Knapp 3.5 goodner brothers

KNAPP CASE 3. 5 : GOODNER BROTHERS, INC. 1. Internal control objectives Goodner's Huntington sales office should have implemented: a. Separation of duties: Sales reps like Woody were given unrestricted access to the accounting system where they could directly enter transactions. Sales reps also had direct access to inventory storage areas, and often delivered customer orders. b. Physical controls: Pad locks served as the security of Goodner's inventory. There should have been stronger security since the value ranged from $300, 000 - $700, 000. c.

Monitoring: Management should have monitored inventory more often than once a year. Also, " throwaways" were not adjusted to accounting records until the year-end inventory was taken. 2. Huntington unit's operations displayed internal control weaknesses. One main weakness was giving sales representatives so much access. Sales reps did not keep proper documentation of sales orders and had direct access to the accounting system. This gave the internal auditors no way to verify sales amounts. Sales representatives also had direct access to inventory storage units. . The Huntington unit should require all sales reps to fill out proper sales order or credit forms. Sales reps should not have direct access to the accounting system; access should only be given to the bookkeeper. Sales reps should also not be allowed to make personal deliveries for customers. 4. Felix Garcia was partially responsible for Goodner's inventory loss because he did not properly monitor inventory levels. Al Hunt was also partially responsible for the inventory loss because he dismissed his suspicions that Woody was selling stolen inventory.