

INVENTORY INTERNAL CONTROLS QUESTIONNAIRE

Internal Control	Yes/No/ N/A	Comments
General		
1. Is a perpetual inventory maintained?		
2. Are limits placed on quantities to be maintained in inventory?		
3. Are there special safeguards for expensive material and material susceptible to personal use or sale?		
4. Is scrap adequately controlled (e.g., collection, segregation, disposition, and issuance of appropriate credits)?		
5. Are transportation bills compared with applicable invoices, purchase orders, and receiving reports?		
6. Does the controller or other appropriate person periodically assess whether excess, slow moving, obsolete and defective inventory items are identified and accounted for appropriately?		
7. Does the controller or other responsible person periodically review budgeted and actual production costs and investigate significant differences?		
Receiving		
8. Is the receiving function independent of the purchasing, invoice processing, and shipping functions?		
9. Are receiving reports prepared for all purchased goods?		
10. Is a permanent record of material received by the receiving department maintained?		
11. Are receiving reports numerically accounted for or otherwise controlled to ensure that all receipts are reported to the accounting department?		
12. Are copies of receiving reports sent directly to purchasing, accounting, and, if appropriate, inventory record keeping?		

13. Is incoming material centrally controlled?		
14. Are receiving reports signed by an authorized representative, prepared for all material received, and a copy furnished to the accounting department?		
15. Is the receiving department advised, by copy of the purchase order, of the type of material purchased?		
16. Are quantities of material received verified by actual count, weight, or measurement by the receiving department?		
17. Are receipts of partial shipments annotated on purchase orders or on separate sheets attached to purchase orders?		
18. Is quality inspection evidenced by inspection reports, notations, receiving reports, or other acceptable records?		
19. Are procedures in effect to control defective and damaged material, over shipments, returned material, material received but not ordered, and claims against carriers and vendors, and to identify related responsibilities for the issuance of debit memorandums?		
20. Where defective vendor-furnished material is accepted and reworked instead of being returned, is the cost of rework charged to the vendor?		
21. Are debit memorandums prepared and applied for reductions or adjustments in quantities or prices resulting from shortages, overpricing, returned purchase, rework at the expense of vendors, or substitutions?		
22. Are debit memorandums serially numbered, accounted for, cross-referenced to related invoices?		
23. Are material returns routed to the shipping department and controlled by authorized shipping advices or material releases?		
24. Is separate accountability maintained for contractor-owned and government-owned materials?		
25. Is material received or delivered to a controlled area in the warehouse or production control area?		

<p>Physical Inventory:</p> <p>26. Are materials, supplies, work-in-process and finished goods inventoried at least annually?</p>		
<p>27. If physical inventory counts are taken, respond to the following:</p> <p>28. Is the count coordinated by an employee who has no inventory responsibility?</p> <p>29. Are adequate written instructions used?</p> <p>30. Are the count sheets or tags “checked out” to the persons taking the count?</p> <p>31. Are all tags or count sheets accounted for as used, unused or voided?</p> <p>32. Are unused portions of the count sheets (if used) lined through?</p> <p>33. Is production halted or movement of inventory areas controlled?</p> <p>34. How is cut-off maintained?</p> <p>35. Is inventory are remote locations or on consignment counted?</p> <p>36. Is a reconciliation and investigation of the difference between book and physical inventory performed?</p> <p>37. Who approves the physical inventory book-to-physical adjustment?</p> <p>38. Is the physical inventory count compared to the book balance (after the adjustment has been made)?</p>		

<p>Raw Materials/Store Room</p> <p>39. Are stores records maintained by employees functionally independent of storekeepers?</p>		
<p>40. How are receipts of raw materials inventory recorded by the storekeepers?</p> <p>41. Are issuances from stock made only upon receipt of approved documentation (for example, BOM's, work orders, etc.) Who approves such documentation?</p> <p>42. Are prenumbered issuance documents used?</p> <p>43. Who receives a copy of the issuance documents?</p> <p>44. Is a reconciliation of the prenumbered documents performed?</p>		
<p>45. Is access to storerooms limited to authorized personnel?</p>		
<p>WIP and Finished Goods Inventory</p> <p>46. Are the labor costs and overhead costs charged to inventory reconciled to payroll records and overhead costs incurred?</p>		
<p>47. Is there a periodic review by the controller or other appropriate person for consistency between periods of the components of cost of sales (material, labor and overhead) as a percentage of sales?</p>		
<p>48. Are standard cost variances recorded in the accounting system?</p> <p>49. Are the standard cost variances regularly analyzed, allocated to inventory and submitted to appropriate person for review?</p>		
<p>50. How are WIP and finished goods recorded in the general ledger?</p>		

51. How often are Bills of Materials (BOM's) reviewed and updated?		
52. Do the BOM's include a scrap or shrinkage factor?		
53. Are any manufactured items missing defined BOM's?		
54. Do purchased items appear on appropriate BOM's?		
55. How are in-process items tracked once material is released from the store room and work on a BOM has commenced on the floor?		
<p>Shipping</p> <p>56. Is the shipping function separate from the receiving and inventory departments?</p> <p>57. Does shipping use prenumbered documents, logs, or other means in recording all shipments and services rendered (For computer-generated shipping documents, assignment by computer of sequential number to the documents)?</p> <p>58. Is there an accounting for the sequence of prenumbered shipping documents and follow-up of missing documents performed? If so, by whom?</p> <p>59. Are shipping documents matched with sales orders and contracts and is there follow-up of long unmatched orders, by persons other than those who maintain the records of unmatched orders?</p> <p>60. Is there a review by a designated person of the results of follow-up on unmatched orders and missing documents?</p> <p>61. Are all shipment of goods required to have an authorized sales order/contract prior to shipment?</p> <p>62. Is there a physical counting of goods at time of shipment by persons other than those who: a) have custody or access to inventories; b) authorize or make shipments?</p>		

<p>63. Are finished goods stored in a secure location while awaiting shipment?</p> <p>64. Are shipping documents forwarded to the accounting department for proper reduction of inventory and recording of cost of sales?</p>		
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