

# **AN ANALYSIS OF INTERNAL CONTROL SYSTEM ON THE PROCEDURE OF MANAGING LOGISTICS**

**(A Case Study at PG. Kebon Agung Pakisaji Malang)**

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## **ABSTRAK**

Penelitian ini menjelaskan tentang keberadaan industri gula di Indonesia yang memegang peranan penting bagi masyarakat Indonesia dan sektor lainnya. Di dalam PG Kebon Agung salah satu faktor yang paling berpengaruh dalam kelangsungan proses produksi adalah manajemen logistik. Manajemen logistik berfungsi sebagai pengawas penerimaan dan pengeluaran hasil produksi, bahan atau barang perlengkapan sesuai dengan prosedur yang ditetapkan. Penelitian ini fokus pada deskripsi prosedur manajemen logistik, efektifitas sistem pengendalian internal pada prosedur manajemen logistik, masalah-masalah yang timbul pada sistem pengendalian internal prosedur manajemen logistik, dan solusi untuk masalah-masalah tersebut. Penelitian ini termasuk penelitian deskriptif kualitatif dengan pendekatan studi kasus. Teknik pengumpulan data yang digunakan dalam penelitian ini adalah: observasi, wawancara, dan dokumentasi. Analisis data dilakukan berdasarkan data-data yang telah diperoleh dari perusahaan, kemudian dibandingkan dengan teori yang diperoleh dari berbagai literatur selanjutnya akan ditemukan permasalahan dan pemecahan terhadap masalah tersebut. Hasil penelitian pada PG. Kebon Agung Malang adalah sebagai berikut: PG. Kebon Agung telah mempunyai dan menggunakan sistem pengendalian internal pada manajemen logistik. Sistem pengendalian yang ada pada PG. Kebon Agung sudah efektif, hal ini dapat dilihat dari adanya pemisahan fungsi, penetapan wewenang dan tanggung jawab, adanya otorisasi, dan audit keuangan serta sumber daya manusia yang dapat dipercaya khususnya bagian keuangan.

**Kata Kunci : Prosedur, Manajemen Logistik, dan Pengendalian Internal**

## **ABSTRACT**

This research is explain about the existence of the sugar industry in Indonesia which plays an important role for the Indonesian and other sectors. In PG Kebon Agung one of the most influential factors in the continuity of the production process is logistics management. Good logistics management will help mills more efficient and effective. This research focuses on the description of logistics management procedures, the effectivity of internal control systems on the procedure of managing logistics, the problems that arise in internal control systems on the procedure of managing logistics, and the alternative solutions to those problems. The type of this research is descriptive qualitative research with case study approach. Data collection is conducted using observation, interviews, and documentation. Data analysis is conducted by data collection, data reduction, data presentation, and conclusion. The result of this research shows that PG. Kebon Agung already has and uses internal control systems in logistics management. The internal control system is also effective, with the separation of functions, the determination of authorities and responsibilities, authorization, and auditing of financial and human resources that can be trusted, especially the financial section.

**Keywords : Procedure, Managing Logistics, and Internal Control**

## INTRODUCTION

The existence of the sugar industry in Indonesia plays an important role for the people of Indonesia and other sectors. This is because sugar is one of the basic human need are becoming an important ingredient in the food and beverage industry. However, sugar production in Indonesia has not been able to meet all the needs of the community so that they assisted with imports. It can be seen from the data the production of sugar and sugar demand in 2015.

The sugar industry cannot be separated from the sugar tree plantation sector because sugar tree is the main raw material for sugar industry. In Java particular East Java Province is the province that has largest contributor for sugar tree area in Indonesia. In 2012, the area of sugar tree plantations in East Java has been occupy second place after coconut tree plantations that is 203.483 ha with a total production of 1,287,871 tons. The biggest area of sugar tree plantations in East Java is located in the district of Malang, with a total area reaches 41.245 ha ([www.jatim.bps.go.id](http://www.jatim.bps.go.id)).

Associated with the government program of self-sufficiency in sugar since 2012 ago, Malang has considerable potential as a candidate for sugar producers. In Malang, there are two sugar mills, Kreet PG and PG Kebon Agung. PG Kebon Agung is one of the sugar mills still operating in Malang, which is a branch of PT Kebon Agung. PG Kebon Agung was founded in 1905 by entrepreneurs of Tionghwa named Tan Jwan Bie. PG Kebon Agung is located on the Jalan Raya Kebon Agung Desa Kebon Agung Kecamatan Pakisaji Malang Kabupaten Malang or exactly 5 km south from the Malang city. In the past, when PG Kebon Agung was established the milling capacity of PG Kebon Agung just 500 tth (tons per day). However, in line with technological developments, since 2005 the milling capacity of PG Kebon Agung is more than 5000 tth ([www.ptkebonagung.com](http://www.ptkebonagung.com)).

To fulfill the needs of the sugar tree raw material, PG Kebon Agung does not use purchase accounting system but using profit sharing system. This is because PG Kebon Agung does not have the private land. All the raw material derived from land that owned by sugar farmers. Therefore PT Kebon Agung launched a partnership program with farmers. In the program, sugar farmers (farmer partners) as a raw material for sugar tree producers, while PG Kebon Agung as a provider of facilities such as sugar tree mill. To support the increased yield of sugarcane, PT Kebon Agung also gave the seedlings are planted in an area of 300 hectares.

Total cane superior seed is capable of producing 800 quintals per hectare of sugar cane production with high yields ranged from 7.5% to 8%. Until now PT Kebon Agung has formed a partnership with 9,000 farmers in Malang and Pati. ([industri.kontan.co.id](http://industri.kontan.co.id))

In an enterprise continuity of the production process is an absolute must, to provide maximum services to customers in providing a product. In the PG Kebon Agung one of the most influential factors in the continuity of the production process is the raw material sugar cane. Raw material sugar cane is the main material production process. In contrast to other areas that might be a shortage of raw materials, PG. Kebon Agung has the raw material sugar cane which is pretty much even abundant. It is seen from the total area of existing sugar tree plantation, in Malang the total area of existing sugar tree is largest in East Java. To be able to process all the necessary raw material sugar cane good cooperation between cane growers and the sugar mill itself, especially the logistics management.

Logistics management serves as supervisor of revenues and expenditures of production, materials or goods supplies in accordance with established procedures. Milling process also has a time limit, the raw material sugar cane that comes at the end or after the rollers do not get the right milled from the factory. Good logistics management will help mills more efficiency and effectiveness, and is able to grind all raw materials before the deadline for the end of the sugar cane milling. Based on the above, this study was conducted under the title "**An Analysis of Internal Control System on the Procedure Managing Logistics**".

## LITERATURE

### A Accounting System

*Sistem akuntansi adalah organisasi formulir, catatan, dan laporan yang dikoordinasikan sedemikian rupa untuk menyediakan informasi keuangan yang dibutuhkan oleh manajemen guna memudahkan pengelolaan perusahaan* (Mulyadi, 2001: 3).

From the definition above, it can be concluded that the element of accounting system consists of form, note that the form of journals, ledgers and subsidiary ledger, and report.

### B Logistics Management

Logistic derived from the ancient Greek language, namely "logistikos" which means "terdidik/pandai" in estimating count. The definition above includes three basic knowledge that is about the wide scope (scope) that includes

certain specific aspects of military administration, the position was aligned with the science of strategy and tactics science, and also is the third major branch of the military art that meaning of the original, clever in procurement or formulating estimates (Subagyo, 1988: 8).

In general logistics has three main objectives (Aditama, 2003), namely: operational goals, financials goals, and security goals.

The functions of logistics management are a process that consists of (Subagyo, 1988: 10):

- a. The functions of planning and determination of needs
- b. Budgeting function
- c. Procurement function
- d. Storage and distribution functions
- e. Function maintenance
- f. Removal function
- g. Function control

### **C Internal Control System**

The definition of internal control is comprehensive in that it addresses the achievement of objectives in the areas of financial reporting, operations, and compliance with laws and regulations (Whittington, 2001: 241).

### **D Accounting Information System on the Logistics Management**

Logistics management involves planning and controlling the physical flow of materials within the company. In retail trading companies such materials could be a stock of goods or supply of a product while in the organization of industrial enterprises in the form of inventory materials in various stages of production. To distinguish the logistics management in company retail trade with logistics management in industrial companies, functioning logistics management can be divided into two (1) logistics management I (purchasing management and inventory), and (2) logistics management II (production management) (Chushing 1986: 548).

### **E Internal Control of Accounting Information System on the Logistics Management**

The internal control on logistics management information system (Cushing, 1986: 565) is as follows:

- a. Organization
  1. Purchasing function should be separated from the reception function
  2. Purchasing function should be separate from the accounting function
  3. Reception function should be separated from the function of storage of goods

4. Purchase transactions must be carried out by the warehouse function, purchasing function, reception function, accounting function. No purchases were carried out in full by only one of these functions
- b. Authorization system and procedure recording
  1. Letter of the purchase request is authorized by the warehouse function, for goods stored in warehouses, or by function user of goods for goods directly used.
  2. Letter purchase order or purchase function authorized by a higher authority
  3. Report of receipt of the goods authorized by the function of receipt of goods
  4. Evidence of cash out accounting functions or authorized by higher authorities.
  5. Recording of the debt based on evidence which is supported by the cash-out letter purchase order, reports the receipt of goods and invoices from suppliers.
  6. Recording into evidence the registration card debt and cash-out (voucher registers) authorized by the accounting function.
- c. Practice healthy
  1. Purchase request letter printed serial number and usage accounted for by function warehouses
  2. Letters printed purchase orders numbered sequence and use accounted for by the purchase function
  3. Reports printed serial numbered goods receipt and use accounted for by the reception function
  4. Suppliers are selected based on answers to offering competitive prices from various suppliers.
  5. Goods are checked and accepted by the reception function if this function has received a copy of the letter purchase order from the purchasing function.
  6. Reception function checks the goods received from suppliers by way of counting and inspecting the goods and compare it with the copy of the purchase order.
  7. There are checks on the price, terms of purchase, and the precision multiplication in the invoice from the supplier before the invoices processed for payment.
  8. Note that function as debt subsidiary ledger periodically reconciled with debt control accounts in the ledger.

9. Payment of invoices from suppliers is done in accordance with the payment terms in order to prevent the losing of opportunity to earn cash rebate.
10. Evidence of cash along with supporting documents stamped "PAID" by accounting function after a check sent to the supplier.

## RESEARCH METHODS

### Type of Research

The study included descriptive qualitative research with case study approach.

### Research Focus

In accordance with the title of research, the focus of this research is as follows:

1. General description of the company and organizational structure through the division of authority and responsibility applied in the company
2. Logistics management procedure depicted in the flowchart and elements such as functions related, documents using, the accounting records are used, and details of procedure likes a description.
3. Weaknesses in internal control procedures include the organization's logistics management and healthy practices, and solutions to problems

### Location of Research

This research data's is located at PG Kebon Agung Jalan Raya Kebon Agung 1 desa Pakisaji, Kabupaten Malang - 65 162 East Java.

### Source of data

The data used in this study are secondary and primary data.

### Data Collection Technique

Data collection techniques used in this study is:

1. Observation

Observations carried out to obtain detailed information and actual for research activities (Bungin, 2003). In this study, the authors conducted direct observation that is by observing, asking questions, and record without manipulating the events being observed.

2. Interviews

The interview is a meeting between two people to exchange information and ideas through questions and answers, so that it can be constructed meaning of a particular topic (Sugiyono, 2008). Interviews were conducted with the leadership of the company and head of the relevant section of the object under study.

3. Documentation

Documentation that is gathering data and information obtained from the archives owned by the company. Methods of data collection are done to obtain data from company documents relating to the object under study.

### Research Instrument

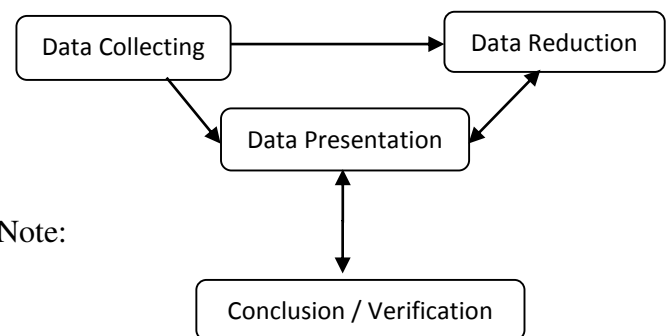
Based on data collection technique, researcher will used research instrument as follows:

1. Interview Tool
2. Observation Tool
3. Documentation Tool

### Data Analysis

This study uses qualitative analysis so that the data analysis is done based on the data that has been obtained from the company, then compared with the theory derived from a variety of literature will subsequently discovered the problems and solutions to those problems. The following stage in the presentation of data according to Miles and Hubberman in Sugiono (2008: 247):

**Figure 1 Stage of Data Presentation**



Note:

1. Data collection. Data collection activities are activities that the researchers obtained through interviews, observation, and documentation.
2. Data reduction. Data reduction is the completion, the focus, simplification and abstraction of data contained on a written record.
3. Data presentation is data in serial form information, can be either descriptive or narrative that can be understood by the reader and describes the image data that has been obtained that will pull a conclusion.
4. Conclusion / verification. Researchers make conclusions of all the activities that had been carried out from observing, gathering data and then presented the data in detail and then give some suggestions, including solutions or solving problems that arise related to the internal control procedures logistics management.

## RESULTS AND DISCUSSION

### A Logistics Management at PG. Kebon Agung

At PG Kebon Agung, logistics management has two main tasks that are logistics management to procurement of goods and logistics management for the procurement of services.

#### 1. Logistics Management for Procurement of Goods at PG Kebon Agung Malang

The functions associated with the logistics management for procurement of goods at PG Kebon Agung Malang, is as follows:

- 1) Logistics Function
- 2) Accounting Functions
- 3) Cashier
- 4) Warehouse Function
- 5) Supplier

Logistics management procedures for procurement of goods at PG. Kebon Agung Malang as follows:

- 1) Logistics department received a request letter for goods from the department that need. Then be numbered. Then sent to the warehouse to be coded goods.
- 2) After the request letter for goods have been coded goods by the warehouse, it was handed back to the logistics department. The warehouse will take a sheet as an archive.
- 3) Furthermore, the logistics department bargaining goods with several suppliers. And evaluate the supplier accordance with the goods and prices specified by the PG Kebon Agung.
- 4) Then the logistics department made a determination purchasing letter of goods that consist of 4 sheets. Each sheet was submitted to the supplier, warehouse, TUK accounting and archives (logistics department). Before distribution, the letter must be authorized first by the head of accounting department and head of financial.
- 5) Goods ordered will be received by the warehouse. Then the goods are recorded in the goods receipt report and put on the warehouse card. Goods receipt report is consisting of four sheets, each sheet will be submitted to TUK logistics, TUK Accounting, Warehouse (archive), and departments that need. The documents about the goods such as determination purchasing letter, notes, receipt, tax invoice, and goods receipt report that made by warehouse function will be delivered to the logistics function.

- 6) After the logistics department receives all files, furthermore it made cash receipt. Logistics department also take one sheet report of goods receipt to be archived.
- 7) After all the files submitted to the accounting department to be made cash out proof.
- 8) Then handed over to the cashier to give the serial number of cash-out proof. The cashier is a place to make payments directly or through a bank. Documents from cashier given back to the accounting department to be made a daily report. Subsequently verified by head of Accounting, head of Finance, and lastly by the Leader. Then all the files are stored in an archive for audit at any time.
- 9) For those departments that want to take the goods must make bon expenditures. This letter consists of 3 sheets. All sheets are delivered to the warehouse. Furthermore, the department received the goods ordered and the warehouse record bon expenditures on the warehouse card, as well as taking the one sheet of letter to be archive.
- 10) Furthermore, the letter submitted to accounting to enter into the database. One letter will be archived by the accounting and the rest is submitted to leaders to be archive.

Documents used in logistics management for procurement of goods at PG. Kebon Agung Malang, is as follows:

- 1) Request Letter
- 2) Determination Purchasing Letter of Goods
- 3) Letter of Goods Acceptance
- 4) Cash Receipt
- 5) Evidence of Cash Out
- 6) Proof of Payment
- 7) Bon Expenditures

Accounting records are used in logistics management of procurement for goods at PG. Kebon Agung Malang, namely:

- 1) Cards warehouse
- 2) Books expedition
- 3) Daily Report

#### 2. Logistics Management for Services Procurement at PG Kebon Agung Malang

Functions related to logistics management for services procurement at PG. Kebon Agung Malang

- 1) Logistics Functions
- 2) Functions Accounting
- 3) Supplier (Winner of Tender)
- 4) The Department is concerned

5) The cashier

Logistics management procedures for procurement at PG Kebon Agung Malang

- 1) Logistics department received a letter of request along with the procurement of HPS (own estimate price) of departments in need. HPS serves as a basis for pricing a job auctioned.
- 2) Then the logistics department prepares an offer letter to vendors at least 3 (officially). However, to shorten the usual time logistics department immediately contacted suppliers by using the phone. As for the following job offer letter.
- 3) In response to the job offer letter, supplier price quotes sent a letter to the work concerned to logistics management PG Kebon Agung.
- 4) Selection of suppliers can be done in two ways: auctions and shows. Both ways can be done if it has accumulated a minimum of 3 suppliers. Designation occurs when there are suppliers who offer under HPS or value  $\leq 15$  million jobs. Auctions occur if all suppliers to bid above the HPS and the value of work  $> 15$  million. The auction was attended by representatives of each of the companies participating in the auction, which requires a department head, and the head of the logistics department. The auction is closed, bidders are given a second chance to offer a price on a piece of paper that has been provided logistics department (the minutes of the work in question). The auction winner is determined on who is offering the smallest price compared to all the bidders were present.
- 5) After determining the winning bidder sends SPPT logistics management to all participants of the auction, and mark wins. SPPT consists of 3 copies to be sent to the supplier, head of the division that made the request procurement, and head of the division TUK.
- 6) In addition, the logistics management also makes SPK and SPP (3 copies) to the supplier (auction winner).
- 7) After the work is finished or nearly finished supplier (auction winner) could send the invoice has been completed (the minutes of the completion of work) or a news event advances the progress of 92% to the accounting department PG Kebon Agung with attached SPK, FIES, receipts tenders, and invoices tax.

- 8) Then the accounting department to make cash out while the evidence. If the nominal value  $< 10$  million could be taken directly at the cash register, but if  $> 10$  million will be transferred through the bank.

Documents used by the logistics management for services procurement at PG Kebon Agung Malang is as follows:

- 1) Letter of Request for Services Procurement
- 2) Self-Estimated Price (HPS)
- 3) Letters Job Offer
- 4) Official Report of Auction
- 5) Attendance List
- 6) Notice of the Auction Winner
- 7) Determination Working Letter
- 8) Work Order Letter
- 9) Official Report of Work Completion
- 10) Evidence of Cash Out

Accounting records are used in logistics management for the service procurement at the PG Kebon Agung Malang

- 1) Book expedition
- 2) Daily reports

## **B. Internal Control on the Logistics Management at PG Kebon Agung**

Internal control of logistics management for good procurement

### **a. Organization**

- 1) logistic function should be separated from the function of warehouse
- 2) logistics and warehouse functions must be separated from the accounting function
- 3) The accounting function should be separated from the function of cashier
- 4) The procurement procedures must be implemented by the function of the warehouse, logistics, accounting and cashier. There is no procurement procedures are implemented in full by only one of these functions.

### **b. Authorization system and Recording Procedures**

- 1) A letter of demand for goods authorized by the departments and functions that require warehouse, to ask for the procurement of goods.
- 2) An establishment authorized purchase logistics and accounting departments to meet the demand for goods by the department that need.
- 3) Letter of receipt of goods made and authorized by the warehouse function. This letter is used to report any items that

have been received and stored in the warehouse.

- 4) Proof of cash authorized by *kasubsi logistik*, *kasubsi akuntansi* and *kasi keuangan* to authorize cashier when did payment activity.

c. Practice Healthy

- 1) A letter printed serial numbered goods demand and its use be justified by the warehouse functions and departments concerned.
- 2) The determination of the purchase of goods serial number printed accountable by the logistic function.
- 3) A serial numbered goods receipt is printed and its use be justified by function warehouses
- 4) Suppliers are selected based on answers to offering competitive prices from various suppliers
- 5) The goods will be checked and accepted by the warehouse if the warehouse has received a copy of the determination of the purchase of goods. The files that accompany the goods are, among others, the determination letter purchases brought by suppliers, purchase orders, the receipt and tax invoice
- 6) Evidence of cash along with supporting documents stamped "paid" by the cashier function, after it was handed back to the accounting function to be made a daily report.
- 7) For pickup, the department that needs to be made a bon expenditures printed serial number consisting of 3 pieces. Furthermore, the letter was delivered to the warehouse function in exchange for the goods ordered.

Internal control of logistics management for services procurement

a. Organization

- 1) logistic function should be separated from the function of warehouse
- 2) logistics and warehouse functions must be separated from the accounting function
- 3) The accounting function should be separated from the function of cashier
- 4) The procedures for the procurement of services should be implemented by the concerned department functions, logistics, accounting and cashier. There is no procurement procedures are implemented in full by only one of these functions.

b. Authorization system and Recording Procedures

- 1) Letter request for services procurement and Self-Estimated Price (SEP) made by departments that needs and authorized by the head of each.
- 2) Letter of job offers made and authorize by logistic function
- 3) The official report and the attendance list are made and authorized by the logistic function when selecting the supplier, either by auction or point system.
- 4) The notice of the auction made logistic function and authorized by *kasubsi logistik* and *kasi keuangan*.
- 5) Determination working letter created by logistic functions and authorized by *kasubsi logistik* and *kasi akuntansi*.
- 6) Work order letter created by the logistic function and authorized by *kasubsi logistics* and *kasi akuntansi*.
- 7) Official report of work completed is created by the department that needs, and then authorization by the leader and the auction winning.
- 8) Evidence cash out authorized by *kasubsi logistik*, *kasubsi akuntansi*, *kasi akuntansi* and *kasi keuangan* to authorize cashier when did payment activity.

c. Practice Healthy

- 1) Letter of request procurement and the estimated price alone numbered printed and its use be justified by the departments concerned.
- 2) Letter job offer printed serial number and be justified by the logistic function.
- 3) Furthermore, the logistic function to prepare the official report and the attendance list to arrange auctions or appointed.
- 4) Selection of suppliers based on the letter price offer compared with self-estimated price that have been made by the department that need.
- 5) Notice of the auction winner is based on the auction result and the using of notice justified by the logistic function.
- 6) Further logistic function also makes the work order letter and the determination working letter then handed over to the auction winning. This letter giving authorization to the winner of auction to start the job.
- 7) After the work is completed, the department that need will make the

official report of the completed work, *kasbon* and prepare the other supporting documents to be submitted to the accounting function.

- 8) The accounting function will make evidence of cash out and handed over to the cashier.
- 9) Evidence of cash out consecutively numbered printed by the cashier function. The cashier has the authority to make payments, then make a report of cash out and then submitted to the accounting department to be made a daily report.

## C. Data Analysis and Interpretation

### 1. Data Evaluation

Based on the description above logistics management procedures, internal control at the PG Kebon Agung is quite effective. It can be seen from the flowchart systematic procedure and documents are used, as well as the ability of human resources responsible for their respective duties. But there are some things that need more be good at logistics management services and goods. In the logistic management of documents that are used quite complete, but its application is still lacking. The first is in organizational structure that separates the functional responsibility explicitly. On the goods procurement at PG Kebon Agung does not have a reception function. The second weakness relates to the authority system and recording procedures. In the logistic management procedures for goods procurement, there are several times checking documents, and should gradually start of *kasubsi logistik*, members of the accounting function, *kasubsi akuntansi* and the last *kasi keuangan*. This is to minimize human error. Last weaknesses are relating to the procedure for service procurement in logistics management. On the goods procurement procedures of recording and monitoring tasks carried out by the departments that need. Supposedly the records after the work completed are by the logistics department. This is to minimize fraud and enhance the company's internal control.

### 2. Problems and Solutions

The problem that exist in the PG Kebon Agung Malang include:

- a. The Company does not have the function of goods receipts, so that the goods receipt functions performed by the warehouse function.
- b. There are weaknesses in the card is the number of determination purchasing letter is less than 1.

- c. There are drawbacks to the procedure of goods procurement, when checking the document does not comply with existing workflow procedures. So make the procedure ineffective and inefficient.
- d. Lack of attention to the work of each division, especially between *pabrikasi* and *teknik* that is why technique resulting is errors when recording important documents.

The solutions for some problems above as follows:

- a. To solve the first problem, PG Kebon Agung Malang needs to improve the structure of the organization, especially in *Tata Usaha dan Keuangan* (TUK). On the TUK must be added reception function is a function that has a special duty to accept the goods delivered by the supplier. In addition besides receiving the goods, reception function also serves to count and record the number of items received. Note that as the basis for making a list of receipt of goods.
- b. To solve the second problem, the company needs to improve to achieve a form of internal control systems are effective and efficient. It is by increasing the number of the determination letter purchase of goods to be 5 to be submitted to the reception. And the determination letter is not given quantity of goods ordered.
- c. Based on the third problem the goods procurement procedure at PG Kebon Agung needs to improve. Because the procedure is not effective and efficient.
- d. To solve the last problem PG Kebon Agung must give an explanation clearly to the employees related with their jobs description. It is to minimize the human error and also give more knowledge for the employees about their jobs.

### 3. Recommendation for Internal Control in Logistics Management at PG Kebon Agung

Internal control of logistics management for goods procurement at PG Kebon Agung

- a. Organization
  - 1) Reception function should be separated from the function of warehouse
  - 2) Reception function should be separated from the logistics function
  - 3) Logistic functions must be separated from the function of warehouse
  - 4) Logistic functions, receiving and warehouse should be separate from the accounting function



- 5) Accounting functions should be separated from the function of cashier
  - 6) Goods procurement procedures should be implemented by the function of the warehouse, receiving, logistics, accounting and cashier. There is no procurement procedure is implemented by one function only.
- b. Authorization System and Recording Procedures
- 1) A request letter of goods authorized by the departments needed and warehouse functions, to require for the procurement of goods.
  - 2) Determination purchasing letter authorized by logistic department and accounting department to meet the demand for goods that need.
  - 3) Letter of acceptance goods made and authorized by the reception function. This letter is used to report any items that have been received and stored in a warehouse
  - 4) Evidence of cash out authorized by *kasubsi logistik*, *kasubsi akuntansi* and *kasi keuangan* to authorize payment cashier function.
- c. Healthy Practices
- 1) Request letter for goods numbered printed and its use be justified by the warehouse functions and departments that need.
  - 2) Determination purchasing letter printed serial numbered accounted by the logistics function.
  - 3) Letters of acceptance goods printed serial numbered and use be justified by function warehouses
  - 4) Suppliers are selected based on answers to offering competitive prices from various suppliers
  - 5) The goods will be checked and accepted by the warehouse if the warehouse has received a copy of the determination purchasing letter from logistics function. The files that accompany the goods are, the determination purchasing letter brought by suppliers, purchase orders, the receipt and tax invoice
  - 6) Evidence of cash out along with supporting documents stamped "paid" by the cashier function, after it was handed back to the accounting function to be made a daily report.
  - 7) For pick up the goods, the departments that need must be made a bon expenditures printed serial number

consisting of 3 pieces. Furthermore, a letter was submitted to the warehouse function in exchange for the goods ordered.

Internal control of logistics management for service procurement at PG Kebon Agung

a. Organization

- 1) Logistic functions must be separated from the function of warehouse
- 2) Logistics and warehouse functions must be separated from the accounting function
- 3) Accounting functions should be separated from the function of cashier
- 4) Procurement procedures should be implemented by the department that need, logistics, accounting, warehouse and cashier. There is no procurement procedures are implemented in full by only one of these functions.

b. Authorization system and recording procedures

- 1) Letter of request for service procurement and Self-Estimated Price (SEP) made by departments that need and authorized by the head of each.
- 2) Letter job offers made and authorization by logistic function
- 3) The official report and attendance list are made and authorized by the logistic function when selecting the supplier, either by auction or appointed system.
- 4) The notice of the auction winning made logistic function and authorized by *kasubsi logistik* and *kasi akuntansi*.
- 5) Determination working letter made by logistics function and authorized by *kasubsi logistik* and *kasi akuntansi*.
- 6) Work order letter is made by a logistic function and authorized by *kasubsi logistik* and *kasi akuntansi*.
- 7) Official report of work completion is made by the department that needs, subsequently authorized by the leader and the auction winner.
- 8) Evidence of cash out authorized by *kasubsi logistik*, *kasubsi akuntansi* and *kasi akuntansi* to authorize payment cashier function.

c. Healthy Practices

- 1) Letter of request for service procurement and self-estimated price numbered printed and its use be justified by the departments that need.

- 2) Letter Job Offer printed serial number made and accountable by the logistic function.
- 3) Further logistic function prepares the official report and the attendance list to hold auctions or appointed.
- 4) Supplier selection based on the price offered compared with SEP have been made by the department that need.
- 5) Notice of the auction winner based on the results of the auction, the using has been justified by the logistic function.
- 6) Furthermore, logistic functions also make work order letter and determination working letter which was then handed over to the auction winner. This letter giving authorization to the auction winner for start the job.
- 7) After the work is completed, the department that need will make the Official report of the completed work, *kasbon* and prepare the other supporting documents to be submitted to the accounting function.
- 8) Accounting functions will make evidence of cash out and handed over to the cashier.
- 9) Evidence of cash out consecutively numbered printed by the function of the cashier. The cashier has the authority to make payments, then make a report of cash and then submitted to the accounting department to be made a daily report.

## CONCLUSION AND RECOMMENDATION

### 1. Conclusion

Based on the analysis, it can be concluded that the result of the research at PG. Kebon Agung Malang is as follows:

- a. PG. Kebon Agung already has and uses internal control systems in logistics management.
- b. The control system is also effective, with the separation of functions, the determination of authorities and responsibilities, authorization, and auditing of financial and human resources that can be trusted, especially the financial section. With an effective control system as well as the nature of the finance department who work alone make logistic management system can run properly and reduce the risk of fraud in the procurement system.

### 2. Recommendation

In general, PG Kebon Agung Malang has conducted logistic management system at the same time an effective system of internal control. However, the problem occurs when one of the employees did not fill out the form correctly and therefore contributes to other important documents. My advice counseling about work and authority of each employee is explained and emphasized again. So the each employee understands the division of labor of each person.

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