Practice Guide No. 006

The Decision Reliance Review

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A practical review for accounting and finance professionals evaluating a simulation or optimization model before its recommendation influences a financial or operating decision.

Purpose

Use this guide to connect a modeled recommendation to the decision it supports, the economics it represents, the constraints that make it feasible, the evidence required for reliance, and the people authorized to act.

Intended users

- Accounting and finance professionals reviewing modeled recommendations
- Controllers, treasury teams, analysts, and finance leaders
- Model builders preparing an analysis for business review
- Operations and leadership responsible for feasibility and authorization

When to use it

☐ Before approving or relying on a simulation or optimization result

☐ When assumptions, constraints, or available resources change materially

☐ After significant exceptions, overrides, or differences between expected and actual results

How to complete the review

Complete the six sections with the people responsible for the decision, model, data, and operation. Record unresolved items rather than treating an incomplete answer as approval. The final page provides a documented reliance decision and monitoring plan.

1 Define the decision and authority

A technically correct answer is not useful until the organization identifies the action, timing, scope, and decision owner.

Decision or action being considered
Decision date and period affected
Business unit, entity, portfolio, or process in scope
Person or group authorized to approve the action
People responsible for preparing, reviewing, and implementing the recommendation

Completion check

☐ The decision is stated as an action, not merely as a forecast or model output.

☐ The approving authority and implementation owner are identified.

☐ The time horizon and level of detail match the decision.

2 Define the economic objective

An optimizer can improve only the objective people provide. State the desired outcome and the tradeoffs the model is allowed to make.

Primary economic outcome the model should improve
How success will be measured
Costs or benefits included in the objective
Important outcomes the objective does not capture
Tradeoffs that require explicit approval or human judgment

Completion check

☐ The objective is expressed in business or economic terms.

☐ The team can explain what the model rewards and what it ignores.

☐ Important nonfinancial considerations have an identified treatment.

3 Represent uncertainty and the cost of error

Simulation should reflect plausible changes in the variables that matter. Review both the evidence supporting those changes and the consequences of error.

Variable	Range or distribution and support	Dependencies	Cost if too low	Cost if too high

Questions for the reviewer

☐ Do the modeled ranges reflect current evidence and the correct period?

☐ Are important relationships among variables represented?

☐ Are the consequences symmetric, or is one direction more costly?

☐ Would one average assumption preserve the economic relationship, or hide a curved cost or timing effect?

☐ Does the conclusion remain reasonably stable when the random seed or plausible assumptions change?

Uncertainty matters that remain unresolved

4 Confirm the constraints and feasibility

The mathematically preferred answer is usable only if it respects the rules and limits of the real organization.

Constraint category	Requirement	Evidence or owner	Included correctly
Budget and liquidity			☐ Yes ☐ No ☐ N/A
Timing and deadlines			☐ Yes ☐ No ☐ N/A
Capacity and operations			☐ Yes ☐ No ☐ N/A
Contracts and funding eligibility			☐ Yes ☐ No ☐ N/A
Policy, compliance, tax, legal, or safety			☐ Yes ☐ No ☐ N/A
Approval and implementation			☐ Yes ☐ No ☐ N/A

Constraints intentionally excluded and why
Feasibility concerns requiring resolution

5 Require reproducibility and challenge

A reviewer should be able to trace the inputs, reproduce the analysis, understand the model's completion checks, and test changed assumptions.

☐ Data sources and cutoff dates are identified.

☐ Material balances or inputs are reconciled where appropriate.

☐ Assumptions and probability distributions are documented.

☐ The code or model version is retained.

☐ The random seed is retained where reproducibility requires it.

☐ The optimizer's completion or success status is reviewed.

☐ Sensitivity tests cover material assumptions and constraints.

☐ An independent reviewer can reproduce or challenge the result.

☐ Known omissions and limitations are documented for the decision owner.

Evidence retained
Reviewer challenges and management response
Open items before reliance

6 Approve and monitor the action

The organization remains responsible after the model produces a recommendation. Record the reliance decision, approval, implementation controls, and monitoring plan.

Reliance decision

☐ Approved for the stated use

☐ Approved with conditions listed below

☐ Additional work required before reliance

☐ Not approved for use

Conditions, limitations, or required approvals
Expected result and monitoring measures
Frequency and owner of expected-to-actual review
Exception thresholds and escalation path
Override approval and documentation requirements
Events that require recalibration, limitation, or suspension

Role	Name or title	Decision or review	Date
Prepared by			
Independent reviewer			
Finance or accounting owner			
Operational owner			
Authorized decision owner			

Learning note

This Practice Guide is an original educational resource by Valentina DuPont, CPA. It does not provide accounting, investment, legal, tax, technology, energy, lending, or model-risk advice. Organizations should involve qualified professionals and evaluate applicable requirements before using simulation or optimization in consequential decisions.