FILE NAME: THAN (THAN)

DATE: 1977 Oct 5

DOC#: THAN028

DOCUMENT DESCRIPTION: Audit of St. Louis Branch

TO: Gene Herndon

DATE: October 5, 1977

FROM: Rex Wood
Tom Starr

BRANCH AUDITED: St. Louis

REPORT NUMBER: 157-002-[illegible]

We audited the St. Louis branch the week of 12 September. The Branch Manager was celebrating a religious holiday most of that week and we had to discuss our findings mostly with the Office Manager.

Areas of concern noted during our audit are as follows:

- A large product line where numerous products had [illegible] sales volume
- There were several safety violations needing [illegible]ection
- Cash sale remittance procedures were not correct
- Several past due accounts in accounts [illegible]vable need attention
- Sales tax exemption procedures need attention

Details of our findings and recommendations are included in the attached SUMMARY OF REVIEW.

Rex

Rex Wood

Tom Starr

Tom Starr

RW:TS:cjb

Attachment

CONFIDENTIAL

Subj. to Stipulation of Confidentiality & Order, *Steele, et al. v. A.P. Green Refractories, et al.*, Jackson County, MO, Case No. #00-CV-207056

SUMMARY OF REVIEW

I. INVENTORY MANAGEMENT

The IC-95 Inventory Valuation Report for August, 1977 was reviewed for slow moving or overstock items. The Product Sales Analysis was also reviewed for low sales volume products.

The following items appeared to be slow moving and require [illegible]:

PRODUCT	QUANT	VALUE	LAST SHIPPED	COMMENT
Atrazine 4L 5 Gal	187	$ 8,079	7/77	[illegible] material
Stearate Magnesium USP Lite 25#	364	6,565	6/77	Off cust. spec.
Princep 80W 10 x 5#	91	10,238	[illegible]/77	Slow moving
Princep 4 Gran 50#	240	4,560	[illegible]	Slow moving
Banvel K 5 Gal	144	8,208	[illegible]	Slow moving
Signal Stipulate 55 Gal	11	4,573	[illegible]/77	Purchased for specific cust but slow moving

COMMENT: These products were discussed with the Office Manager. A concerted effort should be made to move this material.

It was noted in our review of the Product Sales Analysis for August, 1977 that the branch sells nearly [illegible] different products and many of them have a low sales volume. The following is a summary of the number of products sold at various dollar volumes August, 1977 Year-to-Date:

	$100	$101 to $200	$201 to $300	$301 to $400	TOTAL PRODUCTS BY DEPT.
Regular Sales:					
T. M. D.	313	92	52	30	607
% of Total Dept. Products	51.6%	15.2%	8.6%	4.9%	100.0%
Other	53	37	32	26	724
% of Total Dept. Products	7.3%	5.1%	4.4%	3.6%	100.0%
Total Regular Sales	366	129	84	56	1,331
% of Total Dept. Products	27.5%	9.7%	6.3%	4.2%	100.0%

CONFIDENTIAL

Subj. to Stipulation of Confidentiality & Order, *Soule, et al. v. A.P. Green Refractories, et al.*, Jackson County, MO, Case No #00-CV-207056

	$100 or Less	$101 to $200	$201 to $300	$301 to $400	TOTAL PRODUCTS BY DEPT.
Direct Sales:					
T. M. D.	54	7	2	1	89
% of Total Dept. Products	60.7%	7.9%	2.2%	1.1%	100.0%
Other	2	9	5	[illegible]	62
% of Total Dept. Products	3.2%	14.5%	8.1%	3.[illegible]%	100.0%
Total Direct Sales	56	16	7	[illegible]	151
% of Total Dept. Products	37.1%	10.6%	4.6[illegible]	[illegible]%	100.0%

Recommendation: We feel that the product line offered by the branch may be too extensive and inventory handling costs might be reduced if some low sales volume products were eliminated. We feel that the Branch Manager should review and analyze his product line to see if some of the low volume items should be eliminated.

II. SAFETY

The following violations were noted in the safety inspection of the warehouse.

- Product Storage: (1) [illegible]ate (Food Grade) and Cyanide (Poison) were stored next to each other. (2) Freestyle (Oxidizer) and Muriatic Acid were stored next to each other. (3) Asbestos was found stored in two separate locations in the warehouse.
- Two no-exit doorways were unmarked.
- A number of broken windows were noted on the south side of the warehouse.
- Loose debris wires were noted which should be removed.
- An extension cord running to the water cooler in the shower room should be replaced by a permanent grounded outlet near the water cooler.
- Trucks rear wheels have to be run onto railroad ties to get the truck level with the loading dock. Consideration should be given to raising the base of the dock.
- Since asbestos is stored in the warehouse, regular checks for asbestos in the air should be made and documented.

CONFIDENTIAL

Subj to Stipulation of Confidentiality & Order, *Soule, et al. v. A.P. Green Refractories, et al.*, Jackson County, MO, Case No. #00-CV-207056

- Chlorine cylinders were not chained both in the warehouse and in the backyard area.

- Safety skids were not used for moving chlorine cylinders.

COMMENT: These items were brought to the Office Manager's attention.

III. CREDIT AND COLLECTION

The Aged Trial Balance dated 8/31/77 was reviewed and discussed with the Office Manager.

We noted several past due accounts which warrant attention. The following T. M. D. accounts comprise 77% of the T. M. D. balances 61 days or older.

ACCOUNT	BALANCE 61 DAYS OR OLDER
Clean Coverall	$ [illegible]21.33
Lloyds Laundry	[illegible],999.88
Real Cleaners	2,987.36
Tip Top Cleaners	$ 16,585.75

COMMENT: Tip Top Cleaners has been placed for collection and an agreement has been worked out with Real Cleaners so we will be paid $200 per month until the past due balance is [illegible].

A number of non-T. M. D. accounts also had large past due balances.

ACCOUNT	BALANCE 61 DAYS OR OLDER
Agricultural [illegible]	$ 1,072.48
Club Pools, [illegible]	$ 8,107.82
F R M Chem[illegible] Inc.	$ 34,287.20
Hohn, J[illegible]	$ 5,935.81
Huge [illegible]	$ 1,436.22
Mis[illegible]n Pool	$ 18,327.42
M[illegible]nt	$ 3,800.90
N[illegible]re Aeronaut	$ 28,891.13
Vantage Industries	$ 7,289.85

Recommendation: The Branch Manager should see that a concerted collection effort be directed toward these accounts.

CONFIDENTIAL

Subj. to Stipulation of Confidentiality & Order, *Soule, et al. v. A.P. Green Refractories, et al.*, Jackson County, MO, Case No. #00-CV-207056

IV. CASH RECEIPTS

A procedural review of cash sale procedures was performed to determine if controls were adequate.

We noted that the branch was obtaining a cashier's check for cash received and mailing this check directly to the cashier in Kansas City.

> Recommendation: Standard Procedure Bulletin 25.250 was reviewed with the Office Manager, pointing out section 3.08 which states that the cashier's check should be mailed along with a copy of the remittance slips to the lock box. A copy of the check is to be mailed to the cashier in Kansas City. The Office Manager told us they would begin immediately to mail the check to the lock box and only a copy to Kansas City.

Old open C.O.D. invoices were reviewed to determine why payment had not been received.

The L. C. Laundry Corp. account had an open C.O.D. invoice, number 002-82769, for $61.55. Investigation showed this to be a duplication of invoice 002-85577, which had already been paid. A clerk had issued invoice 82769 as a "books only" invoice which she felt was required to clear receivables. The branch said they would reverse the invoice.

Madrid Cleaners had an open C.O.D. invoice, number 002-87139, for $136.65. A credit invoice to clear this item was found on account 002-4951600 which was a second account for Madrid Cleaners. We asked the Office Manager to notify Accounts Receivable of this offset.

COMMENT: Overall, open C.O.D. invoices did not appear to be a major problem. We did discuss in detail the issuing of books only invoices since it was through a misunderstanding of this process that the duplication of invoices occurred.

V. SALES ORDERS - DEBITS

A review of the debit sales order preparation procedures was performed. Prior to the audit trip, a possible problem concerning taxes on debit orders was pointed out by the Accounts Receivable Supervisor. He supplied us with a list of accounts which had required tax adjustments. While at the branch, we investigated these accounts to determine their exemption status.

The review indicated that St. Louis has recently gone through a lengthy process of updating their records on tax exempt accounts. The majority of accounts have now responded to a request for exemption certificates by the branch. Of the (36) accounts reviewed, (30) showed valid exemption certificates and (6) had not responded to a request by the branch for an exemption certificate.

Subj to Stipulation of Confidentiality & Order, *Sunde, et al. v. A.P. Green Refractories, et al.*, Jackson County, MO, Case No #00-CV-207056

St. Louis is charging tax to any account which doesn't have a valid exemption certificate. In addition, some of the accounts which now have valid exemption certificates were charged tax pending the branch receiving their exemption certificate.

Of the accounts investigated, (6) should be exempt on only certain products they purchase. These accounts should have particular attention paid to them to assure that tax is charged when applicable.

COMMENT: As St. Louis receives exemption certificates or determines that the account is not exempt, the problem of tax adjustments should decrease. It appears they corresponded and followed up with all accounts in an effort to update their exemption certificate file.

VI. SALES ORDERS - CREDITS

A procedural review of the credit sales order procedures was performed.

It was noted that the branch completed the entire credit sales order for container returns. We informed the Office Manager that according to standard procedure, only the header information and the container report number need to be shown on the sales order. The credit sales invoice could be completed from the information on the return report.

Recommendation: Consideration should be given to only partially completing the credit sales order. The time savings here should be weighed against any additional time required in the billing process to determine the most economical use of time.

St. Louis maintains a card file by customer of containers charged out. The invoice number, date, and number of containers charged out are indicated. When returned, only the number of containers and date returned are indicated.

Recommendation: We suggested that they also record the container return report number on the card to make cross-reference easier if it becomes necessary to research a container return.

CONFIDENTIAL

Subj to Stipulation of Confidentiality & Order, *Soule, et al. v. A P. Green Refractories, et al.*, Jackson County, MO. Case No. #00-CV-207056