

# Case study assignment



**ASSIGN  
BUSTER**

Sassed Situation a. In evaluating the internal control over cash payments of Yankee Manufacturing, an auditor learns that the purchasing agent is responsible for purchasing diamonds for use in the company's manufacturing process, approving the Invoices for payment, and signing the checks. No supervisor reviews the purchasing agent's work. The missing internal control characteristic: Separation of duties Possible problem: theft of cash or diamonds by the purchasing agent.

Solution: they need to have a manager, not the purchasing agent, approve invoices for payment and sign the checks. Situation b. Rachel Williams owns an architectural firm. Williams' staff consists of 19 professional architects, and Williams manages the office. Often, Williams' work requires her to travel to meet with clients. During the past six months, Williams has observed that when she returns from a business trip, the architecture jobs in the office have not progressed satisfactorily.

Williams learns that when she is away, two of her senior architects take over office management and neglect their normal duties. One employee could manage the office. The missing internal control characteristic: Assignment of responsibilities Possible problem: lost revenue due to loss of architectural drawings Solution: assign one senior architect to fulfill management duties while Williams is absent. Other senior architect should focus on producing architectural drawings.

Situation c. Mike Dolan has been an employee of the City of Southpaw for many years. Because the city is small, Dolan performs all accounting duties, in addition to opening the mail, preparing the bank deposit, and preparing

the bank reconciliation. The missing internal control characteristic:  
Separation of Duties. Possible problem: theft of cash Solution: keep  
accounting and cash handling duties separate. Top of Form