

Open Orders

Suggested procedures for reviewing and testing Open Orders.



Open Orders

A well performed collateral examination will provide the following

- ✓ **Analytical review** of key areas that includes:
 - ✓ **Year to year comparisons and trend analysis** of key performance metrics.
 - ✓ **Explanations for fluctuations** noted in any of the above performance metrics
- ✓ **Substantive testing to verify:**
 - ✓ Authenticity, existence and valuation of balances reported
 - ✓ Existence of internal controls and proper procedures



Open Orders

The analytical review portion of a Open Orders exam consists of the following procedures

- Open Order Summary
- Open Order Customer Concentration
- Open Order Product Concentration



Open Order Summary

W/P: History of Open Orders																
W/P Summary							Trend Analysis						Notes			
Current		Prior		Change			Latest Six Mos.			12 Mo. Moving Average				Actual		
#N/A		n/a		Amt	Pct		Date	Total	Current	Past S/D	Total	Current		Past S/D		
Amt	Pct	Amt	Pct	Amt	Pct											
-		-		-				0	0	0	0	0	0			
-		-		-				0	0	0	0	0	0			
-		-		-				0	0	0	0	0	0			
-		-		-				0	0	0	0	0	0			
-		-		-				0	0	0	0	0	0			
-		-		-				0	0	0	0	0	0			
Total																
Current Orders Column				Comp Prd:			Prior	Total	Current	Past S/D	Total	Current	Past S/D			
							n/a	0	0	0	0	0	0			

Row#	Date	Total	A	B	C	D	E	F	Tot P/S	Total	0	0	0	0	0	Tot P/S
1		-							-	-	-	-	-	-	-	-
2		-							-	-	-	-	-	-	-	-
3		-							-	-	-	-	-	-	-	-

Open Order summaries are analyzed to determine when orders are expected to be shipped and converted to AR. Results of this procedure **can indicate deteriorating sales, the impact of seasonality, weaker sales than expected, manufacturing/distribution issues.**

Analysis includes:

- Open Order Trends
- Year to year comparisons
- Identification of orders past due requested ship dates

Open Order Customer Concentrations

W/P: Open Order Customer Concentrations					<input checked="" type="checkbox"/> Extrapolate							
W/P Summary	Total	% of Total	P/S	% P/S	Top 5 Conc. Accts							Notes
Per Listing/Run \$	-	0.0%	0	0.0%	Customer	D&B	Total	% Tot. Ord's	Total P/S	% of Bal P/S	% of Tot P/S	
Conc's per W/P \$	-	0.0%	0	0.0%	0		0	0%	0	0%	0%	
Top 5 Conc's	-	0.0%	0	0.0%	0		0	0%	0	0%	0%	
Top 10 Conc's	0	0.0%	0	0.0%	0		0	0%	0	0%	0%	
Top 15 Conc's	0	0.0%	0	0.0%	0		0	0%	0	0%	0%	
Top 20 Conc's	0	0.0%	0	0.0%	0		0	0%	0	0%	0%	
Future Ship Date =					A	B	C	D	E	F		
Customer	City & State	D&B	Total	% of Tot. Ord's							Tot. Pst Shp Date	Past Shp Date % Remarks
			0	0%							0	0%
			0	0%							0	0%
			0	0%							0	0%
			0	0%							0	0%
			0	0%							0	0%

Open Order customer concentrations are analyzed to determine who is being sold to, terms offered, and the credit profile of customers. Results can **indicate poor credit controls, concentration risks, new concentrations, decline in business from prior concentrations, orders that are past requested ship dates**

Analysis Includes:

- Identification of major/new customers
- Identification of “concentration risk”
- Identification of changes in Open Order Amounts among major customers

Open Order Product Concentrations

W/P: Open Order Product Concentrations													<input type="checkbox"/> Extrapolate					
W/P Summary		Total	% of Total	P/D	% P/D	Top 5 Products							Notes					
						Product	G/P %	Total	% Tot. Ord's	Total P/SD	% of Bal PSD	O/U Stock	Cst O/U stock					
Per Listing/Run \$		-	0.0%	0	0.0%	0	0.0%	0	0%	0	0%	0	-					
Conc's per W/P \$		-	0.0%	0	0.0%	0	0.0%	0	0%	0	0%	0	-					
Top 5 Conc's		-	0.0%	0	0.0%	0	0.0%	0	0%	0	0%	0	-					
Top 10 Conc's		0	0.0%	0	0.0%	0	0.0%	0	0%	0	0%	0	-					
Top 15 Conc's		0	0.0%	0	0.0%	0	0.0%	0	0%	0	0%	0	-					
Top 20 Conc's		0	0.0%	0	0.0%	0	0.0%	0	0%	0	0%	0	-					
Client G/P%:													Past Shipdate =		A	B	C	D
Description Item #	Cost /Unit	Units O/H	Price /Unit	Units Ord'ed	Over <Under> Stock	Total Cost to Fill	Gross Profit \$	G/P %	Total	% of Tot. Ord's								
						0	0	0	0	0.0%	0	0%						
						0	0	0	0	0.0%	0	0%						
						0	0	0	0	0.0%	0	0%						
						0	0	0	0	0.0%	0	0%						
						0	0	0	0	0.0%	0	0%						

Open Order product concentrations are analyzed to determine what is being sold and projected profit margins on ordered items. Results can **indicate margin deterioration or improvement, poor inventory management and orders that are past requested ship dates**

Analysis Includes:

- Comparison of Open Orders to Inventory on hand
- Identification of G/P for new orders
- Identification of orders past the ship date

Open Orders

The substantive testing portion consists of the following procedures

- PO Test
- G/P Test



Open Order Analysis

W/P Name: Open Order Test				Auditor:											
W/P Summary		Total Open \$	\$ -	#N/A					Notes						
	Number	Amount		Pct	Sales \$ Tested:	\$0.0	Items \$ Amt Tst	Pct Tst							
PO's Tested	0	\$0		0.0%	Cost \$ Tested:	\$0.0	0% and less:	- \$ -		0.0%					
Client Stationary	0	0		0.0%	Avg Price/Unit:	\$0.0	over 0% to 10%	- \$ -		0.0%					
Customer Stationary	0	0		0.0%	Avg Cost/Unit:	\$0.0	over 10% to 20%	- \$ -		0.0%					
Dollar Variances	0	0		0.0%	Avg G/P per unit:	\$0.0	over 20% to 30%	- \$ -		0.0%					
Date Variances	0	0		0.0%	Fixed Costs/year:		over 30% to 40%	- \$ -		0.0%					
Past Start Date	0	0		0.0%	B/E Units:	0	Over 40%	- \$ -		0.0%					
Past Compltn Date	0	0		0.0%	Min G/P%:	0.0%									
Items not Verified:	0	0		0.0%	Max G/P%:	0.0%	Average G/P	0% Per Clnt:							
Customer	P.O. #	Open Ord \$	Ship Date	P.O. \$ Amt	Start Date	Compltn Date	PO Over <under>	Rn Shp vs PO Shp		Terms per PO	I/E?	Item # Ordered	Units Ordered	Price / Unit	Disc
							0	0							0
							0	0							0
							0	0							0
							0	0							0
							0	0							0

The Open Order test is completed to determine if purported open order position is valid and that it can be reasonably converted to actual sales. **Results can indicate poor internal controls, extended terms, inventory sold at a loss or a lack of “hard” orders.**

Procedures Include:

- Testing of specific items listed in the open order report for validity
- Determination of the expected gross profit of the open orders
- Identification of orders that are past the requested ship date.



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