

FINAL PROJECT

**INTERNAL CONTROL ANALYSIS OF WAREHOUSE INVENTORY
RECEIVING AND ISSUANCE USING THE COSO INTEGRATED
FRAMEWORK AT DISCOVERY KARTIKA PLAZA HOTEL**



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ABSTRACT

This study aims to evaluate the internal control system in the warehouse inventory receiving and issuance procedures at Discovery Kartika Plaza Hotel using the COSO Integrated Framework. This research adopts a qualitative descriptive method with data collected through observation, interviews, and documentation. The analysis focuses on five components of COSO which are control environment, risk assessment, control activities, information and communication, and monitoring activities. The results show that although the procedures generally align with COSO principles, some components such as control environment and monitoring activities are not fully implemented. Issues identified include the absence of formal ethics guidelines, lack of regular training, and insufficient documentation of evaluations. This study concludes that the internal control system requires improvement in supervision and policy enforcement to enhance inventory accuracy and operational efficiency.

Key Words: internal control, COSO framework, inventory, hotel, warehouse

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CHAPTER I

INTRODUCTION

A. Background

As the most well-known tourism destination through broad international exposure, Bali has its most developed hospitality industries, sustaining the entire economic growth through its quality of accommodation services. In this industry, hotels must be able to ensure efficient operation, including in their management of inventory. The effective management of inventory has given crucial aspects in the hospitality industry, whereas the operational efficiency, cost control, and the quality of service taken part as one solid interconnected role. Hotels must develop an integrated inventory management system so that the needed items can be supplied effectively without causing any items to be washed out due to oversupply. Julio et al. (2024) Mentioned that Inventory is one of the most important current assets that a hotel could have. It provides items that consist of food, beverages, and other general supplies that will highly support the hotel business operation through all department's demands. Internal control must be done effectively to secure inventories of stolen property, corruption, and damages. With the proper management, hotels can optimize their resources, reduce stock risk, and enhance guest satisfaction through consistent services. Therefore, the implementation of sound management could not only contribute to sustainable operations but also strengthen hotel competitiveness in the market.

Internal control performs vital aspects in managing the inventory of the hospitality industry, especially in ensuring the recording accuracy and safety of the company's assets. An effective internal control system could help prevent fraud, mistakes, and the wrong use of assets, as well as ensure that the operation goes according to the regulations and the proper procedures. Inventory control is one of the most important activities in the company because this control could affect costs retrieved by the company, cost efficiency, and smooth production of the enterprise.

Based on Accounting Standard 202 related to inventory, which adopts the principles of International Accounting Standard (IAS) 02 effective from 2024, companies are required to recognize and measure inventory accurately in order to present comprehensive financial reports. Effective internal control plays a crucial role in ensuring that every inventory-related transaction is recorded properly and in a timely manner according to the applicable accounting standard. This control also encompasses supervision of items received and issued, clear authorization procedures, and a proper separation of duties among employees to reduce the risk of fraud and error.. In addition, from a legal perspective, inventory management in Indonesia must also comply with the provisions in Law Number 36 of 2008 concerning Income Tax, which regulates that the value of inventory must be calculated based on certain methods, such as FIFO (First In, First Out) or weighted average, to determine the cost of goods sold (COGS), which affects the calculation of corporate tax.

In this context, The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed an Internal Control-Integrated Framework (ICIF) as a guideline to improve the reliability and credibility of various types of data and information in an organization. This framework emphasizes five main internal control systems components that consist of control environment, risk management, control activities, information and communication, and monitoring activities (COSO, 2013). In terms of inventory management, the controlling activities are the most crucial aspects as they cover regulations and procedures that are implemented in the process of receiving, saving, as well as issuing goods to prevent the risk of stealing, losing, or recording errors (Arens et al., 2017). The study by Damayanti, N et al. (2023) emphasizes that effective internal control in inventory receiving and issuance procedures is essential to prevent fraud and ensure the accuracy of inventory data. This study also highlights that a mismatch between the procedures implemented and internal control theory can result in differences between physical inventory and system records, which can be detrimental to the company.

Therefore, the comprehensive combination of internal control system application, COSO integrated framework, PSAK 14 compliance, and the relevant tax regulation has become a superior factor in establishing an effective internal control system for inventory. In this research, the COSO integrated framework will be assigned to evaluate how effective the internal control system of receiving and issuing warehouse goods inventory is already being

implemented at Discovery Kartika Plaza Hotel and how it affects the accuracy of records and the efficiency of hotel operations.

Regarding to the Discovery Kartika Plaza Hotel Operational system, the receiving and issuance of warehouse goods inventory consists of several sections in the finance department, including store, purchasing and receiving. These three sections handle the crucial part of the job, which must be integrated into the process of item procurement in order to ensure stock availability for the hotel's operational needs. The hotel has three main storage categories, namely Main Food Store, Main Store Beverages, and Main Store General. Each of which has a specific function in storing inventory according to the types of goods used by various departments in the hotel.

Over the years, Discovery Kartika Plaza Hotel has implemented a Standard Operating Procedure (SOP) in managing its inventory to ensure that every item received and issued from the warehouse has gone through a systematic and structured procedure. In general, this system worked quite well, where every procurement process was initiated with a systematic and structured procedure. The product procurement process begins with the store, which is responsible for identifying items that are running out at the store or are close to a minimum inventory limit. Store staff then propose a purchase request (PR) to the purchasing section, which next will release the purchase order (PO) to the supplier. After the tender runs, the goods will be received by receiving, which is in charge of checking the conformity of the goods with the PO, posting invoices, and ensuring purchasing cross-checks the quantity and price of goods.

This procedure is made to make sure that the hotel's inventories are in a good stage, avoid mis recording, as well as minimize the potential of fraud in goods management. However, in the actual implementation, several problems were found related to the issuance of goods from the store that could risk the effectiveness and efficiency of the internal control system.

Formerly, the store office had a structured goods pick-up that has been running as regulated based on the current procedure operational standard (SOP). Each department that have a need for goods or products are obligated to conduct a store requisition (SR), which must have been authorized before the goods can be taken. Besides, every goods category, such as food, beverages, and general, has its own scheduled pick-up in order to ensure well-management distribution and inventory records. Yet, within the past year, the change of policy in the finance department caused the SOP to no longer be implemented strictly. All kinds of goods can now be requested and picked up every day without any clear schedule separations. As a result, this problem leads to inefficient activities where the store staff tend to experience overload work, which also leads to the mis recording of inventory, whether in the bin card, systems, or even the physical records. This recording incompatibility could create a high risk of causing stock differences that will eventually affect the financial reporting statements and the potential for fraud due to unmanaged listings.

Table 1. 1 SOH Main Food Store

Stock on Hand Main Food Store June 30th						
Article No.	Article	Prices/units	SOH	Last Inventory	Difference	Price
2190053	CORN FLAKES 150 GM	Rp 24.000	99	97	2	Rp 48.000
9020007	CORN FLAKES 150 GM	Rp 21.923	52	49	3	Rp 65.768
2010123	SALT DOLPIN 1 KG	Rp 13.500	2	1	1	Rp 13.500
2000631	DRIED APRICOT 1 KG	Rp200.000	18	15	3	Rp600.000
2000584	SPAGETTY BARILLA 500 GM	Rp 40.000	48	43	5	Rp200.000
Total						Rp927.268

Table 1. 2 SOH Main General Store

Stock on Hand Main General Store June 30th						
Article No.	Article	Price/Units	SOH	Last Inventory	Difference	Price
4300020	COPY PAPER A4 PP LITE 70 GR	Rp43,000.00	49	48	1	Rp43,000.00
4700145	SLIPPER RUBBER DHR	Rp5,800.00	2178	2074	104	Rp603,200.00
4100084	PLASTIC GARBAGE BIO DEGRADAB LE 90 X 125 (STORE)	Rp1,550.00	200	150	50	Rp77,500.00
4500030	TISSUE HAND TOWEL MULTIFOL D SEE-U / 20 PACK X 150 SHEET	Rp7,407.25	140	136	4	Rp29,629.00
4000351	STAPLES ISI NO. 3 BIG - MAX STAPLES	Rp5,008.58	196	189	7	Rp35,060.06
Total						Rp788,389.06

Based on COSO Internal Control-Integrated Framework perspectives, this particular situation reflects the weaknesses that appeared in the internal control system, which could highly impact the effectiveness of inventory management. Thus, more profound research is urgently needed for the internal control of the receiving and issuance warehouse's goods inventory procedure, analyzing whether it still complies with the defined internal control regulation, especially from the COSO perspective, and what's the next solution move to be designed if it's not suitable. In line with previous research, which often uses Mulyadi's approach, this study adopted the COSO Internal Control-Integrated Framework, which offers a more comprehensive approach to assessing the effectiveness of the internal control system. This framework not only emphasizes on activity control but also considers other factors such as environment control, risk assessment, information and communication as well as monitoring.

In addition to differences in approach, this research is also unique in terms of the object of study. Most previous research on internal control has been conducted in the manufacturing sector, where internal control systems are often associated with supply chain management and production. On the other hand, the hospitality sector has different characteristics, especially in inventory management, which is more dynamic and involves various departments with varying needs. This leads to higher complexity in implementing internal control, especially in managing inventory receiving and issuance. Therefore, within the described issues and gap, there's a necessity to conduct research by

adopting the title **“Internal Control Analysis Of Warehouse Inventory Receiving And Issuance Using The COSO Integrated Framework At Discovery Kartika Plaza Hotel.”**

B. Research Gap Statement

Based on the background and research gaps that have been identified, the problem formulations in this study are as follows:

1. How is the internal control system implemented in the process of receiving and issuing inventory at Discovery Kartika Plaza Hotel.
2. Is the internal control over inventory receiving and issuing procedures in accordance with the COSO Framework?

C. Purpose and Benefits of Research

1. Research Purpose

In accordance with the problem statement that has been formulated, the purpose and benefits of this research are,

- 1) To acknowledge the internal controls on inventory receiving and issuance procedures at Discovery Kartika Plaza Hotel.
- 2) To identify the suitability of internal control on inventory receiving and issuance procedures at Discovery Kartika Plaza Hotel with the COSO Framework.

2. Research Benefits

1) For The Company

The company's purpose in conducting this research is to remain the media that provides considerations and input to the Discovery Kartika Plaza Hotel.

2) For Politeknik Negeri Bali

The results of this research aim to be used as development tools to measure Politeknik Negeri Bali's students' ability, especially for the accounting department, and to give input on Politeknik Negeri Bali's curriculum developments.

3) For Students

Students are able to apply the theoretical aspects gained during the study to increase their knowledge and experiences related to an issue happening in the industry. They are also able to train students' analytical skills to be more critical of research objects, especially regarding procedures for receiving and issuing inventory items. This material can be used as a comparison between the theory obtained in lectures and the reality in the field

CHAPTER V

CLOSING

A. Conclusion

Based on the results of the analysis that has been conducted regarding internal control of warehouse inventory receiving and issuance procedures at discovery Kartika Plaza hotel through the approach and use of the COSO internal control framework, it can be concluded that the implementation of the internal control system that has been implemented is not fully in accordance with all components and principles specified in the COSO framework. The results of the analysis show that there are several components that have been implemented properly, but there are still weaknesses in the implementation of internal control principles as a whole and consistently in the procedure for receiving and issuing warehouse inventory.

1. The internal control system for warehouse inventory receiving and issuance at Discovery Kartika Plaza Hotel is implemented through structured procedures supported by official documents such as PR, PO, and SR, and recorded in the Micros Material Control system. The store initiates the Purchase Requisition, which is verified by cost control and followed by purchasing through a Purchase Order. The receiving team checks the conformity of goods before they are delivered to the warehouse, where the storekeeper records them using both bin cards and the FIFO method. Issuance of goods requires an authorized Store

Requisition, and the storekeeper handles both the distribution and system updates. Cost control supervises the entire process to ensure compliance with internal policies and accuracy in stock movement.

2. Internal control over warehouse inventory receiving and issuance procedures is not yet fully compliant with the COSO Framework. The Information and Communication and Control Activities components have been implemented fairly well, but there are still weaknesses in the other three main components, namely Control Environment, Risk Assessment, and Monitoring Activities. The weak control environment is reflected in the absence of a written code of ethics, warehouse staff training that is not implemented regularly, and verbal reporting of violations. Risk assessments have not been systematically documented and procedures have not been consistently updated, especially when there are changes in vendors. Monitoring has not been implemented optimally because violation reporting is not formally documented. This shows that the internal control system implemented is still partial and needs to be strengthened in several important aspects in order to run effectively, efficiently, and reliably in the long term.

B. Suggestions

Based on the analysis results and the extensive discussion related to the research, several weaknesses exist in implementing the internal control system for receiving and issuing warehouse inventory. Therefore, the following suggestions are given as improvement measures to strengthen the system so

that it is applicable and mostly aligns with the principles included in the COSO internal control integrated framework.

1. Strengthening The Control Environment

1) Preparation and socialization of written code ethics.

Management is suggested to compile a written code of ethics that is obligated to be known, understood, and signed by all employees. This code of ethics must be part of the organization's culture and socialized through periodic training to instill integrity values, transparency, and accountability.

2) Termination of double duty on storekeeper

To avoid conflicts of interest and potential fraud, the functions of receiving goods and recording (bin cards) should be separated. Instead of assigning additional staff, management can optimize existing resources by implementing shift-based role separation, where receiving and recording tasks are done at different times of the day by the same person under supervision. Additionally, cost control can perform periodic spot checks or digital verifications on bin card updates to ensure accuracy and reduce the risk of manipulation.

3) Structured Training Program

Management needs to conduct formal training and internal certification on a regular basis, both for new and existing staff, to

ensure understanding of operational procedures and internal control principles according to COSO standards.

2. Improving Risk Assessment

Management needs to formally document risks, for example through a risk log that contains potential risks such as stock outs, overstock, late deliveries, and recording errors. This document should be updated regularly and used as the basis for regular evaluations. In addition, it is important to establish clear risk response PnPs, especially in situations such as vendor changes, PO revisions, and SR recording after the use of goods. This step aims to ensure data consistency, prevent misuse, and maintain the accuracy of stock information.

3. Information & Communication System Improvements

Communication between departments and with vendors should be done through formal media such as email or digital systems, not through verbal messages or informal applications. Documentation of communication is essential to support audit trails, clarity of instructions, and proper decision-making.

4. Strengthening Monitoring and Evaluation (Monitoring Activities)

Monitoring is already well underway, but needs to be strengthened with written documentation of any violations or deviations from procedures. Incident reporting should be done systematically through official forms, and audit or evaluation results should be followed up with documented corrective actions.

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