

To: Mr. G. A. Forlenza, Resident Date: June 20, 1978
Organic Chemicals Division
Location: Bound Brook Reference:

From: Operations Audit Department

Location: Clifton

Extension:

Copy to: Mr. G. P. Bywater - NA
Mr. R. Drum - CO
Mr. T. P. Forbath - NA
Mr. H. C. Gaffney - MC ✓
Mr. R. D. Reisman - NA
Mr. R. L. von Glahn - BB
P.M.K. & Co. (2) - NA

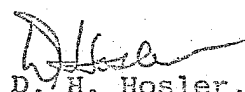
Subject: Operations Audit Report
Chicago, Illinois Plant
May 1978

JUN 20 1978

JUN 20 1978

Attached is a copy of the May 1978 Operations Audit Report covering the Chicago, Illinois Plant.

We will be glad to furnish you with any additional information you may require regarding this report.


D. H. Hosler, Director
Audit and Financial Reporting

DHH:dk

Attachment

877 July 10th

In mail of 7/10/78

CONFIDENTIAL

OPERATIONS AUDIT DEPARTMENT

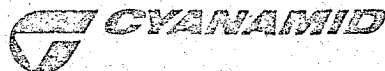
• • AUDIT REPORT • •

REPORT DATE June 28, 1978

Location Organic Chemicals Division
Chicago, Illinois Plant

As of May 1978

78-19



N12662.01

Mr. G. A. Forlenza, President
Organic Chemicals Division

Chicago, Illinois Plant Audit
May 1978

cc: Mr. G. P. Bywater - NA
Mr. R. Drum - CO
Mr. T. P. Forbath - NA
Mr. H. C. Gaffney - MG
Mr. R. D. Reisman - NA
Mr. R. L. von Glahn - BB
P.M.M. & Co. (2) - NA

Scope of Work Performed

Our review covered operations, procedures, and controls over Production and Inventory Control, Purchasing, Payroll, and Shipping procedures.

Review of Internal Control

Nothing, other than what is stated in this report, came to our attention which would indicate inadequate or unreasonable controls.

Audit Report Content

Findings and suggestions are categorized into (I) Specific Requests From Division Management, (II) Operational Findings, and (III) Other Findings.

The information in this report was discussed with Mr. G. P. Gaffney.

Reply

Your reply to the observations and suggestions should be issued to the Director of Audit and Financial Reporting at Wayne with copies to the Corporate Controller at Wayne, and the Manager of Operations Audit at Clifton by July 28, 1978.

Please indicate whether each suggestion has been (a) accepted and implemented, (b) accepted but not yet implemented, or (c) rejected. Appropriate explanations should be furnished for (b) or (c), as well as estimated dates of implementation on (b) items.

This review was conducted by Messrs. E. H. McCrae and D. Segal who wish to acknowledge the cooperation and courtesy of all personnel contacted.

OPERATIONS AUDIT DEPARTMENT

SECTION I - SPECIFIC REQUESTS FROM DIVISION MANAGEMENT

There were no specific requests from division management to review areas beyond the scope of our regular audit work.

SECTION II - OPERATIONAL FINDINGS

A. PURCHASE ORDER FILE

The Purchasing Department maintains a purchase order file which included 92 purchase orders with no indication of whether the orders were open or closed. Additionally, vendor packing lists are not forwarded to Purchasing by the Receiving Department.

We recommend the purchase order file be purged and, hereinafter, include only open purchase orders. We further recommend that the Receiving Department forward the vendor packing slip and a copy of the receiving report to Purchasing immediately after they have processed the receiving documents.

B. DAILY PRODUCTION RECORDS - ACTUAL COST DATA

At month end, actual inventory usage is adjusted to standard and is then posted to the general ledger. This is done because of a general lack of reliance on the daily production records submitted by the plant foremen. This tends to lessen the effectiveness of the standard cost system.

We recommend that the need for accurate daily production records be communicated to the plant foremen and that significant differences that arise in the routine comparison between standard and actual usage be investigated.

C. FIXED ASSETS INVENTORY

The plant's fixed assets are not numbered or tagged and have not been inventoried since the plant's acquisition in 1972. We recommend that the fixed assets be tagged and that a physical inventory of these assets be taken annually.

D. SLOW MOVING INVENTORY

Slow moving inventory valued at approximately \$25,000 and primarily composed of special orders by a former customer has not been adequately reserved. The last sale was made in October 1977 and the Sales Department has been unable to find other customers. We recommend that an adequate reserve be provided for this inventory.

E. DUPLICATE INVOICE STAMP

All vendor invoices are sent in duplicate to Wayne for payment, but the duplicate invoices are not stamped or otherwise noted as being duplicates.

To assure that these invoices are not inadvertently paid twice, we recommend that all duplicate invoices be stamped "Duplicate Do Not Pay" prior to being sent to Wayne. Local management has agreed to implement this recommendation.

SECTION III - OTHER FINDINGS

A. REVIEW OF PAYMENTS

A review was made of selected accounting records, expense statements, reserves, accounts payable, and other appropriate documents to determine the existence of possible improper payments.

We found no evidence of improper payments.

B. REVIEW OF PRIOR AUDIT FINDINGS

We reviewed the August, 1974 audit findings and found that all suggestions have been implemented.

a Reserve will be set up to reflect
loss in current earning by the
division

N12662.02

CYWT 24-0006590