

# UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT

## MANAGE INVENTORIES

### Control practices

The following control objectives provide a basis for strengthening your control environment for the process of managing inventories. 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 users will need to go beyond generic models to address the specific business processes that support the financial and nonfinancial disclosure



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1.

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C. Recorded balances are evaluated.

### Business risks

- While accurately reflecting historical events, recorded inventory balances will not reflect realistic evaluations under current conditions.
- Inventory on hand will be obsolete, damaged, or spoiled.

### Control practices

1. Identify and report periodically inventory items that are slow moving, obsolete, or in excess of normal operating requirements.
2. Compare quantities in stock periodically with production requirements over a normal operating cycle or reasonable period of time.
3. Analyze key ratios, trends, and variances.
4. Identified excess and obsolete stock is disposed of in a timely manner.
5. Determine the required provisions for obsolescence, declines in carrying value of