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...moving technology.

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# DESIGN OF STANDARD OPERATING PROCEDURES FOR WAREHOUSE MATERIAL ISSUANCE

## TO ENHANCE INTERNAL CONTROL AT PT OCTAGON PRECISION INDONESIA

"Standardized today, controlled tomorrow, accountable forever."

## 1 INTRODUCTION

PT Octagon Precision Indonesia is a specialized manufacturing corporation based in Batam, specializing in precision engineering, fabrication, and mechanical supply. Operating under the corporate motto "Moving Technology," the enterprise supplies critical industrial components, including generators and custom utility tools, for domestic industries and multinational corporations (MNC).

## 2 PRACTICAL PROBLEM

Internal control observations at PT Octagon Precision Indonesia revealed critical administrative vulnerabilities in warehouse asset management. The frequent neglect of mandatory Receiving Reports (RR) combined with undocumented material withdrawals by production teams created a severe Audit Trail Gap. This lack of authorization discipline causes major data discrepancies between physical stock balances and digital records, escalating the risks of undetected inventory shrinkage.

Neglect of Receiving Reports (RR) → Undocumented Material Withdrawals → Audit Trail Gap → Inventory Discrepancy & Shrinkage Risk

## 3 LITERATURE REVIEW

### INTERNAL CONTROL & INVENTORY SYSTEM (Mulyadi, 2023)

An inventory system designed with internal control principles. It integrates serialized forms and real-time records with strict authorization and functional segregation to protect company assets.

### STANDARD OPERATING PROCEDURE (Budiharjo, 2021)

Written guidelines designed to regulate routine workflows, ensuring consistent, efficient, and accountable organizational operations.

### QUALITY SYSTEM DOCUMENTATION (ISO 9001:2015)

Global quality management standards mandating controlled, documented information to maintain complete data traceability for audit requirements.

### INVENTORY PERPETUAL (Kieso et al., 2018)

Core accounting principles advocating for the Perpetual Method as the most reliable system to maintain real-time tracking, accurately evaluate asset valuation, and guarantee internal control security over company inventory.

## 4 SOP IMPLEMENTATION: STEP-BY-STEP WORKFLOW

The following systematic framework outlines the newly enforced, multi-layered material issuance procedure engineered to restore absolute administrative discipline and eliminate unauthorized asset withdrawals on the warehouse floor.

**STEP 1 — Document Request Verification**
Verify and validate material request documents.

**STEP 2 — Structural Verification Check**
Check document structure and completeness.

**STEP 3 — Department Head Authorization**
Obtain formal authorization from department head.

**STEP 4 — Exclusive Physical Material Picking**
Authorized physical picking of materials from warehouse.

**STEP 5 — Digital Stock Card Update**
Update digital stock records in real-time immediately.

## 5 SOLUTION

To eliminate the observed control gaps, a comprehensive Warehouse Material Issuance Standard Operating Procedure (SOP) has been successfully designed, validated, and enforced. This newly implemented system blocks all unauthorized access to inventory assets and mandates strict sequential document verification. Through this system integration, PT Octagon has secured a reliable digital audit trail, minimized physical-to-digital stock discrepancies, and reinstated disciplined administrative accountability on the warehouse floor.

STANDARD OPERATING PROCEDURES FOR WAREHOUSE MATERIAL

SCAN HERE!

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