

UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT

MOVE MATERIALS AND RESOURCES

Control practices

The following control objectives provide a basis for strengthening your control environment for the process of moving materials and resources. 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~~ 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 recommendations.

Effectiveness and efficiency of operations

- A. Materials usage is properly authorized.
- B. Materials movement is conducted efficiently and occurs on a timely basis to support production.
- C. Employees and management are provided with the information needed to control the materials movement process.
- D. Relevant management information is provided to managers ~~and~~ empowered employees on a timely basis.
- E. All materials movements are authorized.
- F. Materials movements are recorded accurately and completely on a timely basis.
- G. All materials movement transactions are reliably processed and reported.
- H. Performance measures used to control and improve the process are reliable.

Compliance with applicable laws and regulations

- A. The materials movement process complies with applicable laws and regulations.

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C. Employees and management are provided with the information needed to control the materials movement process.

Business risks

- Information provided to employees and management about the process will conflict with company objectives.
- Employees will not improve process performance on a timely basis.
- Plans to improve the process will be based on incorrect perceptions of process performance.

Control practices

1. Identify and understand customer expectations.
2. Identify and understand the company's goals in relation to improving product quality, reducing costs, and compressing cycle time.
3. Select top-level (and) middle-level measures that link the

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E. All materials movements are authorized.

Business risks

- Resources used in production will not be reported until the physical inventory is taken, resulting in misstated inventory records, reduced relevance of the records for inventory management purposes, and unreliable interim reports.
- Materials or work in progress will be moved without authorization, creating potential production scheduling problems and eventual delays in delivering customer orders.

Control practices

1. Require management authorization before production manufacturing begins.
2. Check to see that authorizations coincide with the approved production plan.
3. Use the computer system to authorize all movements of inventory.
4. Ban the movement of those materials without proper computer authorization.
5. Use the computer system to compare production order numbers of inventory move requests with production order records to ensure that they are legitimate.
6. Update computerized inventory records at the completion of each stage in the production process.

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F. Materials movements are recorded accurately and completely on a timely basis.

Business risks

- Inventory records will be misstated, reducing the relevance of the records for inventory management purposes.
- Work in progress records will be misstated, creating potential production scheduling problems and eventually causing delays in delivering customer orders.
- Recorded inventory movement is not based on actual counts or weights or on the appropriate unit of measure.

Control practices

1. Use standard forms as input source documentation for updating the computerized inventory records.
- 2.

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G. All materials movement transactions are reliably processed and reported.

Business risks

- Unauthorized changes will be made to programs, causing unauthorized processing results.
- Unauthorized versions of files and/or programs will be used to process transactions, resulting in u.3 (i)-34.4 (ons)45.2 (,)TJ -11.688 -1.125 Td [(r)-tons,

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H. Performance measures used to control and improve the process are reliable.

Business risks

- Inaccurate measures will result in erroneous perceptions about process performance, resulting in inappropriate decisions.
- Measures calculated with inaccurate data will drive behavior that is inconsistent with management objectives.

Control practices

1. Use a computer application to automatically calculate and process measurements based on data captured at the transaction source, such as production time, inventory levels, and production delays.
2. Assign production personnel to review the measures periodically to ensure that they reflect process performance.
3. Use customer surveys, production personnel complaints, percentage of on-time deliveries, and other such sources to gather information about process performance.
4. Communicate the information obtained from customer surveys and other measures to all responsible employees on a timely basis.
5. Use cross-functional teams to identify potential process improvements.
6. Educate management and employees on the linkage of employee performance to process performance.

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