

Index

- Accounts payable controls, basic, 9–14
- Automated Clearing House
 - Debit filter, 48
 - Request, 174
- Address
 - Change forwarding, 146
 - Correction requested, 145
 - Matching, 18–19
- Advance shipping notices, 128
- Ancillary controls, 2–3
- Asset capitalization risk, 4
- Asset impairment testing, 246, 247, 251
- Asset retirement obligations, 246
- Audit
 - Authorized acquisitions, 20
 - Billings, 149
 - Credit memos
 - Evaluated receipts billings, 87
 - Evaluated receipts orders, 85
 - Fixed assets, 245, 253
 - Inventory costs, 108
 - Orders below credit review threshold, 70
 - Payroll deductions, 211
 - Petty cash, 186
 - Purchase orders, 55
 - Receiving dock, 111
 - Shipping terms, 111
 - Supplier quantity shipped reports, 55–56
 - Trail for order entry, 70
- Backlogged
 - Order analysis, 81
 - Transactions, 123
- Bank reconciliation
 - Controls, 175, 213, 224
 - Form, 173
 - Procedure, 172
- Bar code scanner controls, 126–127
- Bill and coin requirements form, 214
- Bill and hold
 - Acknowledgment Form, 159
 - Policy, 158
- Bill of materials
 - Access to, 109
 - Accuracy, 130
 - Change log, 102–103
 - Policy 139
- Billing
 - Access control, 153
 - Controls, 143–160
 - Policies, 158
 - Procedures, 147, 152
 - Terms, 67, 153
 - To an evaluated receipts settlement system, 156
 - Web-site data entry, 154
- Blank checks, signing of, 14
- Bonding, 182
- Buyer verification, 61, 67, 94–95
- Capital asset disposition form, 243
- Capitalization limit, 244, 254
- Cash
 - Advances, 29
 - Flowchart, 179
 - Forecast, 189
 - Refunds, 180
 - Transport of, 178
 - Unapplied, review of, 166–167
- Cash receipts
 - Controls, 178–181

- Cash receipts (*cont.*)
 - From fixed asset sales, 242
 - From obsolete inventory sales, 113
 - Software access, 174
- Cash register, 178, 180
- Check
 - Blank, 14
 - Cancelled, 13
 - Endorsement, 162
 - Prelist, 162, 168
 - Printing with different font sizes, 20
- Check handling
 - Controls, 161–174
 - Policies, 195–196
 - Procedure, 164–165, 170–171
- Check signer
 - Access restrictions, 14
 - Automation of, 21–25
 - Duties, 11, 16
 - Equipment, 20
 - Limitations, 13–14
 - Requirements, 20–21
- Check stock
 - Receipt verification, 13
 - Stock security features, 13
 - Stock storage, 11, 16
- Checking account
 - Funding of, 13
 - Reconciliation of, 21
- Collection methodology, 89
- Consignment inventory policy, 138
- Contract term verification, 146
- Control deinstallation, 7
- Control point, definition of, 1–3
- Control types, 2–3, 5–6
- Controls
 - Accounts payable, basic, 9–14
 - Accounts payable, computerized, 14–21
 - Automated check signing, 21–25
 - Billing, 143–160
 - Cash handling, 161–199
 - Check handling, 161–168
 - Credit, 59–90
 - Credit card, 181–184
 - Drop shipping, 80–82
 - Electronic order, 77–79
 - Electronic payment, 48–51
 - Evaluated receipt settlement, 51–57, 83–87
 - Fixed asset, 237–255
 - Inventory, 91–140
 - Investment, 189–194
 - Order entry, 59–90
 - Payroll, 201–235
 - Procurement card, 25–48
 - Repetitive payments, 57
 - Shipment, 59–90
- Credit
 - Application, 70–71, 74, 75
 - Approval flag, 68
 - Approval stamp, 62, 65, 145
 - Control, 59–90
 - Decision table, 73
 - Limit verification, 62
 - On-line review, 67
 - Order entry, 88–89
 - Policy, 73, 74
 - Procedures, 63–64, 68–69, 82
 - Rating change notification, 74
 - Review criteria, 74–76, 85
 - Training, 74
- Credit card
 - Controls, 181–184
 - Number shredding, 182
 - Procedure, 183
 - Security controls, 182
 - Verification, 77
- Credit memo
 - Controls, 157–158
 - Policy, 158
 - Prenumbering, 157
 - Reconciliation of, 13
 - Storage of, 157
- Credit reports for new suppliers, 18
- Cross-docking, 127–128

- Customer
 - Complaint tracking, 19, 87, 146
 - Verification, 75, 88
- Cycle counting, 123–125, 138–139
- Data entry controls, 5–6, 151
- Debit filter, 48, 50, 51
- Deduction authorization form, 210
- Deliveries, unauthorized, 93, 97
- Deposit withdrawals, restriction of, 167
- Depreciation calculation, 246, 250
- Detective controls, 2
- Direct deposit
 - Authorization form, 232
 - Controls, 228–231
 - Policy, 235
 - Procedure, 230–231
 - Drop shipping, 80–82, 155–156
 - Duplicate invoice review, 9–10, 16
 - Duties, segregation of, *see*
 - Segregation of duties
- Electronic order controls, 77–79
- Electronic data interchange, 155
- Electronic payment controls, 48–51
- Employee change form, 209
- Endorsements, restrictive, 166, 168
- Engineering change orders, 112, 140
- Ethical standards, 2–3
- Evaluated receipt settlement, 51–57,
 - 83–87, 156
- Extended rights of return, 88
- Fair value assumptions, 245
- Fixed asset
 - Approval form, 240
 - Audit report, 245
 - Budgeting approval, 238–239
 - Controls, 237–255
 - Disposition, 242, 243
 - Flowchart, 238
 - Identification plate, 241
 - Inventory count, 255
 - Master file, 241, 244
 - Policies, 247, 254–255
 - Post-completion analysis, 239
 - Procedures, 248–253
- Flowcharts
 - Accounts payable controls, 10, 15, 23
 - Billing, 144, 150
 - Cash handling, 163, 169
 - Drop shipping, 80
 - Electronic orders, 78
 - Electronic payments, 49
 - Evaluated receipt settlement, 53, 84
 - Fixed assets, 238
 - Integrated credit management and order entry, 72
 - Inventory, 92, 96
 - Investment, 190
 - Lockbox, 175, 177
 - Material requirements planning, 131
 - Order entry, credit, and shipping, 60, 66
 - Payroll, 202, 215, 221, 233
 - Perpetual inventory tracking, 116, 121
 - Procurement card controls, 26
- Forms
 - Bank reconciliation, 173
 - Bill and coin, 214
 - Bill and coin requirements, 219
 - Bill and hold acknowledgment, 159
 - Capital asset disposition, 243
 - Deduction authorization, 210
 - Direct deposit authorization, 232
 - Employee change, 209
 - Fixed asset approval, 240
 - Inventory tag, 120
 - Line item rejection, 28
 - Mailroom remittance sheet, 166
 - Missing receipt, 27–28, 187
 - Missing procurement card form, 46
 - Pay envelope, 218
 - Pay receipt, 219
 - Petty cash requisition, 188

Forms (*cont.*)

- Procurement card application, 35
- Procurement card line item rejection form, 42
- Procurement card missing receipt form, 40
- Procurement card spending limit change request form, 44
- Procurement card transaction log, 27
- Received of petty cash, 186
- Request for interest rate quotation, 194
- Scrap/rework, 122
- Time sheet, 208

Goods in transit controls, 110–111

Inventory

- Accuracy report, 125
- Consolidation, 98
- Cross-docking, 127–128
- Customer-owned, 102, 121
- Cycle counting report, 125
- Database access, 125
- Layering calculations, 105
- Obsolete review, 108–109
- Ordering controls, 91–99
- Policies, 138–140
- Procedures, 106–107, 110
- Receipt tagging, 97
- Record accuracy, 130
- Segregation, 98
- Status review, 67
- Tag form, 120
- Transfer verification, 98
- Valuation controls, 100–110
- Variance analysis, 123

Investment

- Approval, 190
- Controls, 189–194
- Custody, 191
- Forms, 191, 194
- Policies, 196–199
- Procedure, 192
- Quotes, 191

Invoice

- Drop shipment, 155–156
- Electronic data interchange, 155
- Issuance by delivery staff, 154–155
- Layout, 148
- Prenumbering, 145
- Proofreading, 145
- Rejection, 56
- IOU voucher, 187
- Item master file, access to, 135, 139
- Journal entry investigation, 105, 148–149
- Just-in-time systems, 136–137

Kanbans, 137

Labor routing

- Access to, 109
- Accuracy, 130
- Change log, 102–103
- Policy, 139

Lockbox

- Controls, 174–176
- Truncation, 176–177

Lower of cost or market

- Policy, 139–140
- Procedure, 110
- Review, 109

Mailroom

- Remittance sheet, 166
- Remittance to lockbox, 176

Matching

- Daily review of documents, 12–13
- Of check prelist to cash receipts journal, 162, 168
- Of check prelist to remittance advices, 164, 168
- Of credit card receipts to cash receipts, 181–182
- Of credit memos to receiving documents, 157
- Of deposit ticket to validated deposit slip, 179

- Of fixed asset additions to capital authorizations, 244
- Of obsolescence authorization to inventory, 113
- Of purchase orders to payments made, 25
- Of purchase orders to quantities received, 19
- Of purchase orders to receipts, 93
- Of purchase orders to requisitions, 93, 99
- Of purchase orders to sales orders, 61
- Of remittance advices to cash receipts journal, 175
- Of supplier addresses to employee addresses, 18–19
- Of supplier bill of lading to customer order, 81
- Of time cards to data entry totals, 220
- Three-way, 11, 16, 94
- Material requirements planning, 19, 30, 55, 130–136
- Month-end statements, 153
- Move tickets, 115–116

- Negative-balance records, 117
- Not sufficient funds checks, 75, 167

- Obsolete inventory, 108–109, 112–113, 115, 140
- Open order review, 81
- Order entry
 - Controls, 59–90
 - Password protection, 71
 - Policies, 88–89
 - Procedures, 63–64, 68–69, 82
 - Validation checks, 71
- Order status notification, 77
- Outsourced payroll, 213, 231–234
- Overhead cost pool calculations, 105

- Packing slip duplication, 52–53
- Parts inspection, 137
- Pay envelope, 214, 218

- Paycheck
 - Distribution, 212
 - Endorsements, 213
 - Uncashed, 213
- Paymaster
 - Cash handling, 216
 - Check retention, 204–205, 220
- Payment
 - Electronic, 21
 - Escalation schedule, 57
- Payroll
 - Advances, 210
 - Approvals, 203, 211, 220
 - Bill and coin requirements form, 219
 - Cash payments, 214–218
 - Controls, basic, 201–213
 - Controls, computerized, 218–225
 - Controls for cash payments, 214–218
 - Controls for computerized timekeeping, 225–227
 - Controls for direct deposit, 228–231
 - Controls for self-service, 227–228
 - Deduction authorization form, 210
 - Direct deposit authorization form, 232
 - Employee change form, 209
 - Flowcharts, 202, 215, 221
 - Outsourcing, 213, 231–234
 - Policies, 234–236
 - Procedures, 205–207, 216–217, 222–224
 - Receipt, 219
- Payroll card
 - Controls, 228–231
 - Policy, 235
- Perpetual inventory system
 - Card file access, 117
 - Controls, 115–117
 - Negative-balance records, 117, 123
 - Procedure, 114
 - Variance analysis, 117, 123
- Petty cash
 - Controls, 184–189
 - Form, 186, 187

- Petty cash (*cont.*)
 - Procedure, 185–186
 - Requisition, 188
- Physical count
 - Policy, 138
 - Procedure, 118–119
- Pick-to-light systems, 128
- Picking
 - Accuracy of, 95
 - From source document, 98
 - Procedure, 103
 - Responsibility, 127, 128
- Policies
 - Billing, 158
 - Cash handling, 195–196
 - Fixed asset, 247, 254–255
 - Inventory, 138–140
 - Investment, 196–199
 - Order entry, credit, and shipping, 88–89
 - Payroll, 233–236
- Positive pay, 21
- Price book verification, 61, 67, 88
- Price change tracking, 20
- Primary controls, 2
- Procedures
 - Billing, 147, 152
 - Cash handling, 164–165, 170–171, 172, 183–184, 185–186
 - Evaluated receipts shipments, 86
 - Fixed asset, 248–253
 - Inventory, 106–107, 110, 114, 118–119, 124, 133–135
 - Investment, 192–193
 - Payroll, 205–207, 216–217, 222–224, 230–231
 - Picking, 103
 - Procurement cards, 31–34, 36, 37–38, 41, 43, 45, 47
 - Order entry, credit, and shipping, 63–64, 68–69, 82
 - Receiving, 101
- Procurement card
 - Controls, 25–48
 - Forms, *see* Forms
 - Level III reporting, 29
 - Procedures, 31–34, 36, 37–38, 41, 43, 45, 47
 - Purchasing restrictions, 28–29
 - Reconciliation checklist, 28
 - Reports, *see* Reports
 - Split purchases, 28
 - Transaction log, 27, 36
- Product
 - Returns, investigation of, 65
 - Samples, 148
- Purchase order
 - Approval, 94
 - Database, 24–25, 54
 - Mandatory use of, 22
 - Matching to purchase requisition, 93, 99
 - Matching to receipts, 93
 - Matching to sales order, 61
 - Prenumbering of, 12, 24, 93
 - Residual balance, 94
 - Review of, 25, 54
 - Storage of, 12, 24
 - Verbal, 94
- Purchase
 - Reorder review, 98
 - Requisition, 93, 98–99
- Putaway responsibility, 127, 128
- Receiving
 - Dock rejection, 24, 93, 97
 - Inspection checklist, 97
 - Log, 97, 102
 - Procedure, 101
 - Putaway, 97–98
- Receiving reports
 - Prenumbering of, 11–12
 - Storage of, 12
- Reconciliation, *see* Matching
- Refund, approval of, 180
- Reordering
 - Flag, 113
 - System, visual, 100

- Repetitive payment controls, 57
- Reports
 - Cost changes, 104
 - Credit levels exceeded, 76
 - Cycle counting, 125
 - Fixed asset audit, 245
 - Inventory accuracy, 125
 - Inventory excess usage, 135–136
 - Invoice preview, 151
 - Last credit review date, 76
 - Missing timecards, 220
 - Obsolete inventory review, 115
 - Payables by due date, 16
 - Procurement card account statement, 39
 - Procurement card purchases, 30
 - Procurement card transaction log, 36
 - Supplier remit-to addresses, 18
 - Suppliers not sending bar coded packing slips, 55
- Requisitioning
 - Practices, 95
 - Responsibility, 100
- Reserve valuation risk, 4
- Restrictive endorsements, 166, 168
- Return on investment calculation, 239
- Revenue recognition
 - Policy, 158
 - Risk, 4
 - Software, 156
- Rework form, 122
- RFID tagging, 244
- Rights of return, 88
- Risk areas, 4–5

- Safe, 180
- Sales order
 - Form storage, 62
 - Matching to purchase order, 61
 - Prenumbering, 62
- Sarbanes-Oxley Act, 6–7
- Scrap
 - Form, 122
 - Policy, 140
- Segregation of duties, 5, 14, 17, 94, 146, 224, 235, 242
- Shipping
 - Approval flag, 77, 85
 - Controls, 59–90
 - Log, review of, 148, 151
 - Policies, 88–89
 - Procedures, 63–64, 68–69, 82
 - Terms, 111
- Sick time policy, 235
- Signature stamp, 24
- Skimming analysis, 167
- Standard cost
 - Policy, 139
 - Variance, 104
- Standard naming convention, 17
- Statements, month-end, 153
- Storage, organization of, 95
- Supplier
 - Certification, 137
 - Scoring system, 137
- Supplier invoices
 - Reconciliation to supplier statements, 19
 - Register of unapproved, 12

- Table lookups, 6
- Terms of sale, 89
- Three-way matching, *see* Matching
- Time card
 - Approval, 203
 - Form, 208
 - Policy, 234
 - Receipt verification, 203
- Time clock
 - Biometric, 226
 - Computerized, 226
- Transaction backlog reduction, 123

- Unit of measure comparison, 54

- Vacations
 - Policy, 235
 - Required use of, 167

- Vendor master file
 - Access restrictions, 17, 48
 - Daily review of, 17–18
 - Evaluated receipts flag, 56
 - Independent review of, 18
 - Purge of, 18
 - Standard naming convention, 17
- Verification controls, 2, 151
- Video surveillance, 180
- Visual reordering system, 100
- Voucher package perforation, 11
- W-2
 - Controls, 231
 - Forms, 212
- Warehouse
 - Location publicity, 99
 - Location tags, 126
 - Security, 95, 99, 139
- Web site invoice data entry, 154
- Zone picking, 129–130
- Zone putaways, 128–129