

UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT

HANDLE WARRANTIES AND CLAIMS

Control practices

The following control objectives provide a basis for strengthening your control environment for the process of handling warranties and claims. When you select an objective, you will access a list of the associated business risks and control practices. That information can serve as a checklist when you begin reviewing the strength of your current process controls.

This business risk and control information can help you assess your internal control environment and assist with the design and implementation of internal controls. Please note that this information is at the generic business process level and many companies will need to go beyond generic models to address the specific business processes that support the financial and nonfinancial disclosures being made. You can combine the insight of this business risk and control information with your industry-specific knowledge and understanding of your company's

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E. Employees and management have the information they need to control the claims handling process.

Business risks

- Information given to employees and management about the claims handling process will conflict with company objectives.
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G. Claims are properly authorized.

Business risks

- Claims will be processed to accounts without management approval.
- Inaccurately processed claims will lead to further claims and customer dissatisfaction.

Control practices

1. Ensure the validity of the customer claim and verify both the terms for all claims and the proof of returned goods before approving the claim and recording the claim transaction.
2. Assign all customer claims a unique reference number in the claims system for identifying the transaction and tracking the disposition of returned goods.
3. Identify all claims separately in the claims system using detailed descriptions of the claim background (for example, the product description and code, reference to the original
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I. All authorized claims are reliably processed and reported.

Business risks

- Unauthorized changes will be made to programs, leading to unauthorized processing results.
- Unauthorized versions of files and/or programs will be used to process transactions, resulting in unauthorized or incorrect business transactions.
- Files (transaction, reference or master) will be lost, altered or damaged, resulting in inefficiencies, lost assets, or incorrect processing of transactions.

Control practices

1. Implement controls to maintain the integrity of the programs used to process transactions. Include controls such as requiring authorization for all changes to program routines and limiting access to these systems to prevent unauthorized credits.
2. Ensure that only5 (d t)-3.3 (o pr3s10.8 (e) (s)14 ()-31.3u9-62)-24.5 (p)es er lety ofhentid or a45.2 (t6 ()-31.2.4

