

What Can Go Wrong – Inventory / Warehouses

1.	The CEO directs write-off of inventory in one year from “discontinued business lines” and the next year sells the inventory with a higher profit margin because the inventory no longer has a cost basis.
2.	The warehouse manager fails to report obsolete inventory and therefore the assets are overstated.
3.	A shipper takes some extra inventory and works out a deal to split the goods with the warehouse manager if he'll falsify the count sheets.
4.	A division manager orders excess goods and stockpiles them in a corner of the warehouse because he doesn't want to lose his budget.
5.	A divisional vice president orders warehouse staff to fill boxes with bricks and storage tanks with water to inflate the inventory.
6.	A manufacturer sends more goods to its dealers than they can possibly sell. The manufacturer records the transfer as sales and simultaneously transfers the costs of carrying inventory to the dealers.
7.	A service employee runs a side business using the company truck and parts, and occasionally performs new product installations without the company's knowledge because the customer is willing to pay cash to have the employee come to the house on a weekend for a discount.
8.	A General Manager fabricates an inventory entry by taking a write-down or write-up or by manipulating units-of-measure to alter inventory balances to manipulate the center's financial position.
9.	The customer purchases a high-end unit, and the center substitutes and installs a lesser model.
10.	The techs take old units that they replace and drop them in a junk pile behind a center. Periodically, someone comes to the center and pays cash for the scrap, and the GM keeps the money.
11.	A delivery driver shorted unwary customers and sold the stolen merchandise to

	other customers at a discount.
12.	The driver, in collusion with the receiver, shorted the delivery, recorded the delivery as complete, and split the proceeds on the sale of the stolen goods.
13.	An employee steals goods right from the receiving dock.
14.	The vendor substituted lower quality materials on the delivery.
15.	The vendor delivered goods somewhere other than the company's location, for example, to the customer's home.
16.	The CFO and a warehouse manager collude to establish a side business in which they create a catalogue of products carried in the company warehouse and sell the products from the catalogue or on eBay.
17.	An executive, alert to the auditor's scheduling of the inventory counts, orders goods shipped from a warehouse that has already been subject to a count to another warehouse that is scheduled for a count in a few days.