UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
MANAGE CUSTOMER ORDERS

Control practices

The following control objectives provide a basis for strengthening your control environment for the process of managing customer orders. When you select an objective, you will access a list of the associated business risks and control practices. That information can serve as a checklist when you begin reviewing the strength of your current process controls.

This business risk and control information can help you assess your internal control environment and assist with the design and implementation of internal controls. Please note that this information is at the generic business process level and many companies will need to go beyond generic models to address the specific business processes that support the financial and nonfinancial disclosures being made. You can combine the insight of this business risk and control information with your industry-spec

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1. Train order-processing personnel to answer common questions regarding the company's products and services.
2. Empower order-processing personnel with sufficient information to confirm current product availability, confirm delivery dates, and answer common questions.
3. Provide customers with one contact who will be able to answer all their questions and take orders.
4. Alert customer contacts to all other sources of assistance for customers with complex orders.
5. Establish procedures for handling orders when the customer's primary contact is not available.
6. Incorporate enough flexibility into the order process to handle all methods of ordering, for example, methods such as fax, standard order form, sales representatives, telephone, EDI, or the web.
7. Implement a user-friendly order management system that can be improved or updated on

C. Management and appropriate employees receive the information they need to service the customer and control ordering.

Business risks
- The information provided to employees and management about the ordering process will not focus on customer needs or support company objectives. Therefore, the company will have incorrect perceptions about process performance and the nature, number, and size of customer orders.
- Employees will not improve the ordering process on a l dy <</MC e 5331.2 (i)-34.5 (/)0.5c2 (i)-34.yost

E. Sales orders are properly authorized.

Business risks
- The company will accept orders from customers who are unauthorized or have exceeded their credit limit, exposing the company to unacceptable credit risks.
- The company will accept orders at unauthorized prices or terms (or at terms that violate government regulations).
- The company will accept orders for quality standards that the company cannot meet.
- The company will accept orders from related parties without management's knowledge.
- The company will manufacture and ship products or render services without valid customer commitments.
- The company will process commission credits for invalid orders.
- The company will deliver products or services to the wrong party.
- The company will deliver wrong goods or services or wrong quantities of goods or services.
- The company will deliver products or services too early or too late.

Control practices
1. Use a computerized input medium to accept sales orders (such as web-enabled input screens or EDI).
2. Install security mechanisms within the computer system to accept orders only from authorized sources.
3. Research, correct, and reenter as necessary and on timely basis customer information that does not match customer standing data (such as addresses and credit limits).
4. Record and create orders only on the basis of customer purchase orders or other evidence documenting the customer's initiation of the order.
5. Require management approval for goods or services requested that are not specified or are not consistent with customer purchase commitments.
6. Perform a computer system credit check on all customer orders before accepting them into the system.
7. Suspend orders in excess of credit limit and resolve on a timely basis.
8. Require management review and approval of new customers, credit limits, and prices.
9. Install physical and logical security measures to prevent unauthorized access to the order entry database.
10. Require management review and approval for all sales orders over a specified amount and for orders with special prices or conditions.
11. Document fully key procedures within the ordering process.
12. Update the documentation of key procedures in the ordering process in response to changes in management objectives.

F. Authorized sales orders are accurately and completely recorded on a timely basis.

Business risks
- The products, quantity, selling price, payment terms, sales tax, or shipping address included on the order will be incorrect.
- Products that have been authorized for shipment will not be shipped.
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