

Board of Directors and Stockholder  
Condor Intermediate Holding Corporation  
Nicholasville, Kentucky

In planning and performing our audit of the consolidated financial statements of Condor Intermediate Holding Corporation ("Company") as of and for the period ended December 28, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control. Matters communicated in this letter are classified as follows.

- **Deficiency** – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.
- **Significant Deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- **Material Weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control that we are required to or wish to communicate to you.

#### **SARGENT AND GREENLEAF, INC. and SARGENT AND GREENLEAF, INC. S.A.**

#### **RELATED PARTIES**

##### *Deficiency*

*Comment:* During our inquiries with management and testing over related parties, we noted there was a lack of formal controls in place over the following processes:

1. Identification of related parties and relationships and transactions with related parties
2. Verification that management's list of related party relationships and transactions is complete and accurate
3. Authorization and approval of transactions with related parties
4. Accounting for and disclosing relationships and transactions with related parties in the financial statements

*Recommendation:* Crowe recommends that management establish formal, documented policies, procedures and controls and maintain sufficient and appropriate documentation related to the four processes noted above.

*Management Response:* A review of the OpenGate current portfolio has been completed and the related parties have been identified that are doing business with S&G. Setup of new customers and vendors are reviewed by the Controller for additional related parties.

## **INTERCOMPANY TRANSACTIONS**

### *Deficiency*

*Comment:* Upon Crowe's review of the consolidation, management made us aware of several items relating to OpenGate travel invoices, attorney billings and working capital true-up adjustments associated with the HCI Delaney Holdings, Inc. purchase acquisition that were not recorded on the books at year end.

*Recommendation:* Crowe recommends that management make sure all intercompany transactions are independently tracked for elimination purposes within the consolidated financial statements to ensure the consolidation is accurate and all intercompany balances and transactions properly eliminate. All intercompany transactions should be appropriately identified and supported with sufficient documentation.

*Management Response:* Information from OpenGate was not provided until after yearend close was completed by Stanley on SAP creating the need for manual adjustments. Under the transition services agreement with Stanley no changes could be made to the account structure limiting the creation of new accounts for the HCI Delaney purchase. With the transition to NetSuite in 2020 we have created accounts to track the intercompany sales, cost of sales, accounts receivable, accounts payable, and investments.

## **PREMIER STEEL DOORS & FRAMES, INC.**

### **INVENTORY**

#### *Significant Deficiency*

*Comment:* During the testing of Premier's internal controls over the inventory process, we noted the following situations where the lack of appropriate controls poses a risk to accurate financial accounting and reporting:

1. There is no perpetual inventory subledger system implemented for tracking inventory and reconciliation to the financial statements.
2. There is no detailed overhead calculation for capturing indirect and direct labor attributable to the production of inventory. Currently, one month of direct labor is being allocated to inventory and there is not an indirect labor allocation.

*Recommendation:* We recommend that management implement a perpetual inventory system to track inventory on a per unit basis. This will allow for optimized tracking of wasted inventory in production and locating inventory using a bin system. Secondly, an internal study should be performed to better understand the costs attributable to production and allocate by item type an approach with labor burden based on the product.

*Management Response:* Management does not feel that an internal study should be performed to obtain a better understanding of how costs should be allocated by item. The Premier business does not have a perpetual inventory system nor does it track production systematically. Until such time that Premier implements a new ERP system, the internal study is not meaningful, and the Company believes that the principle of consistency applies per GAAP.

## **GENERAL – CONSOLIDATED**

### **ACCOUNTING SYSTEMS AND FINANCIAL REPORTING**

#### *Significant Deficiency*

*Comment:* Per our inquiries of management and understanding of the systems utilized for financial reporting:

1. We noted that Delaney uses Great Plains, Premier uses Lumberjack and Sargent and Greenleaf, Inc. utilized HFM and SAP which is being replaced by NetSuite in fiscal year 2020 as their respective accounting systems. This creates a possibility of inconsistencies in the financial reporting and consolidation processes.
2. The Company's consolidation software did not consolidate the financial statements of the subsidiaries appropriately from the acquisition date through year end. A separate manual consolidation schedule was required to be prepared to present the financial position and results of operations of the Company based on the respective acquisition dates of the subsidiaries through the end of the reporting period.

*Recommendation:* We recommend that management consider utilizing a common accounting system for all entities for consistent financial reporting on an individual and consolidated basis. Additionally, management should ensure the consolidation process is representative of the financial reporting of the Company representing the appropriate periods from acquisition date through the end of the reporting period.

*Management Response:* The Company currently uses a combination of Excel as well Great Plains to consolidate its financials. Delaney and Premier are consolidated using Great Plains and Excel is then used to consolidate the combined Delaney and Premier entity with S&G. Until Premier and Delaney move forward with implementing NetSuite, this approach of consolidation will continue.

This communication is intended solely for the information and use of management, the Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. The Company's written responses to the deficiencies identified during our audit were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

  
Crowe LLP

Lexington, Kentucky  
June 5, 2020