Identify any internal control weakness

Finance

May 6, Internal_control (weaknesses) One of the internal control weaknesses is assigning only one department to take theorder of the customers as well as ship the orders to the customers. The present company inventory setup allows the same department to send more items than the items actually ordered by the customers by fraudulently altering the items listed in the order document. The proper internal control procedure is for one department focusing on taking orders and the shipping department sending the items to the customers (Rittenberg, 2011).

Next, another internal control risk is the allowing the currently approved credit customers to continue their credit orders until they stop patronizing the company, allowing bankrupt/delinquent customers to future credit purchases. The internal control should include ageing of accounts receivable as basis for preventing delinquent/bankrupt customers from future credit purchases (Rittenberg, 2011).

Third, the company uses external shipping entity creating a higher risk of sending the wrong item types or wrong number of items shipped. The company should send an employee to the external shipping company to inspect and ensure the right item types and quantities are shipped to the customers (Rittenberg, 2011).

Fourth, taking orders through the internet (chat orders) or through phone calls increases the risks of errors or frauds. The customers may deny they called up or chatted through the internet with the company to order the items received by the customers. The better internal control is to use the signed order document from the customers as basis for shipping the customers' ordered items (Rittenberg, 2011).

Reference:

Rittenberg, L. (2011). Auditing. New York: Cengage Learning Press.