



# BUSINESS ADVISORY A CASE STUDY



## The Client

*A large university*

## Issues

*Unexplained inventory variances and undocumented work processes*

### The problem

Discrepancies between a subsidiary inventory tracking system and the main financial accounting application were discovered. There were no systems in place to validate and identify inventory issues prior to year-end. There was no formal documentation of how work was to be completed and validated through the month. In addition, there was a lack of internal controls to validate material receipts and material issues.

### Our Approach

Schneider Downs completed an analysis of the current work processes for purchasing, material receipts and issuances as well as inventory control. We interviewed all stakeholders to determine the appropriate level of control needed for each process. We also conducted an assessment of the current inventory management practices pertaining to material receiving and issuing. A gap analysis comparing current inventory management practice to industry-leading practices was completed.

An analysis of the work performed during the second shift was compared to the work completed during the first shift. Issues were identified between the day shift and the night shift relative to the accuracy of inventory recordkeeping.

### The Solutions

Schneider Downs developed a formal set of process maps, which allowed the client to determine the critical areas within each process that required validation and improved controls.

Working with the IT department, we worked to develop a formal system-driven cycle-counting program to validate critical inventory items on a weekly basis.

A series of checklists were developed to assist supervisors in the processing of daily and weekly transactions. A second shift checklist and procedure was implemented to assist the supervisor in recording transactions correctly during the second shift.

We worked with management to develop a month-end reconciliation process designed to identify inventories variances at the end of each month. A simple audit plan was developed for bi-monthly audits of inventory receipts and material issues.

### The Results

By implementing the solutions above, the following results were noted:

- Improved compliance throughout the organization to the standard operating procedures;
- Increased visibility into inventory discrepancies due to cycle-counting;
- Errors from second shift have been greatly reduced;
- Credit card purchases are reconciled on a weekly basis to improve timeliness of financial information being uploaded to the financial software package;
- Month-end inventory discrepancies are identified and resolved much sooner than in previous years;
- The overall accuracy of the inventory information has improved significantly.