

Risk assessment checklist - Inventory and Costing

Check “Yes” or “No” or “N/A” (where not applicable). Where a No is indicated, some action may be required to rectify the situation. Cross-references (e.g., See FN 1.01) point to the relevant policy in the First Reference Internal Control Library. **FN** = Finance & Accounting PolicyPro, Volume 1; **GV** = Finance & Accounting PolicyPro, Volume 2; **OP** = OMPP policies in FAPP electronic version; **IT** = Information Technology PolicyPro; **NP** = Not-for-Profit PolicyPro.

Inventory and Costing risks to consider		Yes	No	N/A	Comments / Action Required
Inv1	Do you maintain complete and accurate records of product stored and available for shipment? See FN 3.01, 3.03, 3.04, 3.05, 3.06				
Inv2	Do you monitor production problems related to out-of-stock materials? See FN 3.01, 3.06				
Inv3	Do you communicate effectively with procurement about the operation’s needs for materials? See FN 3.01				
Inv4	Do you summarize material requirements and submit them to receiving periodically? See FN 3.01, 3.02, 3.03, 3.06				
Inv5	Do you maintain material routing requirements for received items? See FN 3.01, 3.02, 3.03, 3.06				
Inv6	Do you provide inbound activities with non-routine material routing instructions? See FN 3.01, 3.02, 3.03, 3.06				
Inv7	Do you periodically review existing and revised specifications? See FN 3.01				
Inv8	Do you monitor and analyze production problems related to material specifications? Examples of performance indicators include comparing current period data on production stoppages and slowdowns, rush orders, spoilage, and material price and quantity variances to prior-period history, peer or industry data, budgets, or other pre-established goals. See FN 3.01, 3.06, 2.14				
Inv9	Do you monitor material price variances? See FN 3.01, 3.06				
Inv10	Do you ensure that materials received and related information are processed and promptly made available to production, stores or other departments? See FN 3.01				

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Inv11	Do you compare materials received, including verification of quantities received, to properly approved purchase orders? Do you accept only items that were properly ordered? See FN 3.01				
Inv12	Do you safeguard goods received? Do you segregate custodial and record-keeping functions? See FN 3.01, 3.02, 3.03, 3.04				
Inv13	Do you maintain accurate perpetual inventory records? See FN 3.01, 3.02, 3.04				
Inv14	Do you periodically count materials on hand, reconcile with perpetual records and investigate any differences? See FN 3.04				
Inv15	Do you ensure that all material transferred from the receiving activity to other activities is recorded? See FN 3.01, 3.02, 3.03				
Inv16	Do you completely and accurately document all transfers to and from storage? See FN 3.01, 3.02, 3.03, 3.04				
Inv17	Do you transfer material to operations only on the basis of properly approved requisitions? Do you verify that material received complies with requisitions? See FN 3.01, 3.02				
Inv18	Do you minimize product inventory while enabling timely order fulfillment? See FN 3.01, 3.02, 3.03; OP 4.02				
Inv19	Does your system track all materials or product moved into or out of storage? Do you identify discrepancies with actual counts? See FN 3.01, 3.02, 3.03				
Inv20	Do you employ physical security measures to prevent unauthorized additions to or removal of product from storage? See FN 3.01, 3.02, 3.03				
Inv21	Do you appropriately requisition all goods to be transferred to operations? See FN 3.01, 3.02, 3.03, 3.04				

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Inv22	Do you store products in containers and facilities designed with consideration for product features and legal and regulatory requirements? See OP 2.05, 2.04				
Inv23	Do you communicate handling and storage policies and procedures clearly to employees? See OP 2.05, 2.04				
Inv24	Do you monitor compliance with handling and storage policies and procedures? See OP 2.05, 2.04				
Inv25	Does your warehouse layout facilitate efficient order fulfillment? See OP 2.04				
Inv26	Do you properly transfer all material requisitions? See FN 3.01, 3.02, 3.03				
Inv27	Do you notify operations or other appropriate personnel when inventory drops below a predetermined level? See FN 3.03				
Inv28	Do you reconcile goods shipped with goods billed? See FN 3.03				
Inv29	Do you compare products and quantities retrieved from storage with the customer order and/or product requisition? See FN 3.03				
Inv30	Do you periodically count product in storage and reconcile to perpetual records? Do you investigate differences between physical count and accounting records? See FM 3.04				
Inv31	Do you reconcile books and records to ensure their internal consistency? See FN 3.04				
Inv32	Do you compare operating results with pre-established standards, such as budgets or prior-period results, and identify variances, trends or unusual changes and their causes? See FN 3.05, 3.06, 7.02				
Inv33	Do you engage legal counsel or other qualified personnel to provide information about applicable laws and regulations for specific materials? Do you conduct periodic training on these legal requirements? See OP 2.05				

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Inv34	Do you use packing materials, containers or procedures appropriate for the product and method of shipment? See OP 2.06				
Inv35	Do you periodically identify alternative shipping arrangements to determine the most efficient? See OP 2.07				
Inv36	Do you review shipping documents for completeness and compare customer orders for accuracy before shipment? See OP 2.07, FN 1.02, 1.03				
Inv37	Do you match periodic production schedules to inventory information and order lead-time requirements? See FN 3.06, 2.06				
Inv38	Do you monitor production problems related to substandard materials? See FN 3.06				
Inv39	Do you monitor damage caused by employee carelessness? See FN 3.06				