

Inventory Questionnaire

Internal Control Questionnaire

Question	Yes	No	N/A	<u>Remarks</u>
<p><i>A university should establish policies to ensure proper accounting, reporting, and safeguarding over inventory. Inventory records need to be maintained to record purchases and issues from stock. Perpetual inventory records are updated immediately and represent the quantity on hand, unit cost, and total cost. Periodic inventory systems record the beginning balance and are updated at the end of each fiscal year as determined by a physical inventory.</i></p>				
<p>1. Are policies and procedures current, in writing, and properly approved?</p>				
<p>2. Are these policies and procedures clearly stated and systematically communicated?</p>				
<p>3. Do these policies and procedures support internal control?</p>				
<p>4. *Are receiving, issuing, accounting and storing responsibilities properly segregated?</p>				
<p>5. *Has management taken the appropriate steps to safeguard goods against risk of loss by theft (e.g., goods kept in locked buildings, rooms, or cages, access to which is granted only to authorized personnel)?</p>				
<p>6. Are inventory records reconciled (and differences explained) to Advantage reports on a regular basis? (Current inventory is adjusted at year-end by fiscal year-end physical counts.)</p>				
<p>7. *Do departments compare quantities received against receiving reports, etc.?</p>				
<p>8. *Is material released from storerooms only on the basis of requisitions which are approved by a responsible official of the department?</p>				
<p>9. *Is adequate provision made for obsolete and inactive items in inventories?</p>				

Question	Yes	No	N/A	<u>Remarks</u>
10. *Does management monitor and approve the write-offs of obsolete and inactive inventories?				
11. Where details are kept as to value, are they reconciled to general ledger controls at reasonable intervals (at least annually)?				
12. *Are all classes of inventory items physically counted annually (triennially if there are perpetual records)?				
13. *Do procedures for physical counts provide for:				
a. Adequate written instructions?				
b. Adequate supervision?				
c. Clearly marking damaged and obsolete inventory?				
d. Use of pre-numbered tags which are accounted for?				
e. The counting of the items and access to the tags only by employees who are not responsible for custody of the particular items?				
f. The rechecking of counts and descriptions (dual counts) where perpetual records are not maintained and where variations from the perpetual records are significant?				
g. Careful investigation of significant overages and shortages?				
h. Prompt adjustment of records for inventory discrepancies after approval by a responsible official other than stores personnel?				
i. Recording counts on permanent inventory count sheets?				
j. The signing and dating of inventory count sheets by the person supervising the count?				
k. Properly accounting for goods that are consigned in and out?				

Question	Yes	No	N/A	<u>Remarks</u>
14. *Does management review the reconciliation of physical inventory counts to the inventory records?				
15. Are adequate provisions made for cut-off of receipts and issues?				
16. If applicable, are issuing and billing procedures designed and correlated so as to ensure the billing of all items?				
17. Is there physical segregation and proper accounting control of merchandise on hand that is not property of the entity?				
18. Is adequate insurance coverage provided?				
<u>Questions 19, 20, 21, 22, 23, and 24 apply only to Perpetual Inventory Systems)</u>				
19. Are detailed perpetual inventory records periodically reviewed for slow-moving items?				
20. Is a perpetual inventory system (including quantities and value) in use as to all major classes of inventory?				
21. Are perpetual inventory records updated promptly?				
22. Are the postings to the perpetual inventory records made promptly from:				
a. Pre-numbered, signed receiving reports?				
b. Issue requisitions?				
23. Are additions to perpetual inventory records referenced to supporting invoices to insure easy verification of the records?				
24. Are inventories taken without prior reference to quantities on perpetual records?				
25. *Are discrepancies between physical counts and perpetual records investigated and resolved?				

Question	Yes	No	N/A	<u>Remarks</u>
26. Does internal control appear adequate for the inventory system overall?				

Other remarks concerning the evaluation of internal control for inventories:

* Question was designed to help identify risk factors that could result in errors, fraud, irregularities and/or illegal acts. When the question is answered "NO", the risk factor identified should be considered when analyzing the department's operations, and the completed questionnaire should be forwarded to Financial Controls.