

## ORGANIZATIONAL AUDIT

### A. ORGANIZATION

			YES	NO	N/A
1.	Does the company have sufficient numbers of qualified people at the right levels to perform the following functions?				
	a.	Marketing			
	b.	Finance			
	c.	Production			
	d.	Service			
	e.	Technical development			
	f.	Personnel and administrative			
2.	Do the managers have the appropriate background and skills to manage these functions?				
3.	Is the organization structure defined completely?				
4.	Are the responsibilities of each job defined?				
5.	Does the company use procedure manuals so that:				
	a.	Many decisions can be handled on a routine basis?			
	b.	New people can be trained easily?			
6.	Are managers given authority for decisions and results?				
7.	Are individuals aware of their duties and responsibilities?				
8.	Does the company have a formal management program including employee appraisals?				
9.	Is employee turnover a problem?				
10.	Is there excessive overtime?				
11.	Does employee morale appear high?				
12.	Is the company people-oriented?				



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### B. OPERATIONS

			YES	NO	N/A
1.	Does the Company know its share of the market?				
2.	Does the company know the size of the total market?				
3.	Does the company have a formal price structure?				
4.	Does the company analyze the relationship of volume changes to changes in price?				
5.	Does the company know the stage of growth in the product cycle for each of its products?				
6.	Is the company aware of new trends?				
7.	Does the company evaluate the competition?				
8.	Does the company assess the performance of its services/products relative to customers' needs?				
9.	Does the company analyze the profitability of its products or services?				
10.	Does the company review the effectiveness of its marketing and distribution activities?				
11.	Does the company review the effectiveness of its marketing support?				
12.	Does the company evaluate the adequacy of its customer service?				
13.	Does the company monitor sales performance?				
14.	Are substantial variances from the sales forecast adequately analyzed and explained?				
15.	Does the company consistently review backorders?				
16.	Does the company have a formal credit policy?				
17.	Does the company calculate the number of day's sales in receivables?				
18.	Is company purchasing tied to sales forecasts and current inventory levels?				



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19.	Does the company know the correct purchasing points for its inventory items?				
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			YES	NO	N/A
20.	In planning inventory purchases, are the following taken into account:				
	a. Demand patterns?				
	b. Usage?				
	c. Lead times?				
21.	Are stock levels consistent with operating needs?				
22.	Does the company maintain historical purchase information?				
23.	Does the company evaluate vendor performance?				
24.	Are payments made to take advantage of available discounts?				
25.	Does the company produce to stock and/or to order?				
26.	Has management analyzed inventories (ABC or 80/20 rules) to determine which items represent the major investment?				
27.	Is there a report that combines:				
	a. Inventory on hand, by item?				
	b. Goods on order?				
	c. Goods in process?				
	d. Unfilled sales orders?				
28.	Do reports include a calculation of inventory turnover?				



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### C. REPORTING SYSTEMS - OPERATIONS

			YES	NO	N/A
1.	Has the company developed clear and formal objectives for the business?				
2.	Are the objectives quantified in terms of rate of return, growth, market share, and product or service development?				
3.	Does company management know where their products/services are in their life cycle?				
4.	Are there clear objectives for each function in the company?				
5.	Is the company planning expansion into new products or markets?				
6.	Has management defined the critical success factors for the business?				
7.	Does the company have a formal business plan including:				
	a.	Description of the business?			
	b.	Market?			
	c.	Competition?			
	d.	Location?			
	e.	Management?			
	f.	Key personnel?			
	g.	Key financial data:			
	h.	Financial projections?			
	i.	Cash flow projections?			
8.	Does the company use a costing system to:				
	a.	Develop product/service costs to be used in setting selling prices?			
	b.	Valuing inventories?			



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			YES	NO	N/A
	c.	Provide a basis for developing a profit plan by pricing the sales forecast?			
9.		Does the costing system provide management with each product's contribution to company profit?			
10.		Does the costing system identify fixed and variable costs?			
11.		Does the costing system identify direct costs?			
12.		In establishing selling prices, are direct costs and contribution margin considered?			
13.		Are reports generated showing products or classes of products with the highest contribution margins?			
14.		Does management use contribution analysis to:			
	a.	Select the products/services to purchase /manufacture and sell?			
	b.	Decide whether to make or buy?			
	c.	Select the most profitable use of capacity?			
	d.	Optimize the use of limited resources?			
	e.	Add new product lines and eliminate old ones?			
	f.	Develop promotions to meet competition or move inventory?			



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### D. REPORTING SYSTEMS - FINANCIAL

			YES	NO	N/A
1.	Are annual operating budgets prepared?				
2.	Are the budgets consistent with the objectives of the company and communicated to all concerned?				
3.	Are individual functional area managers responsible for preparing their own sections of the budget?				
4.	Are budgets based on detailed assumptions that are evaluated each year?				
5.	Do budget assumptions consider:				
	a.	Changes that may impact revenues or costs?			
	b.	Capacity?			
	c.	Manpower requirements?			
	d.	Market trends?			
	e.	Sales mix?			
	f.	Contribution by product/service?			
6.	Are budgets sufficiently detailed to provide a measure of control:				
		By time period?			
		By area of responsibility?			
		By line item?			
7.	Are budget assumptions consistently and thoroughly documented to provide the capability for variance analysis?				
8.	Does financial reporting provide:				
	a.	Reports comparing actual performance to budgets?			
	b.	Basic financial reports:			
	c.	Balance Sheet?			



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	d.	Percentage of revenue?				
	e.	Data that focus attention on the "critical success factors"?				
				YES	NO	N/A
	f.	Statement of Income?				
	g.	Sources and Use of funds				
	h.	Exceptions/Variances?				
	i.	Measures of profitability by:				
		-Profit center?				
		-Product/Service?				
		-Customer group?				
		-Geographic area?				
		-Salesperson/account executive?				
9.		Are the financial reports produced on a timely basis?				
10.		Are variances documented and plans adjusted accordingly?				
11.		Is cash flow monitored on a routine basis?				
12.		Is there a linkage between budgets and cash flow analysis				
13.		Does the company have an adequate credit line?				
14.		Has the company made adequate use of leverage?				

