

Memorandum

To: Mr. C. R. Wherley

Date: September 28, 1982

Location: Wayne

Reference: GPM 10

From: B. G. Witherspoon

Location: Charlotte

Extension:

Copy to:

Subject: INTERNAL ACCOUNTING CONTROLS

We have reviewed controls and objectives of GPM 10 for expenditure and payroll cycles at the Chicago Plant. The plant falls in the category of a small operation. The staff total four including the plant manager. Segregations of duties are limited, but are designed to be as cost beneficial as possible.

Listed below are areas where we do not totally comply to the Reference Guide to Internal Accounting Controls.

Expenditure Cycle

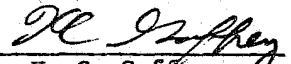
Reference numbers are from the manual Reference Guide to Internal Accounting Controls.

- 1b 1.2 Traveling requisitions are not used. Plant size does not warrant this type requisition.
- 1b 2.6 Buyers are periodically rotated. Only accomplished through vacations and sick leaves.
- 1b 2.8 Prenumbered purchase orders. Chicago does not use prenumbered purchase orders. The numbers are assigned from a purchase order number log. This log is controlled by competent employees without authority to sign purchase orders. Prenumbered purchase orders would not add to plant control in a small plant.
- 1b 3.3 Small volume of raw materials handled does not warrant a segregation system - Raw materials are approved prior to use by either plant analysis or review of vendor certified analysis.
- 1b 5.7 Checks are returned to person who prepared check. No controls lost on this transaction since individual can neither sign checks or approve vouchers.
- 1b 5.10 Checks in excess of \$700 require two signatures. Only two people in plant authorized to sign check - During vacation period 1 or 2 checks are presigned by one signer, held under lock until large bill, such as for utility is paid.
- 1b 5.11 Use of protectograph check writer. Format of Cyanamid checks make this impossible.

Payroll Cycle

1c 1.2 A formal employee requisition form is used. Form not needed when personnel and operating departments are plant manager's function. Used for salary function only.

Objectives and controls outlined in the payroll cycle which did not apply to Chicago since Bound Brook prepares both the salary and hourly payrolls were not covered in this review.


H. C. Gaffney


B. G. Witherspoon

HCG/BGW/kf