, have been recorded.

#### Rights and Obligations
- Assets are the rights, and liabilities are the obligations, of the entity at a given date.

#### Valuation or Allocation
- Asset, liability, revenue, and expense components are recorded at appropriate amounts in conformity with relevant and appropriate accounting principles. Transactions are mathematically correct, appropriately summarized, and recorded in the entity’s books and records.

#### Presentation and Disclosure
- Items in the financial statements are properly described, sorted, and classified.

- **Considers Materiality** – Reflects the concept of materiality in fair financial statement presentation.

## WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?

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<table>
<thead>
<tr>
<th>Principle 9 - Financial Reporting Risks</th>
<th>Attributes of the Principle</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Includes Business Processes</strong> – Risk identification includes consideration of the business processes that impact financial statement accounts and disclosures.</td>
<td></td>
</tr>
<tr>
<td><strong>Includes Personnel</strong> – Risk identification and assessment considers the competency of company personnel supporting the financial reporting objectives.</td>
<td></td>
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<tr>
<td><strong>Includes Information Technology</strong> – Information technology infrastructure and processes supporting the financial reporting objectives are included in the financial reporting risk assessment.</td>
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<tr>
<td><strong>Involves Appropriate Levels of Management</strong> – The organization puts into place effective risk assessment mechanisms that involve appropriate levels of management.</td>
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<tr>
<td><strong>Considers Both Internal and External Factors</strong> – Risk identification considers both internal and external factors and their impact on the achievement of financial reporting objectives.</td>
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<tr>
<td><strong>Estimates Likelihood and Impact</strong> – Identified risks are analyzed through a process that includes estimating the likelihood of its occurrence and potential impact of the risk.</td>
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<tr>
<td><strong>Triggers Reassessment</strong> – Management establishes triggers for reassessing risks as changes occur that may impact financial reporting objectives.</td>
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**WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?**

| Principle 10 - Fraud Risk |
| Attributes of the Principle |
| **Considers Incentives and Pressures** – Management's assessment of fraud risks considers incentives and pressures, attitudes, and rationalizations, as well as opportunity to commit fraud. | |
| **Considers Risk Factors** – A company’s assessment considers risk factors that influence the likelihood of someone committing a fraud and the impact of a fraud on financial reporting. | |
| **Establishes Responsibility and Accountability** – Responsibility and accountability for fraud policies and procedures reside with management of the business unit or process in which the risk resides. | |

**WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?**

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**FOCUS ON THE REVENUE PROCESS**

In summary, are control procedures implemented over major transaction cycles, accounting estimates, and the closing process sufficient to support the achievement of the company’s objectives related to effective financial reporting? Consider summary conclusions in the context of revenue process.

Summarize the reasoning for this judgment. Specifically identify ways in which the following attributes have been achieved at Biltrite. If an attribute has not been achieved, provide a suggested approach to Biltrite.

**Principle 11 - Integration with Risk Assessment**

**Attributes of the Principle**

- Mitigates Risks – Control activities respond to risks, mitigating their potential impact on financial reporting objectives.
- Considers All Significant Points of Entry into the Company’s General Ledger – Control activities consider risks related to all aspects of the recording process, including accounting estimates and adjusting and closing journal entries.
- Considers Information Technology – The selection of control activities encompasses relevant information technology risks.

**WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?**

**Principle 12 - Selection and Development of Control Activities**

**Attributes of the Principle**

- Considers Ranges of Activities – Control activities include a range of activities that vary in terms of cost and effectiveness, depending on the circumstances. These include approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.
- Includes Preventive and Detective Controls – Management uses an appropriate balance of preventive and detective controls, and an appropriate balance of manual and automated controls, to mitigate risks to the achievement of financial reporting objectives.
- Segregates Duties – Duties are logically divided among people or processes to mitigate risks and meet financial reporting objectives.
- Considers Cost vs. Benefit – When selecting among alternative control options, management considers the cost of control activities in relation to expected benefits of improved control.

**WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?**
FOCUS ON THE REVENUE PROCESS

Principle 13 - Policies and Procedures
Attributes of the Principle
• Integrates into Business Processes – Control activities are built into business processes and employees’ day-to-day activities.
• Establishes Responsibility and Accountability – Responsibility and accountability for policies and procedures resides with management of the business unit or function in which the relevant risk resides.
• Occurs on a Timely Basis – Procedures are performed in a timely manner.
• Thoughtfully Implements – Procedures are implemented thoughtfully, conscientiously, and consistently across the business. Procedures reflect policies developed at the senior management level as well as those with more specificity developed at the function, department, and process levels.
• Investigates Exceptions – Conditions identified as a result of executing the procedures are investigated and appropriate actions are taken.
• Periodically Reassesses – Policies and procedures are reviewed periodically to determine their continued relevance.

WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?

Principle 14 - Information Technology
Attributes of the Principle
• Includes Application Controls – Application controls are: Built into computer programs and supported by manual procedures. Designed to provide completeness and accuracy of information processing critical to integrity of the financial reporting process.
• Considers General Computer Operations – General computer controls are broad and include controls over access, change and incident management, systems development and deployment, computer operations, data backup and recovery, third party vendor management, and logical and physical security critical to the integrity of the financial reporting process.
• Includes End-User Computing – End-user computing processes, including spreadsheets and other user-developed programs, are documented, secured, backed up, and regularly reviewed for processing integrity.

WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?
COSO SUMMARY – APPLY TO BILTRITE

<table>
<thead>
<tr>
<th>Information and Communications Summary</th>
<th>Design Effectiveness of Information and Communications Component</th>
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<tbody>
<tr>
<td>In summary, are Biltrite’s processes sufficient to accomplish the four information and communication principles identified and support the achievement of the company’s objectives related to financial reporting?</td>
<td>Fully Met</td>
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Summarize the reasoning for this judgment. Specifically identify ways in which the following attributes have been achieved at Biltrite. If an attribute has not been achieved, provide a suggested approach to Biltrite.

**Principle 15 - Financial Reporting Information**

**Attributes of the Principle**

- Captures Data – Data underlying financial statements are captured (optimally, at the source) completely, accurately, timely.
- Includes Financial Information – Information is identified and captured for all financial transactions and events. Information is used, among other purposes, for adjusting entries and accounting estimates, as well as to monitor the reasonableness of recorded transactions.
- Uses Internal and External Sources – Information is developed using internal and external sources.
- Includes Operating Information – Operating information used to develop accounting and financial information often serves as a basis for reliable financial reporting.
- Maintains Quality – Information systems produce information that is timely, current, accurate, and accessible.

**WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?**

**Principle 16 - Internal Control Information**

**Attributes of the Principle**

- Captures Data – Data required to execute each control component are captured completely, accurately, and timely and in compliance with laws and regulations.
- Triggers Resolution and Update – Reporting triggers prompt exception resolution, root-cause analysis, and control update, as needed.
- Maintains Quality – Information systems produce information that is timely, current, accurate and accessible. The quality of system information is reviewed periodically to assess its reliability and timeliness in meeting the company’s internal control objectives.

**WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?**
Principle 17 - Internal Communication
Attributes of the Principle

- Communicates with Personnel – Management communicates to all personnel, particularly those in roles affecting financial reporting, that internal control over financial reporting must be taken seriously.
- Communicates with Board – Communication exists between management and the board of directors so that both have information needed to fulfill their roles with respect to financial reporting objectives.
- Includes Separate Communication Lines – Separate communication channels are in place and serve as a “fail-safe” mechanism in case normal channels are inoperative or ineffective.
- Accesses Information – The board has access to information sources outside of management, on a regular basis and as needed, including access to the external auditors, the internal auditors, and other relevant parties (such as regulatory authorities).

WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?

Principle 18 - External Communication
Attributes of the Principle

- Provides Input – Open communication channels allow input from customers, consumers, suppliers, external auditors, regulators, financial analysts and others, providing management and the board with important information on the effectiveness of internal control over financial reporting.
- Independently Assesses – Where internal control over financial reporting is assessed by external auditors, information relevant to the assessment is communicated to management and the board.

WHAT DOES BILTRITE HAVE? WHAT SUGGESTIONS DO YOU HAVE FOR BILTRITE?