

# Accounts Receivable

Suggested procedures for reviewing and testing accounts receivable.



# Accounts Receivable

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



# Accounts Receivable

A well performed collateral examination will also provide the following

- ✓ **Calculation of Borrowing Availability**

that includes:

- ✓ **Suggested reserves or ineligible balances to mitigate all potential risk items** noted during the exam
- ✓ All eligible collateral, ineligible and reserve amounts, suggested and current advance rates, overall limits and sub-limits, and all loan balances



# Accounts Receivable

The analytical review portion of the an AR audit consists of the following procedures

- AR Roll forward/Statistics
- Spread Comparisons
- Concentrations



# A/R Statistics

W/P: A/R Statistics																		
W/P Summary		12 Month Comparison				6 Month Comparison				Curr. 12 Mo Dil Anal			Notes:					
	Current	Prior	Change	Pct	Current	Prior	Change	Pct	C/M's									
Sales	\$15,295	\$14,502	\$793	5.5%	\$7,609	\$7,426	183	2.5%	C/M's	395	2.6%							
Collections	\$14,704	\$13,769	\$935	6.8%	\$7,609	\$7,096	\$513	7.2%	Misc.	0	0.0%							
Dilution \$	\$399	\$745	(\$346)	-46.4%	\$200	\$358	(\$158)	-44.1%	Cash	4	0.0%							
Dilution %	2.6%	5.1%	-2.5%	-49%	2.6%	4.8%	-2.2%	-45.5%	Prior 12 Mo Dil Anal									
T/O	55	55	0	0.9%	56	55	1	1.0%	C/M's	733	5.1%							
A/R Adv Rate	80%	Dil. Res.	0%						Misc.	0	0.0%							
									Cash	12	0.1%							
Comparison Prd	24																	
OMIT 000'S																		
Row#	Month	BOM AR	Sales	Misc. Dr	Gr. Cash	Cash Dil	Credits	Dilutive Misc. Crs	Nondil Misc Crs	Total Sales Dilution	Cash Dil %	A/R T/O	Avg BOM A/R	Avg Sales	Dilution	Cash	Dil. %	Sales
1	Dec 95	2,055	864	7	1,023	2	87			89	10.3%	60	2,055	864	89	1,023	10%	
2	Jan 96	1,816	1,265	6	1,113	7	78			85	6.7%	49	1,936	1,065	87	1,068	8%	
3	Feb	1,896	1,191	1	956	1	102			103	8.6%	59	1,922	1,107	92	1,031	8%	
4	Mar	2,030	1,157	5	1,055		23			23	2.0%	58	1,949	1,119	75	1,037	7%	
5	Apr	2,114	1,249	1	1,309		28			28	2.2%	48	1,982	1,145	66	1,091	6%	
6	May	2,027	1,350		1,217		59			59	4.4%	50	1,990	1,179	65	1,112	5%	
7	Jun	2,101	1,150		1,113		64			64	5.6%	57	2,006	1,175	64	1,112	5%	
8	Jul	2,074	1,280		1,238	1	35			36	2.8%	50	2,014	1,188	61	1,128	5%	
9	Aug	2,081	1,349	3	1,007	1	32		1	33	2.4%	62	2,022	1,206	58	1,115	5%	
10	Sep	2,393	1,161	1	1,124		75			75	6.5%	64	2,059	1,202	60	1,116	5%	
11	Oct	2,356	1,303	1	1,534		54			54	4.1%	46	2,086	1,211	59	1,154	5%	
12	Nov	2,072	1,183		1,080		96			96	8.1%	58	2,085	1,209	62	1,147	5%	
13	Dec	2,079	1,029	2	1,228		142			142	13.8%	51	2,087	1,222	67	1,165	5%	
14	Jan 97	1,740	1,367		1,094		7			7	0.5%	48	2,080	1,231	60	1,163	5%	
15	Feb	2,006	1,251	1	870		15			15	1.2%	69	2,089	1,236	53	1,156	4%	
16	Mar	2,373	1,163		1,319	3	5			8	0.7%	54	2,118	1,236	51	1,178	4%	

AR Statistics are prepared to measure the performance of the AR collateral. Results of this procedure **give the lender an indication of how well this asset is performing and if that performance is improving or deteriorating.**

## Analysis includes:

- Percent collected (Dilution)
- Time to collect (A/R T/O)
- Sales/Credits/Cash receipts

# A/R Summaries

W/P: A/R Summaries										Inv Date	Due Date							
W/P Summary		A	B	C	D	E	F	Inel Column: e			Comp Prd: 18			Notes				
		Total	Cash	1-30	31-60	61-90	over 90	Trend Analysis			Actual							
								Latest Six Mos.			12 Mo. Moving Average							
								Date	Total	Elig.	P/D	Total	Elig.	P/D				
Dec-97	<b>Total</b>	2,298	-	1,088	910	226	74	-	-	-	-	2,204	2,189	15	2,282	2,273	9	
	<b>Aging</b>	-	-	-	-	-	-	-	-	-	-	2,217	2,200	17	2,227	2,206	21	
	<b>Cr Bal's</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	<b>Crs Pri</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	<b>Adj'd</b>	2,298	-	1,088	910	226	74	-	-	-	-	2,204	2,189	15	2,282	2,273	9	
		100%	0%	47%	40%	10%	3%	0%										
Dec-96	<b>Total</b>	2,079	-	1,086	823	163	7	-	-	-	-	2,236	2,219	17	2,624	2,574	50	
	<b>Aging</b>	-	-	-	-	-	-	-	-	-	-	2,225	2,206	19	2,227	2,170	57	
	<b>Cr Bal's</b>	-	-	-	-	-	-	-	-	-	-	2,247	2,223	24	2,334	2,261	73	
	<b>Crs Pri</b>	-	-	-	-	-	-	-	-	-	-	2,265	2,235	30	2,298	2,224	74	
	<b>Adj'd</b>	2,079	-	1,086	823	163	7	-	-	-	-	2,176	2,158	18	2,079	2,072	7	
		100%	0%	52%	40%	8%	0%	0%										
	<b>Prior Dec-96</b>											2,176	2,158	18	2,079	2,072	7	

Row#	Date	Total	Cash	1-30	31-60	61-90	over 90	Tot PD	Crs Pri	Cr Bal's	Total Cash	1-30	31-60	61-90	over 90	Tot PD	Crs Pri	Cr Bal's	
1	7/1/96	2,074	(5)	1,075	779	217	8	8			2,074	(5)	1,075	779	217	8	-	8	-
2	8/1/96	2,080		1,242	594	242	2	2			2,077	(3)	1,159	687	230	5	-	5	-
3	9/1/96	2,394	(1)	1,318	792	229	56	56			2,183	(2)	1,212	722	229	22	-	22	-
4	10/1/96	2,356	(1)	1,083	918	326	30	30			2,226	(2)	1,180	771	254	24	-	24	-
5	11/1/96	2,072	(1)	1,185	621	260	7	7			2,195	(2)	1,181	741	255	21	-	21	-
6	12/1/96	2,079		1,086	823	163	7	7			2,176	(1)	1,165	755	240	18	-	18	-
7	1/1/97	1,740	(4)	796	678	254	16	16			2,114	(2)	1,112	744	242	18	-	18	-
8	2/1/97	2,006	(4)	1,338	520	130	22	22			2,100	(2)	1,140	716	228	19	-	19	-

AR Summaries are analyzed to determine how the AR ages. Results of this procedure **can indicate a deteriorating performance, the existence of extended dating and the impact of seasonality on the aging.**

## Analysis includes:

- A/R balances by aging category
- Aging balances by invoice date and Due Date
- Trend analysis
- Year to year comparisons.

# A/R Concentrations

W/P: A/R Concentration Summary														
W/P Summary					Top 5 Conc. Accts						Notes			
Total	% of Total	P/D	% P/D	Customer	D & B	Total	% of Tot. A/R	Total P/D's	% of Bal P/D	% of Tot P/D				
Per Aging \$	2,298	100.0%	74	3.2%										
Conc's per W/P \$	2,504	109.0%	0	0.0%	Sherwin Williams	277	12%	0	0%	0%				
<b>Top 5 Conc's</b>	858	37.3%	0	0.0%	Stevcoknit-Carter	180	8%	0	0%	0%				
<b>Top 10 Conc's</b>	1252	54.5%	0	0.0%	Delta Plant #3	149	6%	0	0%	0%				
<b>Top 15 Conc's</b>	0	0.0%	0	0.0%	Mount Vernon Mills	134	6%	0	0%	0%				
<b>Top 20 Conc's</b>	0	0.0%	0	0.0%	ICI (Comined)	118	5%	0	0%	0%				
					P/D's=		A	B	C	D	E	F		
					% of Tot. A/R		Cash	1-30	31-60	61-90	over 90	Total P/D's	P/D %	Credit Limit
Customer	City & State	D & B	Total	% of Tot. A/R										
Sherwin Williams	Cleveland, OH		277	12%		69	130		78			0	0%	
Stevcoknit-Carter	Wallace, SC		180	8%		70	30		80			0	0%	
Delta Plant #3	Wallace, SC		149	6%		101	48					0	0%	
Mount Vernon Mills	Trion, GA		134	6%		70	64					0	0%	
ICI (Comined)	Various		118	5%		61	54		3			0	0%	
Russell Corporation	Alexander City, AL		98	4%		55	43					0	0%	
Facemate Corp	Chicopee, MA		88	4%		30	21		37			0	0%	
Bristol-Myers Squibb Co.	Princeton, NJ		77	3%		20	57					0	0%	
Brittany Dye & Print	New Bedford, MA		68	3%		34	34					0	0%	

AR concentrations are analyzed to determine who is being sold to, terms offered, and the credit profile of customers. Results can **indicate poor credit controls, slow paying customers, quality control issues, disputed balances**

## Analysis includes:

- Comparison of major customers
- Calculation of “concentration risk”
- Identification of changes in A/R levels among major customers

# Accounts Receivable


The substantive testing portion of the an AR audit consists of the following procedures

- Shipping Test
- Credit Memo Analysis
- Past Due Analysis
- Movement/Cash Application Test
- Reconciliations of reported collateral to sub ledger, general ledger and balance sheet





# Shipping Test

Client: Dexter Chemical Corporation W/P Name: Shipping Test				<input type="checkbox"/> Service Company		<input type="checkbox"/> Reserve Preassgn <input type="checkbox"/> Reserve Prebill				Date: Auditor:																																																																																																																																																																																																																																	
<b>W/P Summary</b>			<b>Number</b>	<b>Amount</b>	<b>Pct</b>	<b>Prebill/Preassign Summary</b>			<b>Notes:</b>																																																																																																																																																																																																																																		
Inv's Tested:	24	\$434	18.9%	Avg. Days PreBilled:			-			"X" under Sub Pmnt = Consignment Usage report from customer was reviewed.																																																																																																																																																																																																																																	
Prebills:	0	0	0.0%	Wtd Avg Days PreBilled:			-																																																																																																																																																																																																																																				
Preassigns:	0	0	0.0%	Avg. Days Preassgnd:			-																																																																																																																																																																																																																																				
Signed and Dated BOL:	21	378	87.1%	Wtd Avg Dys Prassgnd:			-																																																																																																																																																																																																																																				
Freight Bill:	0	0	0.0%	Needed Assn Dates:			0																																																																																																																																																																																																																																				
Subsequent Payment:	2	41	9.4%	Total A/R:			\$2,298 M																																																																																																																																																																																																																																				
Phone Verified:	0	0	0.0%	Average Daily Sales:			\$ 61 M																																																																																																																																																																																																																																				
Drop Shipment:	0	0	0.0%	*Suggested Reserve:			\$ - M																																																																																																																																																																																																																																				
Items not Verified:	1	15	3.5%	Adjustment:			M																																																																																																																																																																																																																																				
<table border="1"> <thead> <tr> <th>Customer Name</th> <th>Cust. #</th> <th>Number</th> <th>Invoice Date</th> <th>Amount</th> <th>Shipper</th> <th>BOL Signed?</th> <th>Dated?</th> <th>Ship Date</th> <th>Terms</th> <th>Assgmt Frt Date Bill</th> <th>Sub Pmnt</th> <th>Ph. Vrfd</th> <th>Drp Shp</th> <th>Days PB_d</th> <th>Days PA_d</th> </tr> </thead> <tbody> <tr> <td>Ace Hardware</td> <td>1182</td> <td>40709</td> <td>11/5/97</td> <td>1,483</td> <td>Maloney</td> <td>y</td> <td>y</td> <td>11/4/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Ace Hardware</td> <td>11091</td> <td>40844</td> <td>11/20/97</td> <td>1,483</td> <td>ChicagoLand</td> <td>y</td> <td>y</td> <td>11/17/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Air Products</td> <td>11720</td> <td>40892</td> <td>11/24/97</td> <td>19,152</td> <td>Leaman</td> <td>y</td> <td>y</td> <td>11/20/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Avondale Mills</td> <td>11380</td> <td>40657</td> <td>10/31/97</td> <td>14,850</td> <td>Consignment</td> <td></td> <td></td> <td></td> <td>Net 30</td> <td></td> <td>X</td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Bristol Myers Squibb Co</td> <td>20840</td> <td>40403</td> <td>10/9/97</td> <td>30,988</td> <td>Marshall</td> <td>y</td> <td>y</td> <td>10/7/97</td> <td>Net 50</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Brittany Dye &amp; Print</td> <td>20470</td> <td>40895</td> <td>11/24/97</td> <td>29,262</td> <td>Central</td> <td>y</td> <td>y</td> <td>11/21/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Cross Creek Apparel</td> <td>180010</td> <td>40674</td> <td>10/31/97</td> <td>7,346</td> <td>Dixie</td> <td>y</td> <td>y</td> <td>10/31/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Delta Plant #3</td> <td>40061</td> <td>40699</td> <td>11/5/97</td> <td>23,175</td> <td>Estes</td> <td>y</td> <td>y</td> <td>11/4/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Delta Plant #3</td> <td>40061</td> <td>40942</td> <td>11/26/97</td> <td>30,593</td> <td>Estes</td> <td>y</td> <td>y</td> <td>11/23/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Delta Plant #2</td> <td>41530</td> <td>40584</td> <td>10/30/97</td> <td>9,900</td> <td>Estes</td> <td>y</td> <td>y</td> <td>10/23/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Facemate Corp</td> <td>60030</td> <td>40862</td> <td>11/20/97</td> <td>24,554</td> <td>D&amp;N</td> <td>y</td> <td>y</td> <td>11/19/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>Henley Chemicals</td> <td>580050</td> <td>40952</td> <td>11/26/97</td> <td>10,609</td> <td>Meridian</td> <td>y</td> <td>y</td> <td>11/26/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> <tr> <td>ICI/Glidden</td> <td>70450</td> <td>40736</td> <td>11/10/97</td> <td>9,741</td> <td>APA</td> <td>y</td> <td>y</td> <td>11/7/97</td> <td>Net 30</td> <td></td> <td></td> <td></td> <td></td> <td>0</td> <td>0</td> </tr> </tbody> </table>												Customer Name	Cust. #	Number	Invoice Date	Amount	Shipper	BOL Signed?	Dated?	Ship Date	Terms	Assgmt Frt Date Bill	Sub Pmnt	Ph. Vrfd	Drp Shp	Days PB_d	Days PA_d	Ace Hardware	1182	40709	11/5/97	1,483	Maloney	y	y	11/4/97	Net 30					0	0	Ace Hardware	11091	40844	11/20/97	1,483	ChicagoLand	y	y	11/17/97	Net 30					0	0	Air Products	11720	40892	11/24/97	19,152	Leaman	y	y	11/20/97	Net 30					0	0	Avondale Mills	11380	40657	10/31/97	14,850	Consignment				Net 30		X			0	0	Bristol Myers Squibb Co	20840	40403	10/9/97	30,988	Marshall	y	y	10/7/97	Net 50					0	0	Brittany Dye & Print	20470	40895	11/24/97	29,262	Central	y	y	11/21/97	Net 30					0	0	Cross Creek Apparel	180010	40674	10/31/97	7,346	Dixie	y	y	10/31/97	Net 30					0	0	Delta Plant #3	40061	40699	11/5/97	23,175	Estes	y	y	11/4/97	Net 30					0	0	Delta Plant #3	40061	40942	11/26/97	30,593	Estes	y	y	11/23/97	Net 30					0	0	Delta Plant #2	41530	40584	10/30/97	9,900	Estes	y	y	10/23/97	Net 30					0	0	Facemate Corp	60030	40862	11/20/97	24,554	D&N	y	y	11/19/97	Net 30					0	0	Henley Chemicals	580050	40952	11/26/97	10,609	Meridian	y	y	11/26/97	Net 30					0	0	ICI/Glidden	70450	40736	11/10/97	9,741	APA	y	y	11/7/97	Net 30					0	0
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The shipping test is completed to determine if prescribed controls are being followed and to ensure that the AR is comprised of invoices that represent bona fide sales. **Results can indicate poor internal controls, pre-billing, disputed balances, extended terms.**

## Procedure includes:

- Vouching items listed in aging to original invoices, shipping documentation and customer orders
- Verifying all items through POD, subsequent payment, phone verification or other documentation.

# Credit Memo Review

W/P Name: C/M Review					Auditor:					
Assn Lag Alld:		Iss Lag Alld:								
<b>W/P Summary</b>	<b>Reason Anal.</b>	<b>#</b>	<b>\$</b>	<b>%</b>	<b>Double Financing</b>	<b>#\$</b>	<b>%</b>	<b>Notes:</b>		
<b>Beg Date:</b> 1-Jun	1) Damaged I/T	1	\$1	0%	<b>Items:</b>	0	0%	R/B = Credit rebill		
<b>End Date:</b> 30-Nov	2) Wrong Cust	1	\$1	1%	<b>Amount</b>	\$ -	0%			
<b>Tot \$ Iss:</b> 199	3) Return	4	\$12	7%	<b>Avg Days</b>	\$ -	n/a			
<b>Tot # Rev:</b> 17	4) R/B Price error	9	\$118	72%	<b>Wghted Avg Days</b>	0.0	n/a			
<b>Tot \$ Rev:</b> \$162	5) R/B Weight Corr	1	\$3	2%	<b>Reserve:</b>	0.0	n/a			
<b>Pct Rev:</b> 81.6%	6) Tote Returns	1	\$28	17%	<b>Avail. Effect</b>	<b>#\$</b>	<b>%</b>			
<b>Wtd Issue Lag</b> 5.2	7)	0	\$0	0%	<b># Iss against Elig:</b>	14	82%			
<b>Wtd Assgn Lag</b> 0	8)	0	\$0	0%	<b># Iss against Inel:</b>	3	18%			
<b>Tot Lag</b> 5.2	9)	0	\$0	0%	<b>\$ Iss against Elig:</b>	\$113.8	70%			
<b>Lag Res</b> \$6	10)	0	\$0	0%	<b>\$ Iss against Inel:</b>	\$48.6	30%			

Customer Name	Credit				Date	CM Assn	Orig Inv			New Inv				Elig	Iss. Lag	Ass Lag	Tot Lag	Dou
	Number	Date	Amount	Reas			Ret/Req	Date	Number	Date	Amount	Number	Date					
ICI Glidden	4160C	11/10/97	526	1	10/30/97									y	11	0	11	0
Como Finishing	4144C	10/30/97	870	2	10/20/97		40509	20-Oct	870	40634	10/30/97	870		y	10	0	10	0
Quaker Fabrics	4115C	10/7/97	388	3	10/3/97									y	4	0	4	0
Dyersburg Fabrics	4067C	9/10/97	18,184	4	8-Sep		40054	8-Sep	18,184	40124	9/12/97	15,410		n	2	0	2	0
Dyersburg Fabrics	4973C	9/12/97	18,184	4	10-Sep		40091	10-Sep	18,184					n	2	0	2	0
Stevcoknit-Carter	4077C	9/12/97	48,302	4	8-Sep		40044	8-Sep	48,302	40143	12-Sep	48,091		y	4	0	4	0
Hi-Tech	4090C	9/19/97	4,663	3	9/18/97									y	1	0	1	0
Sherwin Wms-III	4051C	8/29/97	12,279	4	8/27/97		39943	27-Aug	12,279	39985	29-Aug	12,622		n	2	0	2	0
PPG Architectural	4046C	8/21/97	1,519	3	1/2/97									y	231	0	231	0
Stevcoknit-Carter	4041C	8/18/97	3,268	5	29-Jul		39603	29-Jul	3,268	39817	18-Aug	3,648		y	20	0	20	0
Thompson Mills	4023C	7/31/97	2,590	4	22-Jul		39570	22-Jul	2,590	39671	31-Jul	2,632		y	9	0	9	0
Avondale Mills	4024C	7/31/97	28,200	6										y	0	0	0	0
Avondale Mills	4025C	7/31/97	5,363	3										y	0	0	0	0
Swan Finishing	3955C	6/9/97	5,632	4	5-Jun		39088	5-Jun	5,632					y	4	0	4	0

The CM review is completed to determine reasons for credits, timeliness of credit memo issuance, and to ensure that the AR is not over stated. **Results can indicate excessive CM lag, quality control or billing issues, and “double financing.”**

## Procedure includes:

- Vouching items selected to underlying documentation
- Determining the lag for each item selected.
- Determine impact on dilution

# Analysis of Past Due A/R

W/P Name: P/D and Critical Review

Auditor:

W/P Summary	Reason Anal.	Reserve Elig? Cr?	Crit Amount	%	Next Aging?	Past Due Amount	%	Next Aging?	Res.	Notes:
Aging Date: 12/1/97										
Cr per Aging:	1) In Collection		0	0%		59	83%			
Pd per Aging: \$ 74	2) In Dispute-being resolved		0	0%		3	4%			
Sub Pymnts thru:	3) Slow/Paperwork		0	0%		9	13%			
Crit. \$ Tested: 0	4)		0	0%		0	0%			
Crit % Tested:	5)		0	0%		0	0%			
P/D \$ Tested: 71	6)		0	0%		0	0%			
P/D % Tested: 95.9%	7)		0	0%		0	0%			
Crit \$ w/o reason: 0	8)		0	0%		0	0%			
P/D \$ w/o reason: 0	9)		0	0%		0	0%			
Reserve: \$0	10)		0	0%		0	0%			

Customer Name	Cust. No.	Crit \$	Crit Reas.	P/D \$	P/D Reas.	Total A/R	Comment
Morganton Dye				39	1	40	Not operating Probable w/o
Hi Tech Industries				20	1	20	Still operating-pays \$500/wk likely lawsuit
BF Goodrich				6	3	14	
in Fiber and Finishing				3	2	3	
PPG Industries				3	3		

The past dues are analyzed to determine reasons for past due or aging balances, effectiveness of a company's collection efforts, and the sufficiency of the allowance for bad debts. **Results can indicate existence of notes receivable in the AR, at risk customers, charge-backs, disputed balances, retainage.**

## Procedure includes:

- Vouching items paid to remittance advices to ensure proper application
- Discussions with management as to the status of items selected
- Verification of collection efforts made.

# A/R Ineligibles



Throughout the review and during all procedures the examiner is on the constant lookout for items which can encroach on the liquidity of the accounts receivable. Reserves or ineligible recommendations are made for all transactions or balances which are deemed to be above average risk.

- Past Dues
- Credit Balance in Prior
- Contras
- Cross Aged A/R
- Foreign A/R
- Government A/R
- Deductions/CB's
- Inter-company A/R
- Credit Risk
- Concentration Risk
- Prebilling
- C/M Lag
- A/R G/L Reconciliation
- A/R Collateral Rec.
- Accrued Rebates
- Customer Deposits



# ECG Enterprises, Inc.

## info@ecgenterprises.com

Please feel free to contact ECG Enterprises to arrange for a collateral examination.

ECG is a new and young company, built on Greg Isenberg's extensive experience in the commercial finance industry.

ECG specializes in **protecting lenders by designing and implementing audit programs** that:

- Identify collateral risk lenders may not be aware of
- Identify favorable and unfavorable trends in a borrower's financial and/or collateral performance
- Provide relationship managers with strategic information not readily available elsewhere.