UNIVERSITY OF TOLEDO INTERNAL AUDIT
BILL THE CUSTOMER

Control practices

The following control objectives provide a basis for strengthening your control environment for the process of billing the customer. 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-specific knowledge and understanding of your company's environment when conducting internal control assessments and designing and implementing recommm C. Invoice design and format are effective.

D. Billings facilitate timely customer payments.
E. Employees and management are given the information they need to control the billing process.
F. Billings are properly authorized.
G. Billings are accurately and completely recorded on a timely basis.
H. Billings are reliably processed and reported.

Compliance with applicable laws and regulations

A. Invoices submitted to customers comply with laws and regulations.

B. Billing queries are efficiently resolved to customers' satisfaction.

Business risks

Failure to resolve customer queries on a timely basis will reduce customer satisfaction, increase the cash collection cycle, and increase the likelihood of uncollectible accounts.

Control practices

1. Enable real-time interaction between employees responsible for billing, customer inquiries, and order processing so that customer issues are resolved in a timely manner.
2. Monitor customer responsiveness with performance measures such as: average number of calls required to respond to customer inquiries, average time required to resolve queries, and feedback from customer satisfaction surveys.

C. Invoice design and format are effective.

Business risks

Inadequate invoices will reduce customer satisfaction, increase the number of customer queries, and delay cash collections.

Control practices

1. Gather feedback on the information customers want on invoices, such as product descriptions, unit prices, total prices, discounts, and taxes, and then take this feedback into account when designing invoices.
2. Ensure that customer billing protocols are understood and taken into account when preparing bills (for example, the billing location, the person to whom the bill must be directed, and any other expectations that will expedite payment).
3. Use a simple price structure whenever possible and minimize detail included to avoid complexity.

F. Billings are properly authorized.

Business risks

Billing records will not be created in a timely manner.

Standard contracts and shipping terms will not be used and will require interpretation between departments.

G. Billings are accurately and completely recorded on a timely basis.

Business risks

Sales invoices will be prepared incorrectly.
Sales invoices do not represent actual goods shipped in the proper period.
Shipments made or services rendered will not be recorded or billed.
Revenues and cost of sales will be incorrectly recorded and/or recorded in the wrong

H. Billings are reliably processed and reported.