

Audit Value Insights

Capturing the Hidden Value Within Existing Audit Data

New Solution Offers Crowe Audit Clients
Added Value At No Cost

The Hidden Value in Audit Data

The audit process is inherently data-driven. Every audit cycle begins with extensive data gathering and compilation processes that produce large volumes of data.

Much of that data can be of significant value beyond the audit itself. Properly sorted and analyzed, data gathered during the course of an audit could also provide the management team in a manufacturing or distribution operation with valuable insights into the effectiveness of its inventory management practices.

Crowe Horwath LLP now offers audit clients an opportunity to capture that data and put it to work – at no additional cost. The Crowe Audit Value Insights module is available to all Crowe audit clients in the manufacturing and distribution (M&D) sector.

Meaningful and Actionable Insights

The Crowe Audit Value Insights module provides M&D companies with a streamlined version of the highly advanced Crowe Analysis Platform™ working capital solution. This flexible and fully automated software as a service (SaaS) tool pulls financial and operational data from multiple business sources into an encrypted and secure workbench that does not require the company to purchase any hardware or load any software.

The solution produces graphical dashboards that display enterprise and best practice analytics related to both raw materials and finished goods inventories. Its clear depictions of inventory data analytics go beyond the capabilities of conventional enterprise resource planning (ERP) systems, enabling better decision-making that may help lower costs, enhance performance, and improve margins.

Uncovering the value in data

Clear Insights to Help Optimize Working Capital

Crowe Analysis Platform

The Crowe Analysis Platform solution was developed by Crowe M&D and technology specialists to provide manufacturers with pre-built, meaningful analytics they can use to drive operational improvements and enhance bottom-line performance. The full program's working capital module imports data directly from the company's ERP system, and then segments and organizes that data in ways that help management analyze all components of working capital (including receivables, payables, and inventories) with greater depth, precision, and insight. It offers deep drill-down and analytical capabilities, trending reports, multiple business-level views, and spreadsheet-export capabilities.

Crowe Audit Value Insights

The Crowe Audit Value Insights module applies the same technology found in the Crowe Analysis Platform solution, but focuses on inventory management, including both raw materials and finished goods inventories. Using a Pareto-based segmentation approach, the platform offers insights into a range of relevant issues and potential improvement opportunities, including:

- Inventory reduction and optimization
- Accurate system parameters
- Lead time reductions
- Customer service models, including fill rates, terms, and other factors
- Portfolio management and product rationalization
- Liquidity

A Closer Look: Meaningful Information Drives Better Business Decisions

Drawing on critical working capital data that is already compiled as part of the audit process, the Crowe Audit Value Insights module enables you to perform detailed analyses, by SKU or product line, of eight key inventory metrics:

Raw Materials Inventory

- Usage dollars
- Days supply
- Inventory turns
- Aging

Finished Goods Inventory

- Sales dollars
- Days supply
- Inventory turns
- Aging

Accessed through a secure and encrypted portal, the module is automated and highly adaptable, offering a variety of user features, including support for multiple browser platforms, printing support, and access to intuitive snapshot views and summary reports.

Exhibit 1: Crowe Analysis Platform

The Crowe Audit Value Insights module, offered exclusively to Crowe audit clients, enables M&D companies to perform focused analyses of inventory data. The full Crowe Analysis Platform solution addresses receivables and payables as well, enabling in-depth analysis of all components of working capital.

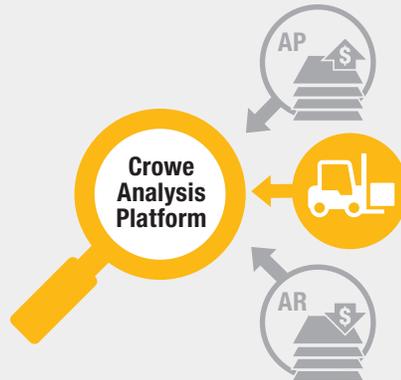
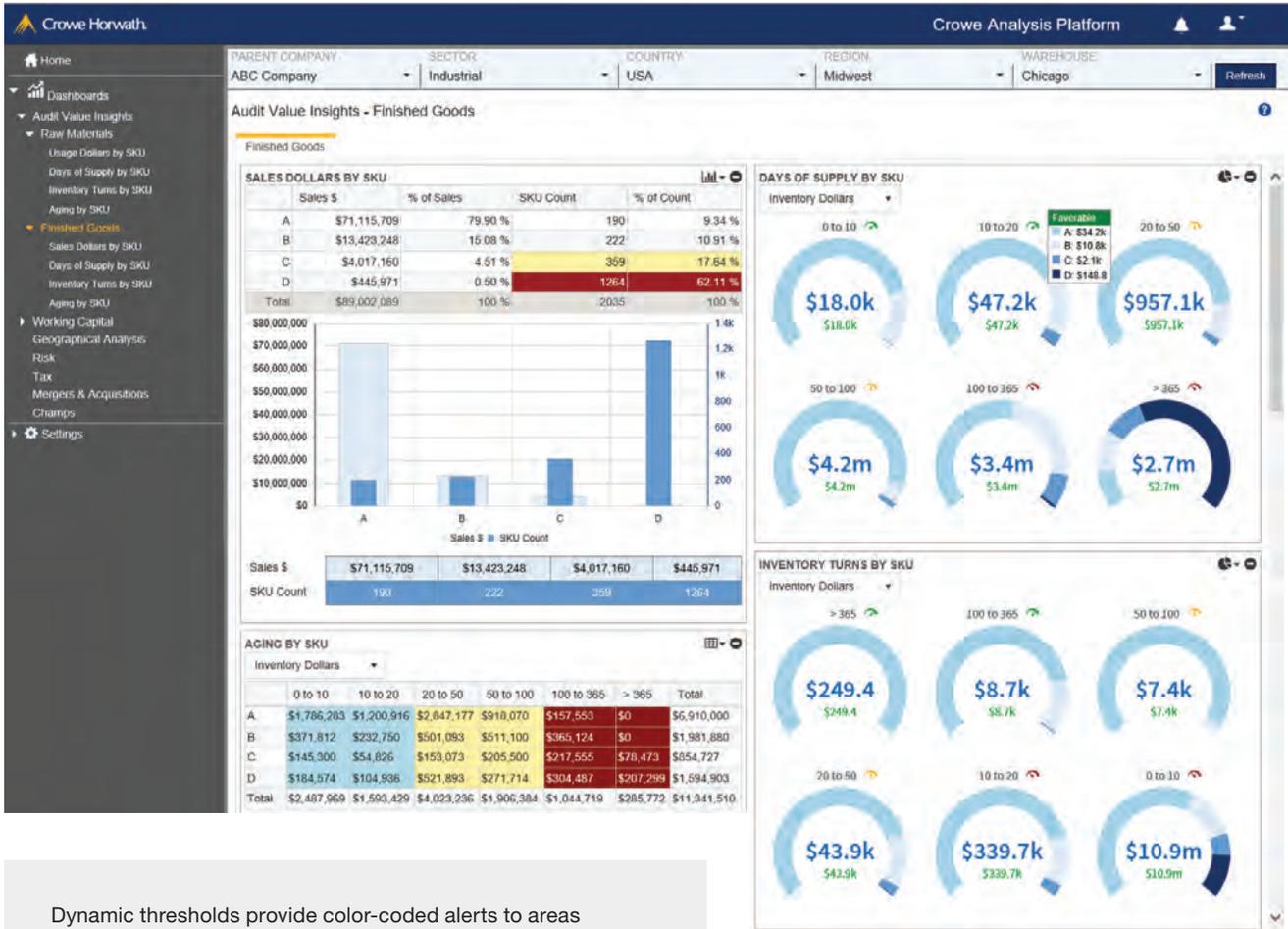


Exhibit 2: Finished Goods

The Crowe Audit Value Insights module presents a consolidated dashboard view of critical finished goods inventory information.

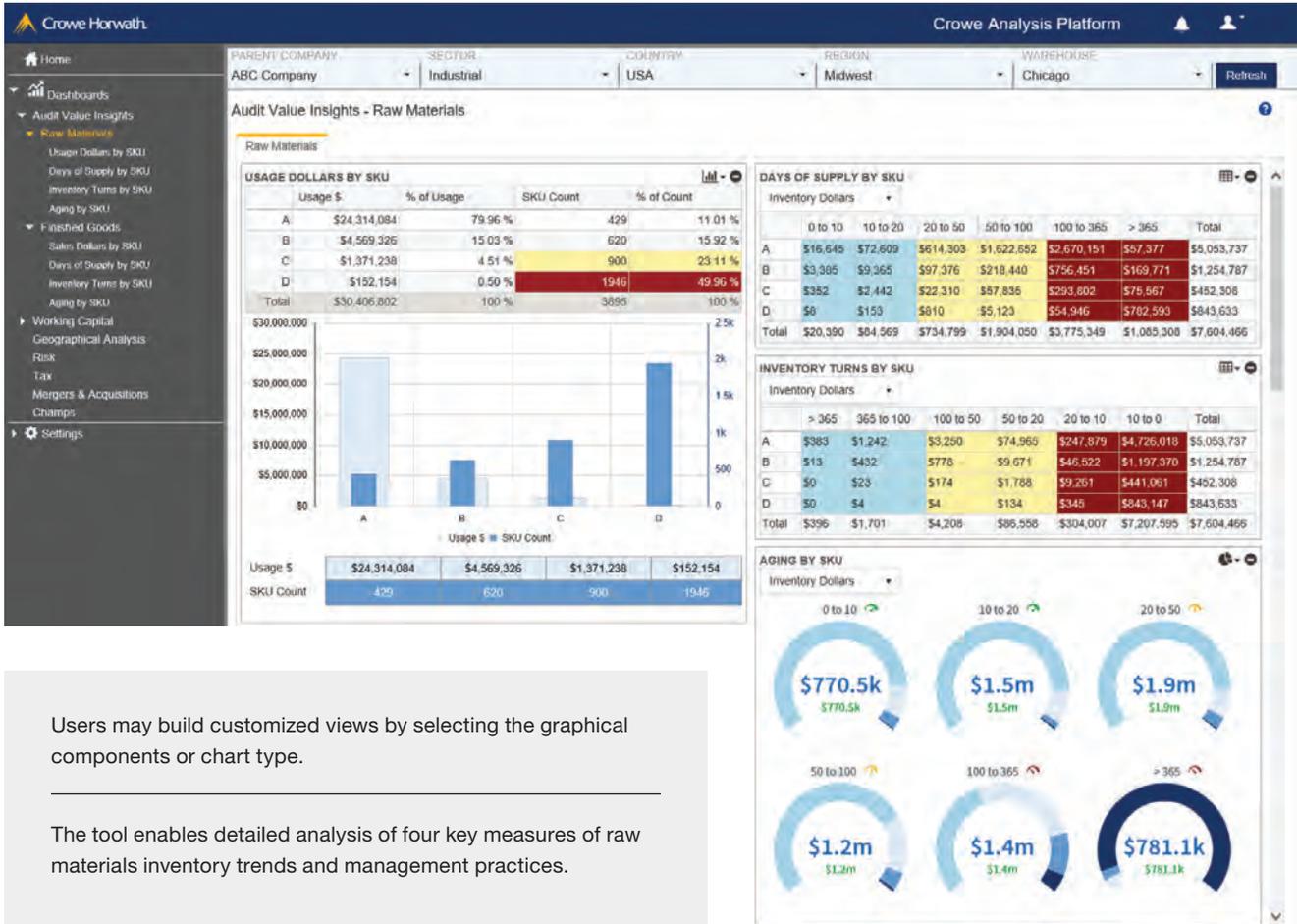


Dynamic thresholds provide color-coded alerts to areas needing closer attention.

The tool enables detailed analysis of four key measures of finished goods inventory trends and management practices.

Exhibit 3: Raw Materials

With the Crowe Audit Value Insights module, critical information about raw materials inventory can be captured at a glance on a single dashboard view.



Users may build customized views by selecting the graphical components or chart type.

The tool enables detailed analysis of four key measures of raw materials inventory trends and management practices.

How It Works: Turning Data Into Meaningful Information

Exhibit 4: Stratified Grouping of Goods and Materials

The foundation of the Crowe Audit Value Insights module is its use of a dual axis matrix to perform a Pareto-based “ABCD” data analysis. This methodology segments various finished goods and raw materials metrics and stratifies them according to standard “ABCD” groupings that correspond to 80 percent, 15 percent, 4.5 percent, and 0.5 percent of the relevant volumes.

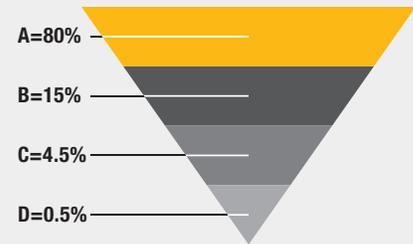


Exhibit 5: Sample Finished Goods Classification

ABC SKU Classification by Sales Dollars				
CLASS	SALES \$	% OF SALES	SKU COUNT	% OF COUNT
A	\$53,840,553	80.0%	233	11.7%
B	\$10,105,452	15.0%	468	23.4%
C	\$3,036,166	4.5%	638	31.9%
D	\$336,857	0.5%	658	32.9%
TOTALS	\$67,319,030	100%	1,997	100%

'D' SKU count can include transactions with no sales (FG) or usage (RM) over the last 52 weeks but with inventory dollars or units on hand.

For example, the simplified finished goods analysis shown here reveals that 80 percent of this organization’s sales dollars are driven by only 11.7 percent of the total SKUs. Conversely, 64.8 percent of the SKUs account for only 5 percent of sales – suggesting potential opportunities for portfolio rationalization, which could reduce transactional and operating costs and improve profitability.

Plotting this data against a second metric produces a dual axis matrix, which can categorize and compare the information in meaningful ways.

Exhibit 6: Example of Classification by Quantity

Type of Segmentation (DOH, Turns, Aging, Volatility, Profitability, etc.)							
CLASS	<10	10 TO 20	20 TO 50	50 TO 100	100 TO 365	>365	GRAND TOTAL
A	\$2,692,028	\$4,307,244	\$6,460,866	\$23,689,843	\$11,844,922	\$4,845,650	\$53,840,553
B	\$202,109	\$444,640	\$3,435,854	\$4,244,290	\$909,491	\$10,105,452	\$10,105,452
C	\$30,362	\$60,723	\$91,085	\$1,032,296	\$1,153,743	\$667,957	\$3,036,166
D	\$ --	\$ --	\$10,106	\$16,843	\$74,109	\$235,800	\$336,857
TOTAL	\$2,924,498	\$4,812,607	\$7,431,126	\$28,174,836	\$17,317,063	\$6,658,897	\$67,319,028

Applying such Pareto-based analyses to eight critical working capital metrics, the Crowe Audit Value Insights module offers manufacturers the ability to quickly transform massive volumes of raw data into useful and visually intuitive information that supports sound, effective decision-making.

The Crowe Approach: Delivering Measurable Results

The Crowe Audit Value Insights module was developed by the dedicated M&D performance improvement team at Crowe, drawing on the company's decades-long tradition of leadership in the M&D sector. Crowe clients consistently give Crowe team members high marks for their years of experience, their broad and deep expertise across a range of manufacturing industries, and their long-term commitment to delivering measurable results to Crowe clients.

Crowe provides this focused and flexible analytical tool at no additional cost to audit clients in the M&D sector, as a demonstration of the Crowe commitment to providing added value in every client engagement.





Connect With Us

For more information about the Crowe Audit Value Insights module or the full Crowe Analysis Platform working capital solution, visit crowehorwath.com/workingcapital or contact:

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About Us

Crowe Horwath LLP is one of the largest public accounting, consulting, and technology firms in the United States. Our dedicated professionals create value for our clients by connecting deep industry knowledge with innovative technology, while maintaining a commitment to independence, integrity, and objectivity. By listening to our clients, we learn about their businesses and the unique challenges they face. We forge each relationship with the intention of delivering exceptional client service while upholding our core values and strong professional standards. We invest in tomorrow because we know smart decisions build lasting value for our clients, people, and profession.

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