

UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT

WAREHOUSE OR STORE PRODUCTS

Control practices

The following control objectives provide a basis for strengthening your control environment for the process of warehousing or storing products. 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 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. Products are stored in an efficient manner.
- B. Products are protected from damage.
- C. Employees and management are given the information they need to control the warehouse and storage process.
- D. Relevant management information is given to managers and empowered employees on a timely basis.
- E. Records of finished goods are complete and accurate.
- F. Performance measures used to control and improve the warehouse and storage processes are reliable.

Compliance with applicable laws and regulations

- A. Materials are handled and stored in compliance with applicable laws and regulations.

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C. Employees and management are given the information they need to control the warehouse and storage process.

Business risks

- Employees will fail to improve process performance on a timely basis.
- Plans to improve the process will be based on incorrect perceptions of process performance.
- Information provided to employees and management about the warehouse and storage process will conflict with the company objectives.

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D. Relevant management information is given to managers and empowered employees on a timely basis.

Business risks

- Information used to support business decisions will not be relevant.
- Users and managers will make poor decisions because the information they use will be incomplete, out-of-date, or irrelevant to the decision.
- Performance measures will not align with strategic goals. Measures will focus on the wrong things and provide incentives for actions that are inconsistent with the strategy.
- The results of the information process will be data rich and information poor if the available data is not synthesized, summarized, and reported at the proper level and in a useful form that supports management decisions.

Control practices

1. Develop relevant performance measures that help management and empower employees to understand how critical business processes align with company objectives.
2. Identify the nature, frequency, and depth of information that must be communicated to various personnel.
3. Ensure that the employees empowered with responsibility to control and improve the warehouse and storage process understand the relevance of the performance measures to customer satisfaction.
4. Ensure that management understands and communicates the relationship between performance measures and company objectives.
5. Implement procedures to calculate and report performance measures on a consistent basis in accordance with management's plan.
6. Use integrated systems effectively and efficiently process i9.5 (t) (e)0

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F. Performance measures used to control and improve the warehouse and storage processes are reliable.

Business risks

- Inaccurate measurements will produce erroneous perceptions about process performance, resulting in inappropriate decisions.
- Measures calculated using inaccurate data will drive behavior that is inconsistent with company objectives.

Control practices

1. Install procedures to automatically calculate and process performance measures based on data captured at the transaction source, such as the number of shipping delays and number of orders filled per day.
2. Require that production personnel periodically review performance measures to ensure they reflect performance in the warehouse and storage process.
3. Capture relevant information about the warehouse and storage process using customer surveys and other sources, such as data on percentage of on-time deliveries.
4. Communicate relevant information about the warehouse and storage process that is gathered using customer surveys and other sources to all responsible employees on a timely basis.
5. Employ cross-functional teams to identify potential improvements in the warehouse and storage process.
6. Ensure that management and employees understand the link between performance measures and customer satisfaction.
7. Ensure that management and employees accept the use of performance measures as tools to improve performance in the warehouse and storage process.

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