# Petersen Seafood, Inc.

Petersen Seafood, Inc. buys and processes crab, which it sells mainly to Japan and 2 distributors in Montréal and Toronto. The business also sells crab to local consumers and restaurateurs from a sales counter at the plant. During the fishing season, which lasts approximately 15 weeks, the business produces 24,000 kg of crab per day, 5 days a week. Crab is processed before being frozen and packed in 15-kg boxes. Crab for the Japanese market is transported in refrigerated containers over more than 1,100 km to the Mirabel Airport, where it is shipped to its final destination by cargo airplane.

JPL Transpo, a local company that Petersen has been dealing with for several years, transports the containers. Containers hold 1,500 boxes and the negotiated rates are $0.20/kg for shipments to the Montréal region and

$0.25/kg for the Toronto region.

During the last few monthly audits, the owners have noted significant discrepancies between the total number of boxes produced and the number of boxes sold. The final physical inventory count at the end of the fishing season showed a discrepancy of 406 boxes between boxes produced and boxes sold. Normally, this discrepancy is less than 0.1% of the total yearly production. This year, the owners have also noted on several occasions that surplus production was not enough to satisfy local demand. This phenomenon had rarely occurred in the past. Because of these events, the owners have asked you, a management auditing expert, to analyze the situation based on the following data.

Here are the data obtained prior to the analysis:

1. Delivery to foreign markets averages 7,500 boxes of crab per week, which represents 5 refrigerated containers.
2. Containers are sealed before they leave the plant, by truck, to the Mirabel Airport and the 2 distribution centres in Montréal and Toronto. The shipping clerk seals the containers and signs the transport company’s bill of lading.
3. For shipments to Japan, the crab boxes are transferred at the airport to smaller air transport containers.

Petersen is responsible for all ground shipping costs. Air freight costs are paid by the Japanese customer. You have asked your assistant to carry out a preliminary analysis of the production and invoicing files as well as transportation costs. The results of the analysis carried out with computer-assisted auditing techniques (CAATs) are presented in Exhibit 1. The other files in the central system are the shipping file and the employee file.

*Production file*

LOTNO: Lot number: unique transaction number generated automatically by the system PRODDATE: Date of lot production

QTYPRO: Crab quantity processed (in kg) LABHRS: Labour hours used in processing PROD: Production (number of 15-kg boxes)

EMPNO: Employee number of the person who completed the transaction

*Invoicing file*

INVNO: Invoice number: unique transaction number generated automatically by the system

INVDATE: Invoice date CUSTNO: Customer number 1: Japan Crab Meat Market

2: Montréal Fish & Sea Food Market 3: Toronto Fish & Sea Food Market 4: Local sales counter

QTYINV: Number of boxes sold and invoiced

EMPNO: Employee number of the person who completed the transaction

*Transportation costs file*

REFNO: Reference number: unique transaction number generated automatically by the system SHIPNO: Shipping number: unique transaction number generated automatically by the system CUSTNO: Customer number

CARNO: Carrier number CARINVNO: Carrier invoice number

INVAMT: Invoice amount for transportation costs PAYDATE: Date of payment of invoice

EMPNO: Employee number of the person who received and paid the invoice

*Shipping file*

SHIPNO: Shipping number: unique transaction number generated automatically by the system SHIPDATE: Shipping date

CARNAME: Carrier name CUSTNO: Customer number 1: Japan Crab Meat Market

2: Montréal Fish & Sea Food Market 3: Toronto Fish & Sea Food Market

SHIPQTY: Quantity shipped (number of 15-kg boxes)

EMPNO: Employee number of the person who signed the bill of lading

*Employee file*

EMPNO: Employee’s number EMPNAME: Employee’s last name EMPFTNAME: Employee’s first name SIN: Employee’s social insurance number DOB: Employee’s date of birth

ADDRESS1: Employee’s street number and name ADDRESS2: Employee’s city

TD1: TD1 amount

DATEHIRE: Date employee was hired

# EXHIBIT 1

**Command**: TOTAL FIELDS PROD

The TOTAL command computes total production expressed in 15-kg boxes (PROD) from the production table.

**Table**: Production

PROD

123,500

**Command:** CLASSIFY ON CUSTNO SUBTOTAL QTYINV TO SCREEN

The CLASSIFY command computes the number of invoices, from the invoicing table, that were issued for each customer (CUSTNO). The amount for each customer appears in the Count field. The command also generates the total value of boxes (QTYINV) invoiced for each customer.

**Table**: Invoicing

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **CUSTNO** | **Count** | **Percent of Count** | **Percent of Field** | **QTYINV** |
| 1 | 89 | 72.36% | 81.84% | 100,740 |
| 2 | 10 | 8.13% | 9.02% | 11,101 |
| 3 | 9 | 7.32% | 8.21% | 10,108 |
| 4 | 15 | 12.19% | 0.93% | 1,145 |
| Totals | 123 | 100% | 100% | 123,094 |

**Command:** CLASSIFY ON CUSTNO SUBTOTAL AMOUNTPD TO SCREEN

The CLASSIFY command computes the amount of transportation invoices, from the transportation costs table, that were paid by each customer (CUSTNO). The amount for each customer appears in the Count field. The command also generates the total value of invoices paid (AMOUNTPD) by each customer.

**Table**: Transportation costs

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **CUSTNO** | **Count** | **Percent of Count** | **Percent of Field** | **AMOUNTPD** |
| 1 | 89 | 82.41% | 80.74% | 302,220 |
| 2 | 10 | 9.26% | 9.14% | 34,203 |
| 3 | 9 | 8.33% | 10.12% | 37,905 |
| Totals | 108 | 100% | 100% | 374,328 |

# Required

* 1. What preliminary conclusions can you draw from the results shown in Exhibit 1? (6 marks)
	2. In non-technical language, explain the additional analyses that you would recommend your assistant to perform using the information contained in the files, in order to obtain other indicators to help you plan your audit. (4 marks)
	3. Based on the data given in the case, what additional controls or procedures would you recommend that Petersen implement to improve its operations? (4 marks)