OPERATIONAL DUE DILIGENCE REPORT

Foundational Case Study

TechFlow SaaS (Sample Company)

Company: TechFlow SaaS (Sample)
Stage: Seed | Team Size: 12 | Runway: 9.2 months (actual)
Review Date: December 2025
Prepared By: Mule Deer Investment Consulting
Contact: strategy@muledeerconsulting.com | (310) 600-5592
Classification: Confidential - For Investor Use Only

⚠ **SAMPLE DELIVERABLE** ⚠

This is a realistic example demonstrating deliverable format, findings, and recommendations.

Table of Contents

Executive Summary

Overall Assessment

TechFlow SaaS demonstrates **strong product-market fit** and healthy growth trajectory (40% QoQ revenue growth). However, operational discipline has **not scaled with business complexity**, creating preventable risks in financial tracking, security, and governance.

Key Strength: Product execution and customer satisfaction are excellent. Technical infrastructure is solid.

Key Weakness: Internal systems, processes, and documentation have significant gaps that create funding risk and operational inefficiency.

Investment Recommendation

RECOMMENDATION: Make next funding tranche contingent on completion of 3 critical actions:

1. **Immediate Security Fix (48 hours):** Revoke former employee access, implement offboarding checklist
2. **Financial Tracking Implementation (14 days):** Contractor expense tracking live, runway corrected
3. **Decision Framework Documentation (7 days):** Product roadmap decision rights clarified and communicated

Critical Findings Summary

Category	Critical Finding
Financial Controls	$12K monthly contractor spend discrepancy (~$144K annual exposure) and miscalculated runway (9.2 months actual vs. 11 months reported)
Security	2 former employees retain admin access to production systems 4+ months post-departure. Critical security vulnerability requiring immediate action.
Governance	CTO and Head of Product overlap on roadmap decisions, causing team confusion and estimated 20% velocity loss
Contracts	8 of 15 vendor contracts missing. Major contract (AWS, $10K/month) auto-renewing at 25% increase in 45 days
Investor Relations	No investor update in 4 months, board meetings missed for 2 quarters. Relationship deterioration risk.

Financial Impact & Valuation Protection

Immediate Financial Exposure: $144K annual contractor overspend, $24K AWS contract increase if not renegotiated, potential contractor misclassification penalties

Valuation Impact: Current operational gaps would likely trigger 15-25% valuation discount from institutional investors. Clean operations remove negotiation leverage, protecting an estimated $500K-$1.5M on $8-10M Series A.

Funding Timeline Risk: Without fixes, funding timeline extends 3-6 months while cleaning up preventable issues. With fixes, ready for Series A conversations in Q2 2026.

Risk Assessment Matrix

Risk Summary Dashboard

Priority Level	Count	Timeline	Status
HIGH PRIORITY	**5**	0-30 days	**URGENT**
MEDIUM PRIORITY	5	30-60 days	IMPORTANT
LOW PRIORITY	2	60-90 days	MONITOR

High Priority Risks (Score 8-9)

RISK R-001: Budget Tracking Discrepancy
Priority Score: 9

- **Category:** Financial Controls
- **Description:** Budget-to-actual tracking shows $12K monthly discrepancy in contractor costs. No reconciliation process in place.
- **Impact:** Approximately $144K annual exposure, inability to accurately forecast cash needs
- **Status:** Active overspend occurring

RISK R-004: Former Employee System Access
Priority Score: 9

- **Category:** Data & Security
- **Description:** 2 former employees still have admin access to production systems (AWS, GitHub, databases). Last offboarding 4 months ago.
- **Impact:** Data breach risk, compliance violation potential, investor due diligence red flag
- **Status:** Critical security vulnerability - immediate action required

RISK R-005: Inaccurate Runway Calculation
Priority Score: 9

- **Category:** Financial Controls
- **Description:** Runway calculation excludes Q1 2026 tax obligations (~$35K). Actual runway 9.2 months, not 11 months as reported.
- **Impact:** Investor reporting inaccuracy, funding timeline at risk, strategic planning compromised
- **Status:** Investor communication correction needed

RISK R-003: Product Roadmap Decision Conflict
Priority Score: 8

- **Category:** Governance & People
- **Description:** CTO and Head of Product both claim ownership of product roadmap decisions. Causing team confusion and velocity issues.
- **Impact:** Estimated 20% engineering velocity loss, team morale issues, milestone achievement risk

- **Status:** Team reporting conflicting priorities

RISK R-002: Missing Vendor Contracts
Priority Score: 8
- **Category:** Contracts & Obligations
- **Description:** Missing 8 of 15 active vendor contracts. No centralized repository. Cannot produce contracts on demand.
- **Impact:** Legal exposure, due diligence failure risk, vendor dispute vulnerability
- **Status:** Creating legal exposure and due diligence risk

Management Recommendations

This section provides specific, actionable recommendations for each high-priority risk. All recommendations are designed to be implementable within 30 days using existing resources, requiring minimal additional investment.

High Priority Mitigations

RISK R-004: Former Employee System Access
IMMEDIATE ACTION REQUIRED (24-48 HOURS)

Recommended Actions:

4. Revoke all access for 2 departed employees across all systems
5. Conduct full access audit across AWS, GitHub, Google Workspace, Slack, database admin panels, payment processors
6. Document all current employee access levels by system
7. Create offboarding checklist with IT access revocation as Day 1 requirement
8. Enable 2FA on all critical systems where not already active
9. Implement quarterly access review process

Owner	Timeline	Resources	Success Criteria
CTO / IT Lead	24-48 hours for revocation, 7 days for full audit	4 hours CTO time, $0 cost	All former employees have zero access within 48 hours

RISK R-005: Inaccurate Runway Calculation
IMMEDIATE ACTION REQUIRED (3-7 DAYS)

Recommended Actions:

10. Immediately correct runway calculation to include all Q1 2026 obligations (payroll taxes, state taxes, annual SaaS renewals)
11. Create comprehensive obligations calendar for next 12 months
12. Update investor reporting with accurate runway figure
13. Implement monthly runway recalculation process (recalculate on 1st of each month)
14. Add "known upcoming expenses" line item to budget tracking

Owner	Timeline	Resources	Success Criteria
CFO / Finance Lead	3 days to correct, 7 days to communicate to investors	4 hours financial analysis	Runway calculation accurate within 2 weeks variance

RISK R-001: Budget Tracking Discrepancy

Recommended Actions:

15. Implement weekly contractor expense tracking in existing accounting software (QuickBooks/Xero)
16. Assign CFO/Finance Lead to reconcile actual vs. budget monthly
17. Create contractor approval workflow: all contracts >$5K require CEO approval before signing

18. Conduct 6-month audit to identify source of discrepancy and recover any duplicate payments
19. Set up automated alerts when monthly contractor spend exceeds $15K

Owner	Timeline	Resources	Success Criteria
CFO / Finance Lead	Implement within 14 days	6 hours setup time, $0 additional cost	Zero discrepancy >$2K for 3 consecutive months

Implementation Roadmap

This section provides a phased approach to addressing all identified risks, organized by timeline and priority. The roadmap is designed to show quick wins while building sustainable operational practices.

Phase 1: Days 0-7 (Critical Actions)

IMMEDIATE (Within 24-48 Hours)

- **Revoke Former Employee Access (R-004):** Remove system access for 2 departed employees. Owner: CTO. Time: 2 hours.
- **Correct Runway Calculation (R-005):** Fix runway calculation to include Q1 2026 obligations. Owner: CFO. Time: 3 hours.

WEEK 1 (Days 1-7)

- **Create Product Decision Framework (R-003):** Define and communicate who makes which product decisions. Owner: CEO with Head of Product and CTO. Time: 3 hours.
- **Begin Contractor Expense Tracking (R-001):** Start tracking all contractor expenses weekly. Owner: CFO. Time: 2 hours setup.
- **Send Investor Update (R-010):** Resume investor communication with update covering last 4 months. Owner: CEO. Time: 2 hours.

Phase 2: Days 8-30 (High Priority Actions)

- **Implement Full Financial Tracking System (R-001):** Complete by Day 14. Audit last 6 months, create approval workflow, set up alerts.
- **Create Contract Repository (R-002):** Complete by Day 14. Create Google Drive folder, collect missing contracts, set renewal reminders.
- **Renegotiate AWS Contract (R-008):** Complete by Day 21. Get competitive quotes, negotiate favorable terms.
- **Resolve Contractor Classification (R-009):** Complete by Day 30. Consult employment attorney, assess contractors, implement fixes.
- **Conduct Full System Access Audit (R-004):** Complete by Day 21. Document all access, create offboarding checklist, enable 2FA.

Phase 3: Days 31-60 (Strategic Improvements)

- **Resume Board Meetings (R-006):** Schedule and hold next board meeting, establish quarterly cadence.
- **Establish Investor Update Cadence (R-010):** Send 2nd and 3rd monthly updates consistently, prove monthly cadence.
- **Implement Sprint Retrospectives (R-007):** Start bi-weekly engineering retrospectives, document action items.

Phase 4: Days 61-90 (Process Maturity)

- **Consolidate Customer Data (R-011):** Migrate to single source of truth (HubSpot), train team, archive old systems.
- **Document Product Roadmap (R-012):** Create written roadmap, share with team, establish quarterly review process.

Milestones for Investor Check-Ins

Checkpoint	Expected Completions
30-Day Check-In	• Former employee access revoked (R-004) • Product decision framework documented (R-003) • Contractor expense tracking live (R-001) • Runway calculation corrected (R-005) • Monthly investor updates resumed (R-010) • Contract repository created (R-002)
60-Day Check-In	• All high-priority risks mitigated • Board meeting held, quarterly cadence established (R-006) • 2 months of consistent financial tracking (R-001) • Contractor classification resolved (R-009) • Sprint retrospectives running (R-007)
90-Day Check-In	• All medium-priority risks addressed • 3 months of investor updates sent (R-010) • Customer data consolidated (R-011) • Product roadmap documented (R-012) • **Ready for Series A operational due diligence**

Appendices

Appendix A: Complete Risk Register

This appendix contains the complete inventory of all 12 risks identified during the operational due diligence review, including 5 medium and 2 low priority risks not detailed in the main report.

Medium Priority Risks (Score 5-7)

RISK R-006: Board Meeting Lapse
- **Score:** 6 | **Category:** Governance
- **Description:** Board meetings missed last 2 quarters. No documented decisions since August 2025.

RISK R-007: Missing Sprint Retrospectives
- **Score:** 5 | **Category:** Delivery & Execution
- **Description:** Engineering team not conducting sprint retrospectives. No formal process for identifying blockers.

RISK R-008: Contract Auto-Renewal Trap
- **Score:** 6 | **Category:** Contracts & Obligations
- **Description:** Primary AWS contract auto-renews in 45 days at 25% price increase ($8K → $10K monthly).

RISK R-009: Contractor Misclassification
- **Score:** 7 | **Category:** People Ops
- **Description:** 3 contractors classified as 1099 but working full-time hours (40+ hrs/week) with company email addresses.

RISK R-010: Investor Communication Gap
- **Score:** 6 | **Category:** Investor Reporting
- **Description:** Last investor update sent 4 months ago. No regular cadence established.

Low Priority Risks (Score 3-4)

RISK R-011: Fragmented Customer Data
- **Score:** 4 | **Category:** Data & Security
- **Description:** Customer data stored in 3 different locations (Airtable, Google Sheets, HubSpot).

RISK R-012: Informal Product Roadmap
- **Score:** 4 | **Category:** Delivery & Execution
- **Description:** No written product roadmap. Features prioritized verbally in Slack conversations.

Appendix B: Methodology & Scope

Review Methodology

This Foundational Case Study was conducted over a 5-day period using the following methodology:

- **Document Review:** Analyzed financial statements, contracts, organizational charts, board materials, and operational documentation
- **Stakeholder Interviews:** Conducted 6 interviews with CEO, CFO, CTO, Head of Product, and 2 engineers
- **System Access Review:** Reviewed access controls across 8 critical systems (AWS, GitHub, databases, etc.)
- **Financial Analysis:** Examined 6 months of financial records, contractor invoices, and budget tracking
- **Process Observation:** Attended 2 team meetings and reviewed 3 months of Slack communication patterns

Areas Reviewed

20. **Financial Controls:** Budget tracking, runway calculations, expense management, forecasting processes
21. **Data & Security:** Access controls, offboarding procedures, data protection, security protocols
22. **Governance:** Decision-making frameworks, board operations, documentation practices
23. **Contracts & Obligations:** Vendor management, contract storage, renewal tracking, compliance
24. **People Operations:** Contractor classification, employment practices, organizational structure
25. **Delivery & Execution:** Product development processes, sprint practices, roadmap planning
26. **Investor Relations:** Communication cadence, reporting accuracy, board engagement

Limitations & Exclusions

This review focused on operational processes and did not include:

- Product-market fit assessment or market opportunity analysis
- Technical architecture review or code quality assessment
- Legal compliance audit or regulatory review
- Competitive analysis or industry benchmarking
- Customer satisfaction surveys or user research validation

Appendix C: About This Deliverable

SAMPLE DELIVERABLE NOTICE

This is a realistic example of what you receive from a **Foundational Case Study**. All company details are fictional, but the format, findings, and recommendations reflect our actual deliverables. This sample demonstrates how we identify operational risks, prioritize actions, and provide clear guidance for both investors and founders.

What's Included in Actual Deliverables

27. **Executive Summary:** Investment recommendation, critical findings, financial impact analysis
28. **Risk Assessment Matrix:** Comprehensive inventory of all operational risks with priority scoring
29. **Management Recommendations:** Specific actions with owners, timelines, resources, and success criteria
30. **Implementation Roadmap:** Phased approach organized by timeline with checkpoint milestones
31. **30-Minute Readout Call:** Live walkthrough of findings with Q&A and recording provided
32. **Appendices:** Complete risk register, methodology details, supporting documentation

Contact Information

Mule Deer Investment Consulting

Email: strategy@muledeerconsulting.com

Phone: (310) 600-5592

Website: www.muledeerconsulting.com

END OF SAMPLE DELIVERABLE