O’Brien Corporation is a midsize, privately owned, industrial instrument manufacturer supplying precision equipment to manufacturers in the Midwest. The corporation is ten years old and uses an integrated ERP system. The administrative offices are located in a downtown building and the production, shipping, and receiving departments are housed in a renovated warehouse a few blocks away.

 Customers place orders on the company’s website, by fax, or by telephone. All sales are on credit, FOB destination. During the past year, sales have increased dramatically, but 15% of credit sales have had to be written off as uncollectible, including several large online orders to first-time customers who denied ordering or receiving the merchandise.

 Customer orders are picked and sent to the warehouse, where they are placed near the loading dock in alphabetical sequence by customer name. The loading dock is used both for outgoing shipments to customers and for receipt of incoming deliveries. There are 10 to 20 incoming deliveries every day, from a variety of sources.

 The increased volume of sales has resulted in a number of errors in which customers were sent the wrong items. There have also been some delays in shipping because items that supposedly were in stock could not be found in the warehouse. Although a perpetual inventory is maintained, there has not been a physical count of inventory for two years. When an item is missing, the warehouse staff writes the information down in log book. Once a week, the warehouse staff uses the log book to update the inventory records.

 The system is configured to prepare the sales invoice only after shipping employees enter the actual quantities sent to a customer, thereby ensuring that customers are billed only for items actually sent and not for anything on back order.

**Identify at least three weaknesses in O’Brien Corporation’s revenue cycle activities. Describe the problem resulting from each weakness. Recommend control procedures that should be added to the system to correct the weakness. (CMA Examination, adapted)**