TABLE 12-1 Threats and Controls in the Revenue Cycle

ACTIVITY	THREAT	CONTROLS (FIRST NUMBER REFERS TO THE CORRESPONDING THREAT)
General issues throughout entire revenue cycle	1. Inaccurate or invalid master data 2. Unauthorized disclosure of sensitive information 3. Loss or destruction of data 4. Poor performance	1.1 Data processing integrity controls 1.2 Restriction of access to master data 1.3 Review of all changes to master data 2.1 Access controls 2.2 Encryption 3.1 Backup and disaster recovery procedures 4.1 Managerial reports
Sales order entry	5. Incomplete/inaccurate orders 6. Invalid orders 7. Uncollectible accounts 8. Stockouts or excess inventory 9. Loss of customers	5.1 Data entry edit controls (see Chapter 10) 5.2 Restriction of access to master data 6.1 Digital signatures or written signatures 7.1 Credit limits 7.2 Specific authorization to approve sales to new customers or sales that exceed a customer's credit limit 7.3 Aging of accounts receivable 8.1 Perpetual inventory control system 8.2 Use of bar codes or RFID 8.3 Training 8.4 Periodic physical counts of inventory 8.5 Sales forecasts and activity reports 9.1 CRM systems, self-help Web sites, and proper evaluation of customer service ratings
Shipping	10. Picking the wrong items or the wrong quantity 11. Theft of inventory 12. Shipping errors (delay or failure to ship, wrong quantities, wrong items, wrong addresses, duplication)	10.1 Bar-code and RFID technology 10.2 Reconciliation of picking lists to sales order details 11.1 Restriction of physical access to inventory 11.2 Documentation of all inventory transfers 11.3 RFID and bar-code technology 11.4 Periodic physical counts of inventory and reconciliation to recorded quantities 12.1 Reconciliation of shipping documents with sales orders, picking lists, and packing slips 12.2 Use RFID systems to identify delays 12.3 Data entry via bar-code scanners and RFID 12.4 Data entry edit controls (if shipping data entered on terminals) 12.5 Configuration of ERP system to prevent duplicate shipments
Billing	13. Failure to bill 14. Billing errors 15. Posting errors in accounts receivable 16. Inaccurate or invalid credit memos	13.1 Separation of billing and shipping functions 13.2 Periodic reconciliation of invoices with sales orders, picking tickets, and shipping documents 14.1 Configuration of system to automatically enter pricing data 14.2 Restriction of access to pricing master data 14.3 Data entry edit controls 14.4 Reconciliation of shipping documents (picking tickets, bills of lading, and packing list) to sales orders 15.1 Data entry controls 15.2 Reconciliation of batch totals 15.3 Mailing of monthly statements to customers 15.4 Reconciliation of subsidiary accounts to general ledger 16.1 Segregation of duties of credit memo authorization from both sales order entry and customer account maintenance 16.2 Configuration of system to block credit memos unless there is either corresponding documentation of return of damaged goods or specific authorization by management

Cash collections	17. Theft of cash
	18. Cash flow problems
		17.1 Segregation duties—the person who handles (deposits) payments from customers should not also
		   a. Post remittances to customer accounts.
		   b. Create or authorize credit memos.
		   c. Reconcile the bank account.
		17.2 Use of EFT, FEDI, and lockboxes to minimize handling of customer payments by employees
		17.3 Obtain and use a UPIC to receive EFT and FEDI payments from custor
		17.4 Immediately upon opening mail, create list of all customer payments re
		17.5 Prompt, restrictive endorsement of all customer checks
		17.6 Having two people open all mail likely to contain customer payments
		17.7 Use of cash registers
		17.8 Daily deposit of all cash receipts
		18.1 Lockbox arrangements, EFT, or credit cards
		18.2 Discounts for prompt payment by customers
		18.3 Cash flow budgets