

# [Crown alum](https://assignbuster.com/crown-alum/)

In my opinion, the work done by Arthur Andersen is tantamount to fraud. This emanates from the fact that there is no presentation of a clean audit of Crown Aluminum Corporation. From the article it can be established that Arthur Andersen overstated the inventory. This was discovered when there was proposed sale of Crown and a physical inventory was taken. It was discovered that the physical inventory was exceeded by the inventory in books by 100 %. This mostly occurs in fraudulent dealings. In addition, Arthur Andersen overstated the income for two fiscal years, which are 1970 and 1971. Unprofessional conduct also depicts in Arthur Andersen’s conduct. This emanates from the fact that they failed to control the inventory count tags, which was a prerequisite of the company. This also contributes to the fraudulent nature of Arthur Andersen, as it is established that there were fraudulent tags that were printed in numerical sequence on the inventory tabulation listing. These fraudulent tags exceeded the manufacture and purchase made by the Aluminum Company by 5000 pounds. Another misconduct emanates from the fact that the Arthur Andersen did not pay special attention to the largest items on the inventory. This is proved by the fact that the auditors failed to notice the block of 100 tags, which represented the largest inventory items the auditors ought to have paid maximum attention. The work performed by Arthur Andersen can also be considered as malicious. This emanates from the fact that the company had been trusted to take care of Crown’s inventory, but they chose to relax, which could have led to Crown suffering a huge lose. It should be noted that Arthur Andersen was slow to act regarding the inventory tags issue, the book and physical inventory issue. This is a matter that had come to Arthur Andersen’s attention a few years earlier and the company had a memorandum that raised questions regarding the same, but it did not take an immediate step.

In regards to auditing inventory, I would have taken an alternative process than that taken by Arthur Andersen. Firstly, I would have identified the inventory locations. This is a significant step as it aids in determining if there is more than one inventory involved. The second step entails reviewing the client’s procedures. This is critical in determining the client’s policies and procedures relating to managing inventory; thus, it entails getting an inventory manual from the client. Another critical step entails touring the client’s business, which is essential in familiarizing with the company’s storage and assists in knowing the land’s lay. It is also essential to plan the stopping of production, especially in cases where physical inventory should be conducted. I would have also ensured that the company is closed to the public before the inventory is conducted. Lastly, I would stop any actions regarding inventory. This is critical in avoiding confusions when inventory is carried out and eliminates instances of overstating and understating. Arthur Andersen’s company is also blamed for not controlling the inventory count tags. Regarding management of inventory count tags, I would ensure that supervision plays a significant role when the count tags are in process. In addition, I would ensure that test counts are carried and the areas harboring inventory are thoroughly inspected to deal away with instances of defaults in counting and recording inventory tags. I would also employ printable tags as they help to ensure a reduction of the volume of data input while at the same time simplifying the process. Printable tags also promote accuracy and deal away with alterations that can be done by individuals.

In my opinion, Computer Aided Audit Tools could have been employed by Arthur Andersen. This abounds from the fact that CAATTs play a critical role in analyzing large data volumes. In addition, they facilitate telling where anomalies arise, regarding the data audited. CAATTs are also reliable when it comes to downloading information regarding the transactions undertaken by the business unit. This is critical as the information downloaded will only indicate the period of data under review. This facilitates an auditor in coming up with anomalies regarding the period under review. It also facilitates an auditor in establishing numbers that are invalid. Another reason why CAATTs abound as a good alternative is the fact that they facilitate the identification of numbers that have been duplicated. Thus, this instills an auditor with confidence when presenting the management with data regarding transactions they have undertaken and those deemed as exceptions. Research also indicates that Computer Aided techniques could have been used as they are good in fraud detection. This is so because CATs avail means of identifying data that is unexpected or unexplained, which amounts to fraud in many cases. This happens in a variety of ways such as analytical tests that involve studying plausible relationships between non-financial and financial data. Secondly, it is done through reports generated from data analysis. Filtering of data is the main issue under analytical test. Continuous monitoring also abounds as another way that fraud can be detected using CATs. This abounds from the fact that continuous user activity is kept in check; thus, it can easily be identified when a person engages in unbecoming behavior. CATS can also be used as they facilitate the storage of data regarding a company’s history. This information is essential as it helps in future audit activities of the same company. It will help to avoid repeating the same mistake in the coming years.