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# Executive Summary

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## Background

Nu Skin is a personal care products company that uses a multi-level marketing business model. Nu Skin's production cycle is one of interest regarding their need to ensure quality assurance, accurate production forecasts, and appropriate inventory levels.

## Current System/Problem

In 2013, an oversized purchase order was processed that led to the write-off of millions of dollars. Controls were thus implemented with the creation of an executive committee to approve certain orders. This patch handles the 2013 threat, but does not ensure the mitigation of other potential threats. Additionally, as a global multi-level marketing company, Nu Skin requires high levels of quality standards for all products. The current controls for quality assurance appear to be functioning at a high-level of effectiveness.

## Proposed System/Conclusion

Nu Skin's control procedures appear to be handling threats and risks effectively. However, we propose that the inputs to the materials resource planning system be systematically approved by managers and an executive committee. This will help mitigate incurring inventory losses to prevent another major downturn.



# Narrative Summary

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## Background

Founded in 1984, Nu Skin Enterprises was created to provide quality personal care products on a global scale. Beginning in Provo, Utah, the company now reaches Asia, Africa, the Pacific, the Americas, and Europe. Nu Skin, as a multi-level marketing (MLM) business, has only 5,000 employees and over 1 million independent distributors.

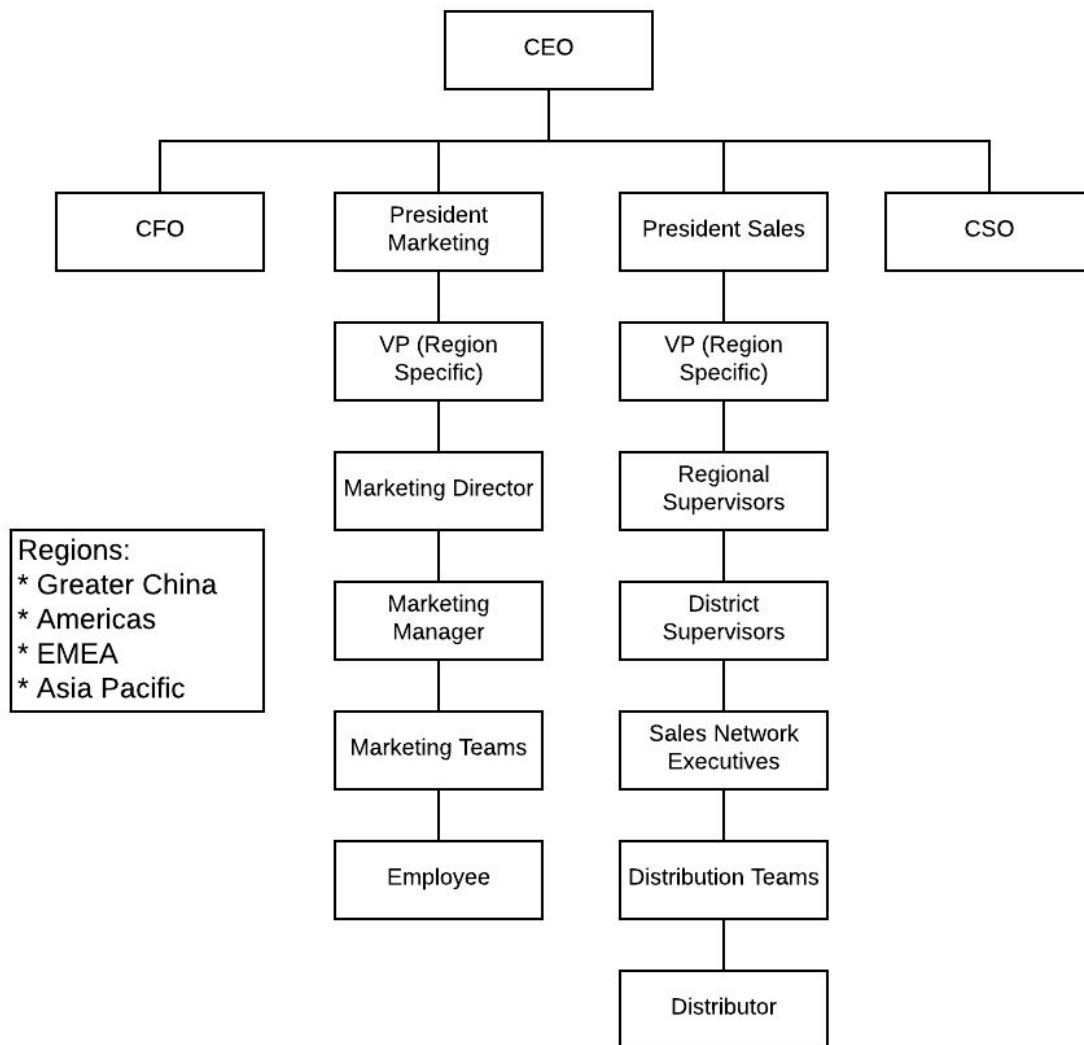
In 1996, Nu Skin held an IPO and was listed on the New York Stock Exchange. The company continued to open new markets around the globe and increase to more than 200 products. A Chinese lawsuit beginning in 2014 shook the company's stock price, but Nu Skin has recovered slightly as shown by a reported \$2.2 billion in revenue for 2016. Today, Nu Skin classifies their products as anti-aging and has a strong following of distributors to boost future growth and development.

## Organization Structure

Per meetings with Nu Skin Vice Presidents and research from the company's website, the following graph outlines the general organization. Looking at the marketing and sales organizations, the company is broken up first into global regions (America's, Asia Pacific, Greater China, etc.) and further into markets (Latin America, Hong Kong,



Taiwan, etc.). Distributor's in each market report up the chain to their respective market director's. The following graph depicts the organizational structure:



As shown above, each region has their own Vice President who is responsible for the growth, progress, and development of that region. Likewise, each region is responsible for the distribution networks of their markets. These distributors are the lifeblood of Nu Skin and drive all sales and revenue for the company.



## **Business Model**

Nu Skin utilizes a MLM business model. From a base perspective of the company's organization, distributors are recruited to sell product to end customers. Once they have joined Nu Skin's distribution program, distributor's are able to recruit other distributors. Each distributor is paid a markup of the products they sell and a bonus determined by the performance of their recruited distributors.

Nu Skin reportedly pays over 40% of total revenue in distributor compensation (Appendix A). The MLM model has proven effective in scaling globally, yet this global enormity has come with governmental restrictions and legal struggles. Amid these legal issues, Nu Skin prevailed and experienced a seven percent increase in income in 2016. The MLM business model at Nu Skin has proved sufficient in the growth and prevalence of the company since inception.

## **Target Markets**

Looking to the future, Nu Skin is seeking growth from their anti-aging products, anticipating "higher per capita spend[ing] on anti-aging products..." (Appendix B). Nu Skin is hoping for growing trends in healthy living with that will result in premium product purchasing. Thus Nu Skin plans to pursue the development of their premium product lines.



From a regional and market-based perspective, Nu Skin describes a “growing awareness of personal well-being on a global scale” (Appendix B). Nu Skin seems to have experienced a growing level of maturity in the North American market and hopes to counterweight that growth in some of their other markets (Asia, Middle East, Latin America, and Eastern Europe) (Appendix B). Nu Skin will pursue continual and sustainable growth of markets that have increasing levels of disposable income.



# Accounting Information System

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## Business Processes & Activities

The business processes within Nu Skin are split up into central processes and remote processes. Central processes occur at or near the Nu Skin headquarters and remote processes occur in different regions that Nu Skin sells in. Below is a list of the processes labeled by process location. These processes are presented in the order in which they occur.

1. Product Research and Development - Central
2. Forecasting - Remote
3. Materials Resource Planning (MRP) - Central
4. Manufacturing - Remote
5. Quality Control Group - Central
6. Regulatory Department - Central

## Product Research & Development

Research and development occurs at Nu Skin headquarters where teams will think of an idea for a product. During the development process the research and development team will have three main checks--quality, regulatory, and specifications.

1. The quality check is to make sure that the product is a good product that people will want to buy. This check is in place to make sure that Nu Skin produces a





high quality product for their customers and that the product meet Nu Skin specifications.

2. The regulatory check is used to make sure that products do not have any ingredients that a market does not allow. If a product has an ingredient that is illegal, it could ruin the relationship between Nu Skin and the businesses in that market.
3. Specifications refers to a list of ingredients and instructions for making the product. Once a product is created and goes through the quality and regulatory checks, a specific list of specs to recreate the product of the same quality is created.

## **Forecasting**

Forecasting starts at a regional level. Once the product is ready for the market, Nu Skin will beta test and market the new product to understand what the demand is. A forecast will be made by five markets within each region. The five markets are sales, marketing, finance, analytics, and supply chain. These five markets will determine a single forecast and present their forecast to a committee made up of several VP's at Nu Skin. If there are no anomalies with the data provided, the forecast will be input into the materials resource planning (MRP) system. If there are anomalies, the anomalies will be questioned and either returned to the five markets to be redone or entered into the MRP system.



## **Materials Resource Planning**

Nu Skin has an internal MRP system that takes the forecasts from the different regions and determines how many of each product to order for each market. After collecting this data, the system creates a buying order that, depending on how much money the buying order is for, will be reviewed by management. A purchase order will then be created. The MRP system usually orders products at least 3 months in advance by sending the purchase order to the manufacturing company chosen to produce the product.

## **Manufacturing**

The manufacturer receives the specs sheet and purchase order from Nu Skin and will produce the product according to the specifications contained in those forms. Once they have produced the product, they will send the specs sheet along with a sample of the product to the Quality Control Group.

## **Quality Control Group**

The Quality Control Group receives the specs sheet along with a sample of the product from the manufacturer. They take the sample and run a quality, regulation, and specifications check on the sample to make sure it is the quality Nu Skin requires. If it meets this quality, the Quality Control Group will create a certificate of analysis. This certificate confirms that the product meets Nu Skin requirements. This certificate will then be sent along with the specs sheet to the Regulatory Department.



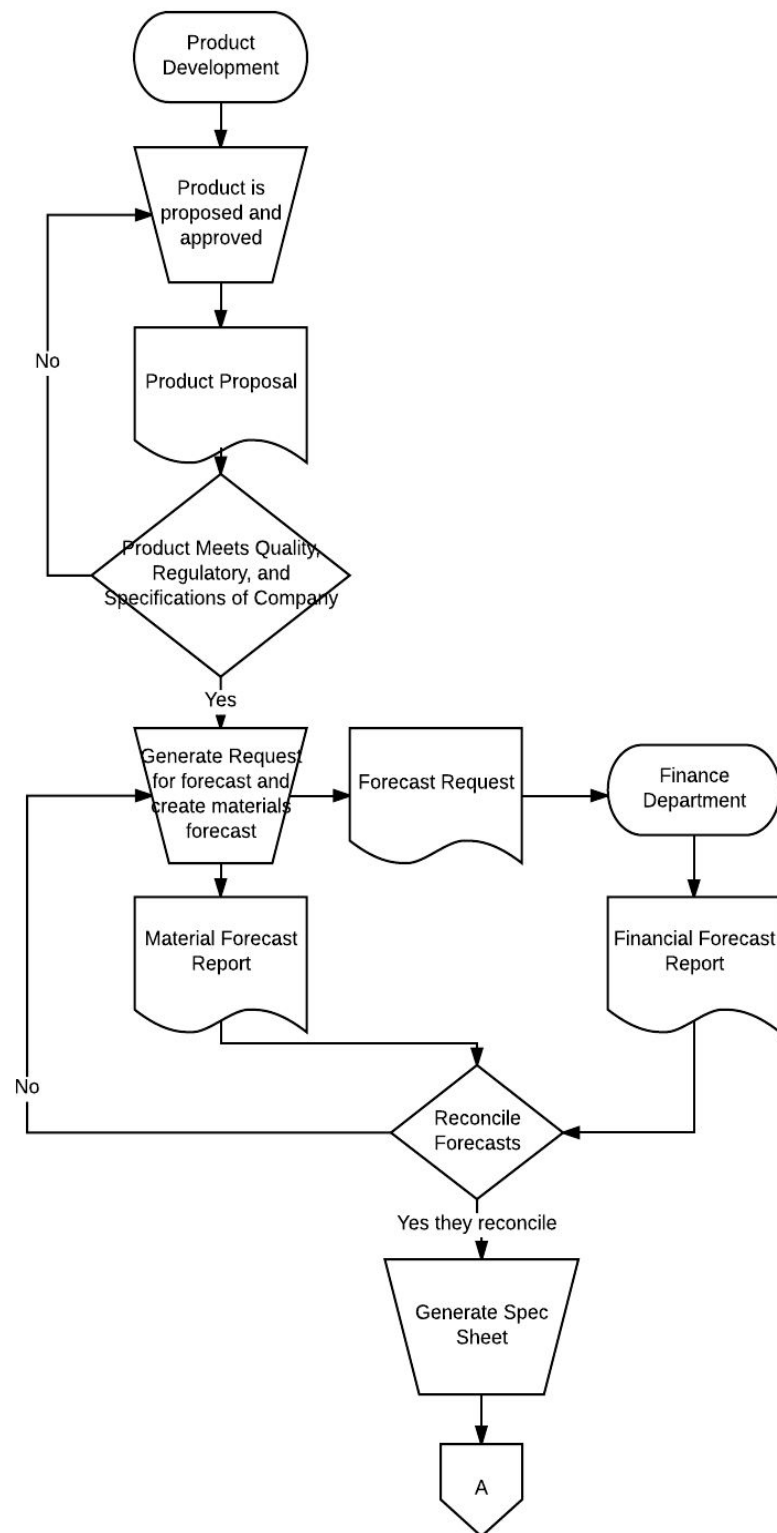
## **Regulatory Department**

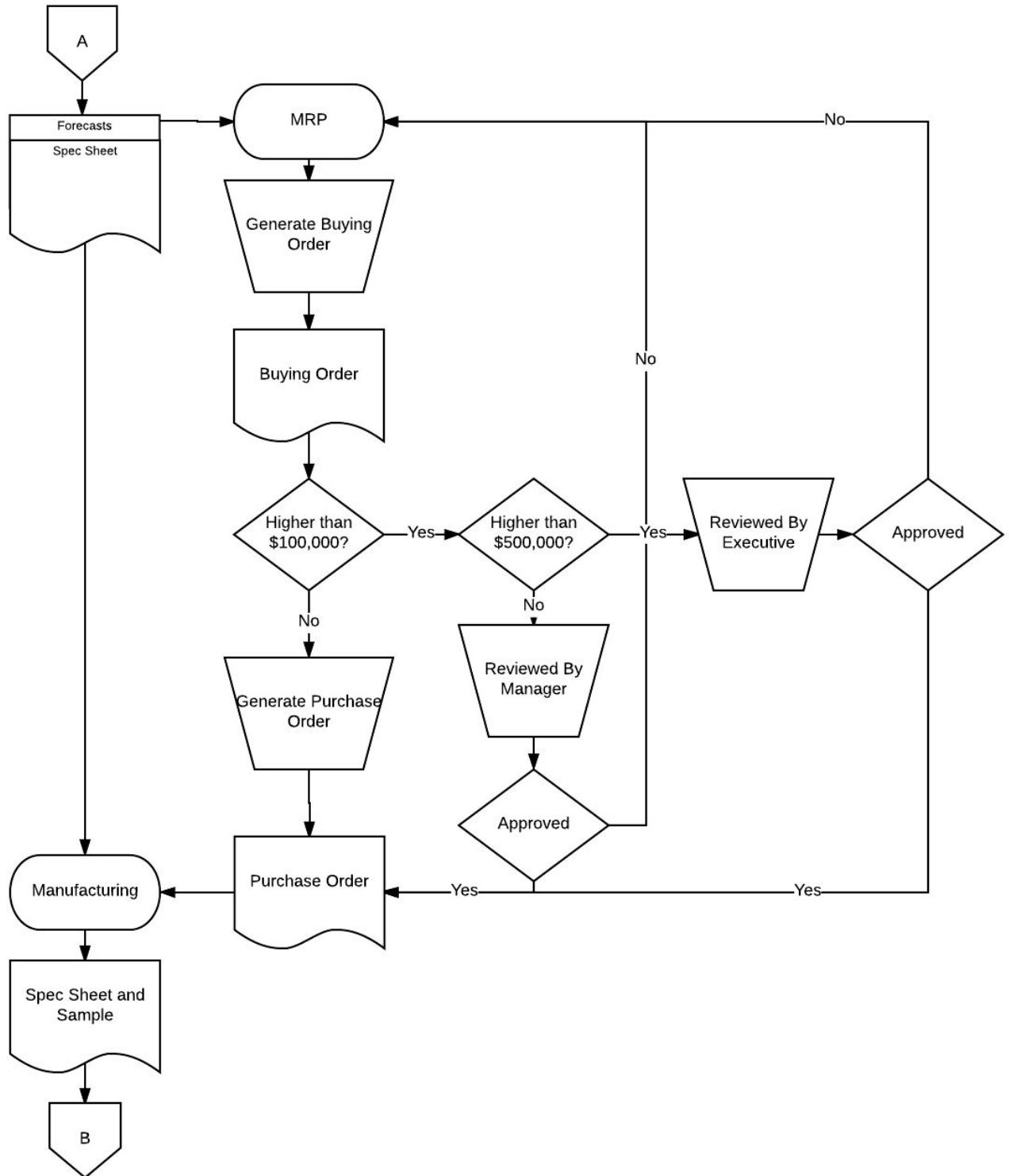
The Regulatory Department collects all of the certificates and forms into a package of documentation. They will once again go through the information on the forms to check for correctness before passing it on to the FDA for approval. The Regulatory Department will also file the package of documentation by date for Nu Skin's records. After the product is approved by the FDA, the product is transferred to Nu Skin's inventory storage to be distributed to the different markets as needed.

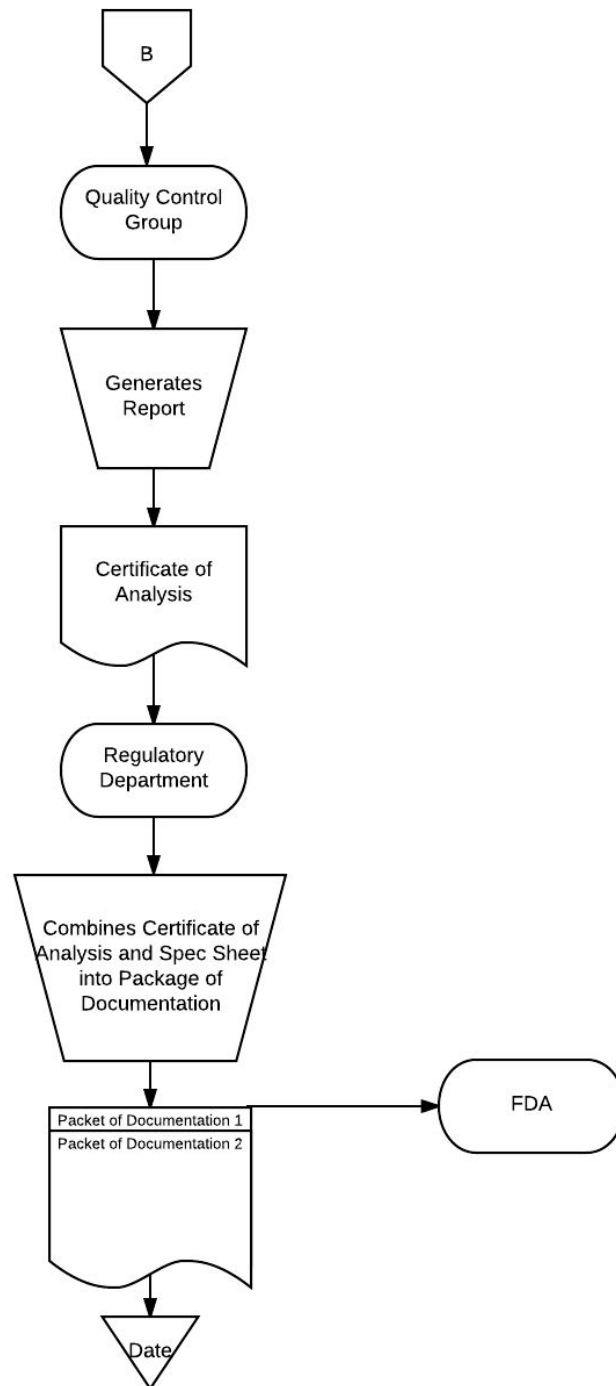
The document flowchart below is a visual representation of the information provided above. In summary, it is a flowchart describing the production cycle at Nu Skin.



## Document Flowchart









## Documents and Forms

We were unable to obtain access to the documents and forms used to capture and process the transactions at Nu Skin, but we received a good summary of all the documents used during the production cycle. The main documents are listed below.

- Product Proposal - this proposal is sent to upper management for a quality, regulatory, and specifications check after the Research and Development team finishes a product.
- Forecast Request - a document stating the specifics of a product so that financial analysts can forecast sales, costs, etc.
- Materials Forecast Request - a request from each region that is sent to headquarters with inventory information and product demand forecasts. This will be entered into the MRP system for ordering after all materials forecast requests are reconciled and approved.
- Spec Sheet - an extremely detailed list of ingredients and instructions used by 3rd party manufacturers to recreate a product.
- Buying Order - a document that is generated by the MRP system that management checks before ordering products to make sure no anomalies are present.
- Purchase Order - a document that is created after a buying order is approved. It is sent to manufacturers and contains the price, quantity desired, and other information about products that Nu Skin wants built.



- Certificate of Analysis - a sheet that is sent to the FDA that contains the approval of the quality control group for the product that Nu Skin has created.

## **Transactions**

We were unable to obtain the details of Nu Skin's various transactions, but we learned that the largest monetary transactions that occur at Nu Skin are 1) buying materials to sell to manufacturers, 2) selling those materials to manufacturers, and 3) paying manufacturers for finished goods. There are over 200 products sold by Nu Skin, and the materials bought, sold, and products paid for reach into the hundreds of thousands every couple months.

## **Data Flows, Files, Databases, & Reports**

The only reports we were able to obtain from Nu Skin were the Production Order Summary For Reconciliation report (Appendix D) and Monthly Production Order report (Appendix E).

The Monthly Production Order report is a list of every product, how many products were sold, labor hours put into creating each product, and monetary measures of the product. The variance between these factors and the original predictions for each factor is also present on this report. The variance acts as a check to make sure that there are no anomalies caused by fraud or inefficiencies in the system. This report is produced each month.





The Production Order Summary For Reconciliation report is produced after every order for products contained in the order. It compares actual cost, production time, and other measures to industry standards to make sure that Nu Skin is being efficient in its purchasing and production.

## **Relative Importance to Nu Skin**

The Accounting Information System plays an important role in the production cycle in Nu Skin. Nu Skin uses the system to forecast its sales in different markets, then uses the data from forecasting to determine how many products to produce in each calendar year. If Nu Skin cannot correctly predict sales, it may overstock or not have enough inventory. According to the Risk Factors Analysis of Nu Skin, “our business could be negatively impacted if we fail to execute our product launch process or ongoing product sales due to difficulty in forecasting or increased pressure on our supply chain, information systems and management.” For example, in 2014 and 2015, Nu Skin incurred inventory write-offs of \$50 million and \$37.9 million respectively, due to the reduced sales expectation in the Greater China region. Because of these unexpected events, Nu Skin’s profitability and reputation were heavily impacted. Therefore, a system which can forecast correctly and efficiently is very significant for the production cycle in Nu Skin.



## **System Obtention**

Nu Skin currently implements ACL's Data-Driven Internal Control & Compliance Platform. ACL Solution is a technology company based in Canada which provides single solution software to businesses. Nu Skin has been using ACL's Analytics tools for many years, and in 2016, Nu Skin decided to adopt the full ACL platform into its entire business. According to Mark Milne, director of internal audit at Nu Skin, "the time and resources saved by automating our audit processes using ACL platforms can now be allocated to a broader, higher-value scope of projects." ACL's platform includes Audit, Compliance, Operational Risk, Fraud, Risk and Control Monitoring, and Enterprise Risk Management.

## **Audit Management**

By using ACL's audit management system, Nu Skin is able to eliminate time-consuming tasks, such as going through spreadsheets. The platform helps to automatically generate necessary reports and perform audits. For instance, the system can perform over 1,000 control tests even if the system is not connected to the internet. This management tool facilitates the tasks of internal audit, and speeds up the processes used to analyze risk. This tool also helps Nu Skin audit its production cycle by performing data analysis.



## **Compliance Management**

Nu Skin is a global company, so it needs to keep track of each region's standards, policies, and requirements. The compliance management system enables Nu Skin to quickly adapt and meet new requirements in different regions. ACL platform helps simplify and rationalize the compliance management and regulatory changes at Nu Skin. It is especially important in helping to meet regulations in the production cycle. Nu Skin makes most of its products in China; therefore, the compliance management system helps Nu Skin to check any changes in local policies to prevent potential lawsuits and penalties.

## **Operational Risk Management**

Operational risk is one of the most significant threats in a company. Nu Skin realizes the importance of controlling and managing this risk. ACL's operational risk management system enables Nu Skin to oversee its entire enterprise within a single software. The system provides features like supply chain oversight and loss prevention. This tool has helped Nu Skin control the production cycle and eliminate the impact of risks in operation for product designing, planning, and developing.

## **Fraud Management**

Avoiding fraud by training employees is one way to prevent fraud in Nu Skin. However, a functional and efficient solution is also needed to detect fraud. ACL's fraud management system integrates with Nu Skin's current control framework to provide a



double layer of protection; this helps to detect, prevent, and report fraud. For example, the system will scan all materials usage reports and compare the results with materials on hand in the warehouse. If the numbers do not match, the system will investigate the differences.

## **Risk & Control Monitoring**

New regulations, industry standards, and product requirements keep changing. The risk and control monitoring system analyzes any potential risks and threats when those regulations change. In the production cycle, Nu Skin uses ACL's monitoring tool to investigate risks and make adjustments to the production cycle when necessary. Nu Skin is able to effectively manage its production cycle with this monitoring tool.

## **Enterprise Risk Management**

The final piece of ACL's platform is enterprise risk management. This system helps Nu Skin generate a complete report and assessment of the company. Nu Skin uses this system to oversee its business and to create valuable reports for its stakeholders and customers. Management in the production cycle uses this system to generate production reports for the company's COO and board of directors.



# Control Analysis

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## Summary

In reference to the production cycle at Nu Skin, the MRP system handles the majority of all procedures. Forecasted projections are inputted into the MRP system and purchasing and production needs are outputted. Nearly all control threats could occur during the input of data into the MRP system. A major inventory mishap in 2013 by a regional manager cost Nu Skin millions of dollars and led to control procedure changes (regional managers previously had the ability to alter forecasts as they saw fit). The current system requires that any drastic forecast changes must be cleared by an executive committee.

An additional point of control for Nu Skin occurs once production is completed for a product. Rather than shipping the product to regions directly, the product is sent to NSEP (Nu Skin Enterprise Product) and NSEAP (Nu Skin Enterprise Asia Product). At NSEP and NSEAP, product is checked for quality. It will only be accounted for as inventory if it passes this quality check. The major controls here attempt to ensure that all inventory will clear Nu Skin standards and the regional specific standards of the regions to which inventory will be shipped.



Having experienced major control failures and mishaps (i.e. 2013 major inventory loss), management seems to be fully engaged in the protection of the production cycle. The MRP system, if provided appropriate inputs, will function efficiently and help to mitigate most human errors. Generally speaking, Nu Skin seems to have necessarily pivoted control procedures according to experienced weaknesses.

## **Major Threats, Risks, & Exposures**

Related to the MRP system, major threats occur on the input-side of the system. If inputs are incorrect, purchases and production will become incorrect, and excess inventory or a dearth of inventory will occur. A dearth will result in lost potential sales, and excess inventory will result in major overproduction losses. Thus, the input for the MRP must be forecasted as accurately as possible to mitigate potential loss further along the production cycle.

Related to the accounting of inventory on a global scale, controls at NSEP and NSEAP will typically handle potential threats. The major threats and risks associated in moving finished goods to inventory and then to individual markets revolves around quality assurance. If inferior product is marked as meeting quality standards going into NSEP and NSEAP, inferior inventory will be sent to the markets. Individual markets have different quality standards that Nu Skin product is held to. Below-standard inventory in a market must be sent back to NSEP/NSEAP or be thrown out and written-off. Both scenarios would result in major losses for Nu Skin.



## **Control Procedures**

Nu Skin's forecasting teams produce managerial reports that show the proposed levels of production for specific products (Appendix E). These reports include the variance of the proposed production levels and prior production levels for the products. If this variance is above a certain threshold, the forecast must be approved by an executive committee. The executive committee will review the forecast and approve or negate the proposal. Thus, the MRP system should only receive appropriate forecasts.

The quality assurance group at Nu Skin has been segregated from all other functionality within the company. This quality group is responsible for the quality assurance of all products from inception to sale. When a product is prepared for production, the quality group will create intricate specification reports for the manufacturer. The quality team will then oversee the first few batches of production to ensure that quality standards are met. If the products meet quality standards, then production is approved. If quality standards are not met, production is terminated and alterations are made.

## **Functionality of Control Procedures**

Prior to the 2013 inventory mishap, the control procedures were lackadaisical and resulted in major losses. Nu Skin revitalized their efforts and seem to be controlling for MRP forecasting errors much more carefully. The reality, however, is that smaller MRP system orders aren't considered as a great threat compared to large orders. For example, a \$100,000 order for product A is often looked over in comparison to a



\$1,000,000 order for product B. It appears that the smaller orders may slip through unnoticed. Over time, the aggregation of many smaller orders could result in large losses.

From the perspective of the quality group, functionality appears to be controlled appropriately. Losses still occur when there is below-standard production, but the existing control procedures help mitigate this loss.

## **Control Weaknesses**

A seemingly small weakness in the MRP system occurs when high-variance small orders are overlooked. These smaller orders may not immediately result in large losses, but many of these smaller orders may slip through the controls if they are left unchecked. The continued presence of many small-unchecked orders will result in large losses over time.

Likewise, every time the quality group fails a quality standard test, losses are incurred. Again, a single quality failure may not result in a great loss, but the aggregation of continued losses will accumulate to greater losses. Ensuring that every product and manufacturing cycle meets quality standards (e.g. Nu Skin and region specific standards) is a timely and costly process, but can result in mitigating losses.





## **Evaluation**

The operational effectiveness of the control procedures for both the MRP system and the quality standards seems to be functioning normally, but with an average level of effectiveness. From a control standpoint, it appears that Nu Skin has developed controls to mitigate major threats and risks rather than controls to mitigate all threats and risks. Generally speaking, however, the controls in place seem to be effective enough to prevent another 2013 downturn.

Nu Skin's production cycle control procedures have been developed on a need-to-change basis. As threats and risks have been exposed, Nu Skin has altered controls to try and eliminate the possibility of that same threat being exposed again. The issue with this design procedure is that it is focused on patching specific problems rather than wholistically analyzing the system and resolving the big-picture issues. There could be control design flaws lurking below the system's surface that have not been considered yet, that could cause another 2013 mishap.

## **Recommendations**

In relation to the quality control procedures, it appears that Nu Skin handles quality assurance appropriately. There are no recommendations to alter the control procedures for product quality assurance.



In relation to the above potential MRP system weaknesses, we recommend that Nu Skin review the control procedures for smaller orders. When a purchase order is processed by the MRP system, if the order is below the \$500,000 threshold, we recommend that a regional manager review the order for approval. Additionally, if the order produced by the MRP system is above \$500,000, we recommend that the executive committee review the order for approval.



# System Evaluation

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Nu Skin gathers all necessary reports (regional sales reports, inventory reports, etc.) to run through a series of analyses before launching a new product. After the analyses, Nu Skin will determine which new products to launch in different markets. Nu Skin will then gather its product development team to propose a new plan. Once the proposal is approved, the specialists in the lab will make a prototype. If the prototype passes the quality and regulatory controls, management will forecast the sales of that product and make a purchase order that is delivered to the manufacturers for mass production.

In the past, especially in 2013, this procedure was not effective due to poor controls in forecasting the number of sales. Due to the false forecasting, Nu Skin overstocked inventory in the following years resulting in lost revenue. This result directly led Nu Skin to implement a new system they acquired from ACL Solution in 2016. With this new system, the information Nu Skin receives is extremely effective in helping to make key decisions.

## Hardware

The hardware used in the production cycle is all found at Nu Skin headquarters. The first set of hardware is used by the Research and Development team in the creation of prototype products. We did not have access to what types of hardware are used, but we were informed that all prototype production is done in-house by the means of different



hardware and software. The second set of hardware is the servers used by New Skin. These servers host all of the websites, web applications, and databases Nu Skin uses to manage all of its business cycles. These servers are in a locked room that cannot be accessed without the right key.

## **Software**

Nu Skin runs a large Enterprise Resource Planning system called SAP as their main software to help manage all activities within the production cycle. In the SAP system, there are several other softwares as well. Below is a list of the softwares with a description of what they are used for.

- MRP - an automated ordering system that takes a forecast of product demanded as an input, then places orders for products at least three months in advance.
- NSI - a system that searches for and buys materials that will be sent to manufacturers to be used in product mass production.
- BPC - a system that converts forecast data from the MRP into monetary terms. It is typically used for financial forecasting.

To eliminate expenses in the production cycle, we think that Nu Skin could get rid of their servers and move all of their data to the cloud. This would reduce the maintenance costs of Nu Skin's server rooms. However, there are security risks involved in using 3rd party servers. Before moving its data to the cloud, we suggest that Nu Skin do a risk evaluation to determine if the the security concerns outweigh the money that would be saved.



## Summary & Conclusion

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In conclusion, the control procedures relative to the production cycle at Nu Skin meet its current needs. Major losses are mitigated with the current system, and quality assurance seems to be functioning appropriately. It appears, however, that the design of controls at Nu Skin has focused on patching problems rather than methodically designing controls. We suggest doing a holistic analysis of the current system to prepare for future issues rather than waiting for issues to arise and patching them after. Regardless of the design approach, Nu Skin's production cycle control procedures have proven effective, aside from a few mishaps. In the long-run the control procedures seem to mitigate most major threats and risks.



# Appendix A

## Selected Financial Data from Nu Skin's 2016 10-k

### ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data as of and for the years ended December 31, 2012, 2013, 2014, 2015 and 2016 have been derived from the audited consolidated financial statements:

	Year Ended December 31,				
	2012	2013	2014	2015	2016
	(U.S. dollars in thousands, except per share data and cash dividends)				
<b>Income Statement Data:</b>					
Revenue	\$ 2,132,257	\$ 3,176,718	\$ 2,569,495	\$ 2,247,047	\$ 2,207,797
Cost of sales	353,152	505,806	478,434 <sup>(1)</sup>	489,510 <sup>(1)(2)</sup>	500,457 <sup>(2)(3)</sup>
Gross profit	1,779,105	2,670,912	2,091,061	1,757,537	1,707,340
Operating expenses:					
Selling expenses	932,812	1,476,772	1,116,572	951,372	922,083
General and administrative expenses	505,449	640,028	622,301	561,463 <sup>(2)</sup>	554,153 <sup>(2)</sup>
Total operating expenses	1,438,261	2,116,800	1,738,873	1,512,835	1,476,236
Operating income	340,844	554,112	352,188	244,702	231,104
Other income (expense), net	4,398	2,828	(53,681) <sup>(4)</sup>	(32,743) <sup>(4)</sup>	(18,265)
Income before provision for income taxes	345,242	556,940	298,507	211,959	212,839
Provision for income taxes	123,597	192,052	109,331	78,913	69,753
Net income	\$ 221,645	\$ 364,888	\$ 189,176	\$ 133,046	\$ 143,086
Net income per share:					
Basic	\$ 3.66	\$ 6.23	\$ 3.20	\$ 2.29	\$ 2.58
Diluted	\$ 3.52	\$ 5.94	\$ 3.11	\$ 2.25	\$ 2.55
Weighted-average common shares outstanding (000s):					
Basic	60,600	58,606	59,073	57,997	55,412
Diluted	63,025	61,448	60,887	59,057	56,097
<b>Balance Sheet Data</b> (at end of period):					
Cash and cash equivalents and current investments	\$ 333,403	\$ 547,127	\$ 300,208	\$ 303,725	\$ 368,126
Working capital	268,500	341,542	416,338	298,795	315,326
Total assets	1,124,807	1,821,062	1,614,434	1,505,843	1,474,045
Current portion of long-term debt	39,019	67,824	82,770	67,849	82,727
Long-term debt	154,963	113,852	164,567	181,745	334,165
Stockholders' equity	590,612	858,619	942,438	825,621	664,070
Cash dividends declared per share	0.80	1.20	1.38	1.40	1.42
<b>Supplemental Operating Data</b> (at end of period):					
Approximate number of Customers <sup>(5)</sup>	946,000	1,335,000	1,208,000	994,000	988,000
Number of Sales Leaders <sup>(6)</sup>	51,790	102,117	62,009	67,575	61,627

(1) Includes write-downs of inventory of \$50.0 million and \$37.9 million in 2014 and 2015, respectively, resulting primarily from reduced sales expectations primarily in our Greater China region.

(2) Reflects the reclassification of \$31.5 million in 2015 and \$33.5 million in 2016 in overhead expenses from general and administrative expense to cost of sales.

(3) Includes a non-cash Japan customs expense of \$31.4 million.

(4) Includes \$46.3 million and \$10.2 million of foreign currency charges in 2014 and 2015, respectively, related to the devaluation of the Venezuela currency.

(5) "Customers," previously referred to as "Actives," are persons who purchased products directly from the company during the previous three months.

(6) "Sales Leaders" are independent distributors, and sales employees and independent marketers in China, who achieve certain qualification requirements.



## Appendix B

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Nu Skin's corporate website - Future Growth page

([https://www.nuskin.com/en\\_PH/products0/antiaging/mega\\_trend/future\\_growth.html](https://www.nuskin.com/en_PH/products0/antiaging/mega_trend/future_growth.html))

### FUTURE GROWTH



### GLOBAL MARKET GROWTH TREND

- The trend toward healthy living into old age has been impacting beauty and wellness industries, and the companies that offer products and services to postpone the effects of aging will witness the strongest demand in the upcoming years.
- The increasing aging population across the world, and the advent of younger consumers into the market hoping to preserve their youth before the onset of aging.
- Development of more effective anti-aging formulas help sustain the demand momentum.
- The consumer base is increasingly sophisticated and global. It is both keen on preventing aging through scientific progress, and ethically and environmentally conscious.
- **HIGHER PER CAPITA SPENDS ON ANTI-AGING PRODUCTS IN MATURE MARKETS TURBO CHARGE THE DEMAND FOR PREMIUM PRODUCTS.**
- Growing awareness of personal well-being on a global scale. Increased market penetration in emerging markets such as Asia Pacific and Latin America is upheld by the increase in disposable incomes.
- Asia, Middle East, Latin America, and Eastern Europe will counterweight North America's relative level of maturity.



## Appendix C

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ACL Solution website  
(<https://www.acl.com>)



Nu Skin Implements ACL's Data-Driven Internal Control & Compliance Platform  
(<https://www.acl.com/2016/10/nu-skin-implements-acls-data-driven-internal-control-compliance-platform/>)





# Appendix D

## Production Order Summary

### Nu Skin Enterprises

#### Production Order Summary For Reconciliation

Production Order #	100323766	Material	01003887	ageLOC Elements (US)
Plant	9101	Order Type	PP01	Order Revision 09
Scheduled Finish Date	Sep 9, 2016	Delivery Status	DLV	BOM Version 09
Actual Finish Date	Sep 12, 2016	Total Assembly Hours	36.25	Labor Cost Per Piece \$0.97
Order Quantity	1,040	Confirmed Quantity	976	Delivered Quantity 976

Item #	Description	Unit Cost Rnd	Actual		Standard		Variance - Over(Under)		
			Qty	Amount	Qty	Amount	Qty	Amount	%
94501579	Shipper 13.25 x 12.00 x 8.10	\$0.5090	95.00	\$48.35	97.60	\$49.68	-3	(\$1.33)	-3%
94101193	Lid Carton ageLOC Elements (US)	\$0.4730	1,008.00	\$476.78	976.00	\$461.65	32	\$15.13	3%
90024435	UNFG ageLOC Gentle Cleanse & Tone (	\$2.3800	980.00	\$2,332.40	976.00	\$2,322.88	4	\$9.52	0%
90026043	UNFG ageLOC Transforming Night (US)	\$4.1500	1,040.00	\$4,316.00	976.00	\$4,050.40	64	\$265.60	6%
90025159	UNFG ageLOC Radiant Day SPF 22 (US	\$1.7700	977.00	\$1,729.29	976.00	\$1,727.52	1	\$1.77	0%
94501997	Tray Thermoformed ageLOC Elements T	\$0.3137	1,000.00	\$313.67	976.00	\$306.17	24	\$7.50	2%
94101344	Carton Liner ageLOC Elements (INTL)	\$0.0790	1,012.00	\$79.95	976.00	\$77.10	36	\$2.85	4%
94506003	Carton Tray ageLOC Elements (US) 2015	\$0.6420	1,050.00	\$674.10	976.00	\$626.59	74	\$47.51	7%
<b>Material</b>				<b>\$9,976.54</b>		<b>\$9,621.99</b>		<b>\$348.55</b>	<b>4%</b>
	INTSETUP 1000	\$24.00	1.832	\$43.97	0.477	\$11.45	1.355	\$32.52	74%
	INT1 1000	\$24.00	36	\$864.00	20.333	\$487.99	15.667	\$376.01	44%
<b>Labor &amp; Overhead</b>				<b>\$907.97</b>		<b>\$499.44</b>		<b>\$408.53</b>	<b>45%</b>
<b>Production Order Totals</b>				<b>\$10,878.51</b>		<b>\$10,121.43</b>		<b>\$757.08</b>	<b>7%</b>
Roll up / Rounding Error				\$11.15		\$10.37		\$0.78	
						\$38.73		(\$38.73)	
<b>Totals</b>			<b>976</b>	<b>\$10,878.51</b>	<b>976</b>	<b>\$10,160.16</b>		<b>\$718.35</b>	<b>7%</b>
Per Unit				\$11.15		\$10.41		\$0.74	

Highlighted Variance Explanation Required:

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# Appendix E

## Monthly Production Order Report

Monthly Production Order Report												
Order #	Material	Description	Quantity	Labor Hours Actual	RM Issued 550030	QC Samples 550034	Labor & OH 550045	UNFG Issued 550040	FG Completed 550050	End WIP Inventory 114105	MFG Variance 550060	Variance %
Monthly Totals			976,610	14,939	656,830	6,523	356,935.02	4,098,390	(4,942,979)	(129,952)	(37,418)	
100322568	1001276	Kit Facial Spa (US)	3,584	411.33	4,773.96	-	9,871.97	115,502.12	(177,587.20)	53,302.34	(5,863.19)	3.3%
100324595	8003631	LifePak 2004 (MX)	3,734	48.33	1,805.65	9.78	1,159.97	19,162.50	(18,259.26)	-	(3,878.64)	21.2%
100324804	18101232	Tru Face Priming Solution (KO)	4,338	108.08	933.98	12.32	2,593.97	10,860.00	(13,361.04)	-	(1,039.23)	7.8%
100323778	48003440	Tegreen 30ct (ZA)	3,375	105.33	2,040.45	5.28	2,527.97	5,372.54	(8,910.00)	-	(1,036.24)	11.6%
100323822	5003904	ageLOC Radiant Day SPF 22 Tube (TW)	2,015	31.08	1,307.47	4.52	745.97	3,528.00	(4,553.90)	-	(1,032.06)	22.7%
100323906	2001643	ageLOC Me Reference Set (CA)	1,416	55.83	2,607.92	-	1,339.97	28,213.65	(31,137.84)	-	(1,023.70)	3.3%
100324262	53111154	AP-24 Anti-Plaque Breath Spray (VN)	1,302	46.83	137.47	2.14	1,123.97	1,152.00	(1,393.14)	-	(1,022.44)	73.4%
100323770	18003698	g3 Pouch 15pk (KO)	2,317	118.58	20,265.00	19.10	2,845.97	-	(22,127.35)	-	(1,002.72)	4.5%
100324616	2102704	Tru Face Line Corrector (CA)	11,692	143.33	4,030.20	5.36	3,439.97	24,595.20	(31,334.56)	-	(736.17)	2.3%
100323766	1003887	ageLOC Elements (US)	976	37.83	1,592.85	-	907.97	8,377.69	(10,160.16)	-	(718.35)	7.1%
100323377	18101249	NS 180° AHA Facial Peel & Neut (KO)	1,000	53.08	-	-	1,230.74	(56.43)	(4,870.00)	4,399.23	(703.54)	14.4%
100324124	1010333	Kit Daily Essential (US)	452	34.83	567.58	-	835.97	9,890.64	(10,599.40)	-	(694.79)	6.6%
100323926	4003902	ageLOC Body Shaping Gel (HK)	3,132	51.33	251.87	6.84	1,231.97	9,913.03	(10,711.44)	-	(692.27)	6.5%
100324162	18102731	Tri-Phasic White Milk Lotion (KO)	1,665	44.58	520.36	8.66	1,069.97	6,283.20	(7,209.45)	-	(672.74)	9.3%
100323888	1005003	S3 Scan Card 20pk (US)	2,880	48.08	-	-	1,153.97	9,280.00	(9,763.20)	-	(670.77)	6.9%
100323831	4003906	ageLOC Tru Face Essence Ultra (HK)	8,394	172.33	10,564.58	114.64	4,135.97	106,141.44	(120,286.02)	-	(670.61)	0.6%
100324320	53003484	LifePak (VN)	1,196	21.58	171.96	18.30	517.97	10,881.36	(10,943.40)	-	(646.19)	5.9%
100323897	1101255	NS 180 Product System II (US)	1,524	52.08	3,222.75	-	1,249.97	15,469.36	(19,354.80)	-	(587.28)	3.0%
100323663	5101352	NS Clarifying Shampoo (TW)	2,515	41.08	(4.52)	3.64	985.97	3,956.40	(4,577.30)	206.39	(570.58)	12.5%
100324108	23001614	ageLOC Me Serum QS (AR)	1,927	33.33	1,499.27	15.32	799.97	5,620.00	(7,380.41)	-	(554.15)	7.5%
100323653	1003880	ageLOC Transforming Night (US)	1,798	19.33	560.24	9.42	463.97	7,968.00	(8,468.58)	20.16	(553.21)	6.5%
100323765	1003888	ageLOC Transformation (US)	477	28.33	1,918.85	-	679.97	6,317.46	(8,395.20)	-	(521.08)	6.2%
100323303	18101251	NS 180° Face Wash (KO)	4,783	81.83	633.59	12.96	1,963.97	12,912.00	(15,496.92)	493.92	(519.52)	3.4%
100323633	7003648	g3 Juice 2 Pack (AU)	1,927	105.08	(51.21)	22.86	2,521.97	9,480.00	(22,025.61)	10,562.74	(510.75)	2.3%
100323677	1110388	Clear Action Cleanser (US)	1,761	23.58	(2.79)	6.64	565.97	5,709.60	(5,846.52)	65.48	(498.38)	8.5%