Chicago Plant 7/7/78

Bound Brook

F. B. Dorf B. Witherspoon - CE

Operation Audit
Chicago Plant

Please note that our auditors also make errors -

They refer to Mr. G. R. Gaffney
They refer to the plant acquisition in 1972 - actually was 1971.

Vendor invoices are sent to Bound Brook not Wayne.

Our replies to the auditors report:

A. Purchase Order File

Bear in mind that the Chicago Plant has one office staffed with only two people in which all purchasing, accounting, etc. functions are performed, so communications have always been excellent.

The purchase order file has been purged and now contains only the open orders.

Each day the completed orders are pulled out and a follow up is made on those orders not received as scheduled.

The vendor packing list is attached to the receiving report and these are then used daily to clear the purchase order file.

B. Daily Production Records - Actual Cost Data

Essentially all usages and productions are based on actual opening and closing inventories. On occasion if there is a major discrepancy we resort to the standard usage and then investigate and adjust if necessary.

We will upgrade the training of the foremen to assure accuracy of daily reporting of production and usage. The plant superintendent has been charged with the responsibility to assure that the daily report is reviewed and is accurate before submitting it.

C. Fixed Assets Inventory

It is not a standard procedure to inventory fixed assets annually.

It is felt that the recommendation to number and tag and inventory the plant fixed assets is excellent. However, to implement the recommendation would require additional manpower.

D. Slow Moving Inventory

To Be answered by Ben Witherspoon.

E. Duplicate Invoice Stamp

The vendor invoices cannot be paid twice as the program at Bound Brook has check and balances. However, we have discontinued the practice of sending duplicate invoices.

HCG:ck

H. C. Gaffney