

# Self Assessment of Internal Control

## Inventory Cycle

Agency \_\_\_\_\_

Fiscal Year Ending \_\_\_\_\_

| <u>YES</u> | <u>N/A</u> | <u>NO</u> |     |  |
|------------|------------|-----------|-----|--|
|            |            |           |     | <b>A. Control Activities / Information and Communication</b>   |
|            |            |           | 1.  | Is there a formal organizational chart defining the responsibilities of ordering, accepting, approving, processing and recording of the inventory? |
|            |            |           | 2.  | Are policies established to ensure that inventories are not stockpiled or to prevent over-ordering?  |
|            |            |           | 3.  | Are policies established to ensure that adequate provision for surplus or disposal of obsolete and inactive items in inventory?                    |
|            |            |           | 4.  | Are steps documented to ensure that goods received are accurately counted and examined to see that they meet quality standards?                    |
|            |            |           | 5.  | Does the agency maintain perpetual inventory records and are all inventory items put on the perpetual inventory system?                            |
|            |            |           | 6.  | Are written instructions given and explained to all personnel involved in the physical count of the inventory?                                     |
|            |            |           | 7.  | Is there a proper cut-off of receipts and issues from inventory at year end?   |
|            |            |           | 8.  | Is the accounting department notified (by issuing a receiving report) immediately upon the receipt of goods?                                       |
|            |            |           | 9.  | Are entries to perpetual inventory records made timely upon the receipt of goods?  |
|            |            |           | 10. | Are receiving reports or vendor invoices used to record purchases to the perpetual inventory records?  |
|            |            |           | 11. | When issuing inventory, is the proper fund, purpose, and object charged in the general ledger?   |
|            |            |           | 12. | Are the following duties generally performed by different people:  |
|            |            |           |     | a. Custody of inventory: receiving and issuing inventor.   |
|            |            |           |     | b. Taking the physical inventory.  |
|            |            |           |     | c. Reconciling inventory results to accounting records.  |

|  |  |  |     |  |
|--|--|--|-----|--|
|  |  |  |     | d. Recording related transactions and significant events in the accounting system.   |
|  |  |  | 13. | Are work orders or requisitions required to be approved by appropriately designated officials as a basis of issuing inventories? |
|  |  |  | 14. | Are adjustments to inventory records approved by a properly designated official?   |
|  |  |  | 15. | Is there adequate physical security surrounding inventories?   |
|  |  |  | 16. | Is access to inventory locations limited?  |
|  |  |  | 17. | Is there enough insurance for significant inventories?   |
|  |  |  | 18. | Are all employees responsible for inventories adequately bonded?   |
|  |  |  | 19. | Does the person receiving the goods sign the requisition as evidence of receipt?   |
|  |  |  | 20. | Are the approved and completed requisitions kept on file?  |
|  |  |  | 21. | Are physical Inventories:  |
|  |  |  |     | a. supervised by someone independent of the custodial or record keeping functions?   |
|  |  |  |     | b. made by or tested by employees independent of the department being inventoried?   |
|  |  |  |     | c. recorded on permanent inventory count sheets signed and dated by the person taking the count?                                 |
|  |  |  |     | d. planned to provide provisions for cut-off of receipts and issues?   |
|  |  |  |     | e. reflected in the perpetual records based on the actual inventory quantities?  |
|  |  |  | 22. | Are pre-numbered tags used during the physical inventories count?  |
|  |  |  | 23. | Is access to the perpetual inventory records limited to authorized individuals?  |
|  |  |  |     | <b>B. Monitoring</b>   |
|  |  |  | 24. | Is a physical inventory taken at least annually?   |
|  |  |  | 25. | Are perpetual inventory balances reconciled against the general ledger control accounts at least annually?                       |
|  |  |  | 26. | Does management periodically check inventory reports / records?  |
|  |  |  | 27. | Are deviations of reports followed up by management in a timely manner?  |
|  |  |  | 28. | Does management reassess inventory policies and procedures periodically?   |