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Analysis Of The Internal Control System For Raw Material Inventory At UD Saudara Jaya

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Abstract

Raw material inventory is a crucial component that determines the smoothness of the production process, thus requiring an effective internal control system. This study aims to analyze the internal control system for raw material inventory at UD Saudara Jaya based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. The study used a qualitative approach with a case study type. The research informants consisted of the management, the head of the raw material department, the head of the production department, and the administration department selected using a purposive sampling technique. Data were collected through observation, structured interviews, and documentation, then analyzed using the Miles and Huberman model which includes data condensation, data presentation, and drawing conclusions with validity tests through source and technique triangulation. The results of the study indicate that the five components of internal control have been implemented, but there are still weaknesses in inventory recording, documentation of evaluation results, and the use of technology that is still simple. The conclusion of the study shows that the internal control system for raw material inventory at UD Saudara Jaya has been running quite well in supporting smooth operations, but still requires improvement through digitalization of recording, strengthening control documentation, and increasing the use of information technology.

Keywords: Control Activities, COSO Framework, Internal Control, Inventory Management, Raw Material Inventory.

INTRODUCTION

Operational management is a crucial aspect in maintaining the sustainability and effectiveness of a company because it plays a role in managing the entire production process and the delivery of goods and services to consumers. The success of a company is greatly influenced by the quality of operational management implemented, particularly in optimizing resource utilization so that organizational goals can be achieved effectively and efficiently. According to Indriani et al. (2024), operational management is a crucial element in organizational management that focuses on the production process and delivery of goods and services to consumers. Similarly, Mahfudnurjamuddin et al. (2026) explain that operational management is related to the management of the entire work process, starting from the utilization of various resources as input to producing valuable outputs for customers through planning, organizing, implementing, and controlling activities. Thus, the effectiveness of operational management is a determining factor in the smooth running of company activities while supporting the achievement of organizational goals.

In the implementation of operational management, the internal control system for raw material inventory plays a strategic role in maintaining the continuity of the production process. According to Vivian et al. (2024), internal control is a process designed and influenced by leaders, management, and other personnel to provide adequate assurance in achieving organizational goals related to operations, reporting, and compliance. Effective internal control over raw material inventory not only increases a company's competitiveness but also prevents losses, maintains reporting accuracy, and ensures the availability of raw materials to support smooth production activities.

UD Saudara Jaya is a trading company engaged in the production of tofu with the main raw materials being soybeans, water, oil, vinegar, and wood. The selection of this research object is based on the importance of soybeans as a strategic commodity with high vegetable protein content, low fat, and rich in fiber, making it the main raw material for various processed food products (Yosia, 2024).

On the other hand, the demand for soybeans continues to increase along with the increasing public consumption of processed soybean-based products, while national soybean production has actually decreased. Based on data from the Central Statistics Agency (BPS) (2023), Indonesian soybean production decreased from 594.6 thousand tons in 2022 to 576 thousand tons in 2023 and again to 559.3 thousand tons in 2024. This condition makes raw material inventory management an increasingly important aspect to ensure the continuity of the production process.

UD Saudara Jaya's raw material purchasing data for 2025 shows fluctuations in the quantity of soybeans, oil, and wood purchased, adjusted to production needs and market demand. Average monthly purchases reached 15,153 kg of soybeans, 2,204 liters of oil, and 25 pickups of wood, with an average remaining inventory of 604 kg of soybeans, 90 liters of oil, and 2 pickups of wood. The use of these raw materials resulted in an average of 259,484 pieces of cooked product and 103,371 pieces of raw product each month. This condition indicates that production activities are dynamic, requiring an inventory management system capable of maintaining a balance between production needs and raw material availability.

Based on observations, raw material inventory management at UD Saudara Jaya still faces several challenges. Inventory recording is still carried out in a rudimentary manner, so the recorded inventory quantity does not always match the physical condition in the warehouse. Changes in the remaining inventory of soybeans, oil, and wood each month also increase the risk of inventory discrepancies and delays in the production process if not accompanied by adequate supervision. These conditions indicate that the internal control system for raw material inventory is not fully capable of supporting accurate inventory information as a basis for operational decision-making. Therefore, these problems need to be analyzed using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, which includes the control environment, risk assessment, control activities, information and communication, and monitoring activities to determine the effectiveness of the implemented internal control system.

This study aims to determine the internal control system for raw material inventory at UD Saudara Jaya. This research is important because an effective internal control system plays a role in maintaining accurate inventory records, ensuring the availability of raw materials, and supporting the smooth running of the company's production process. The novelty of this study lies in the analysis of the internal control system for raw material inventory at UD Saudara Jaya using the COSO framework to evaluate the implementation of five internal control components based on the company's operational conditions, thereby providing an overview of aspects that still need improvement in raw material inventory management.

RESEARCH METHODS

This research uses a qualitative approach with a case study research type. According to Ghony (2012), qualitative research aims to understand various phenomena experienced by research subjects, such as behavior, perceptions, and actions. Meanwhile, case study research is a research strategy that focuses on an in-depth investigation of an event or phenomenon in the lives of individuals or groups through the presentation of information in the form of descriptive narratives. In line with this, Rusandi et al. (2021) explain that descriptive research aims to describe various phenomena, both natural and man-made, including their characteristics, activities, changes, relationships, similarities, and differences. Based on this approach, this study aims to obtain an in-depth overview of the internal control system for raw material inventory at UD Saudara Jaya through an analysis of the control environment, control activities, risk assessment, information and communication, and monitoring.

Data collection was conducted through observation, interviews, and documentation utilizing primary and secondary data. Primary data were obtained through direct observation and interviews with management and employees related to the implementation of internal control of raw material inventory, while secondary data were obtained from company documents, reports, archives, books, articles, and scientific journals supporting the research. Observations were conducted using passive participation techniques, where researchers directly observed activities at the research location without being involved in operational activities. Interviews used a structured interview format to obtain information regarding the internal control system for raw material inventory, while documentation was used as supporting material through the collection of various documents and operational records related to recording raw material inventory at UD Saudara Jaya (Sanasintani, 2020).

Data analysis was conducted using Miles' (2014) model, which includes data condensation, data presentation, and conclusion drawing. The data condensation stage was carried out by selecting, focusing, simplifying, and abstracting data from observations, interviews, and documentation to obtain information relevant to the research objectives. Furthermore, the data was presented in descriptive form to facilitate the process of understanding and interpreting the research results. The final stage was carried out by drawing conclusions based on the results of the analysis of all data that had been obtained. To ensure the validity of the data, this study applied source triangulation by comparing information from various informants and technical triangulation by comparing the results of observations, interviews, and documentation to obtain accurate, consistent, and reliable data.

The research was conducted at UD Saudara Jaya located at Jalan Teratai 16 No. 12, Gebang Tengah, Gebang Village, Patrang District, Jember Regency, East Java, during the period of January to March 2026. The selection of the research location was based on the results of initial observations which showed that the internal control system for raw material inventory still needed improvement, especially regarding the consistency of inventory recording and control of raw material usage during the production process. The determination of informants used a purposive technique. According to Kumara (2018), the purposive technique is a method of deliberately selecting informants based on certain characteristics that are in accordance with the research objectives so that they are able to provide relevant information. The research informants consisted of the leadership of UD Saudara Jaya, the head of the raw material department, the head of the production department, and the administration department because each has direct involvement in operational management and the internal control system for raw material inventory.

The research procedure began with initial observations to identify the condition of the internal control system for raw material inventory at UD Saudara Jaya. Next, the researcher collected data through observation, structured interviews, and documentation from predetermined informants. The data obtained were then condensed, presented in descriptive form, and analyzed using Miles' (2014) data analysis stages to obtain conclusions regarding the implementation of the internal control system for raw material inventory. All analysis results were then tested for validity through source triangulation and technical triangulation by comparing information from interviews, observations, and documentation so that the research findings could describe the actual conditions.

RESULTS AND DISCUSSION

Description of Research Results

Analysis of the Internal Control System for Raw Material Inventory at UD Saudara Jaya

Control Environment

Control environment according toClarke (2020)is a combination of structures, policies, standards, and business processes that work together to ensure that employees do the right things, in the right way to achieve the goals or fulfill the company's mission. The control environment according to Bragg (2026)is a comprehensive series of actions taken by management to determine howemployee involved in their daily activities.

Based on the description above, the control environment is the main foundation that determines the direction and culture of the organization in business activities. UD Suadara Jaya has established an organizational culture such as honesty in work, discipline in carrying out duties, responsibility for work, and cooperation between employees in operational activities. The control environment reflects the attitudes, values, and commitment of management in regulating employee behavior through the consistent implementation of work rules. The company carries out operational activities in accordance with applicable regulations through the implementation of a good control environment. The following are several factors that shape the internal control environment, including:

Commitment to Integrity and Ethics

UD Saudara Jaya's commitment to integrity and ethics is implemented through the values of honesty, discipline, responsibility, and openness in all operational activities. Management emphasizes the importance of adherence to work procedures, maintaining the quality of raw materials and production results, and avoiding all forms of fraud. Before the production process begins, management provides direction to employees to ensure that all work is carried out according to standards. Furthermore, employees are accustomed to maintaining cleanliness, respecting each other, working together, and building open communication so that any obstacles in the production process can be immediately reported and resolved together.

Open communication is also supported by careful, honest, and transparent recording of raw material purchases, inventory usage, and product sales, facilitating oversight and enhancing company accountability. Based on interviews and observations, the implementation of integrity and ethics at UD Saudara Jaya has created an orderly, conducive, and professional work environment. These conditions support a smooth production process, maintain product quality, increase customer trust, and strengthen the effectiveness of the internal control system for raw material inventory.

Operational Management Philosophy and Style.

UD Saudara Jaya's operational management philosophy and style emphasize simplicity, efficiency, and product quality. Management clearly organizes the production process, utilizes simple yet functional equipment, and effectively manages the use of raw materials, time, and labor to avoid waste. Furthermore, management is directly involved in overseeing every stage of production, from inspecting raw materials and processing them to verifying the final product meets established standards.

The leadership style applied is participatory, where leaders not only provide direction but also oversee the implementation of work in the field. Employees work in a disciplined and meticulous manner and follow production procedures, including paying attention to the accuracy of raw material measurements, processing times, and product quality before distribution. Recording of raw material requirements, production quantities, and sales results is carried out routinely to support operational control. Based on the results of interviews and observations, the implementation of this philosophy and management style has been able to create a simple and effective work system, maintain consistent product quality, and meet customer demand well.

Clear organizational structure

UD Saudara Jaya's organizational structure is simple, with a clear division of tasks and responsibilities based on each employee's position. Management directly directs and supervises all operational activities, while employees carry out tasks within their respective areas, including raw materials, production, and sales. This division of tasks facilitates faster communication, avoids overlapping work, and helps each employee focus on their responsibilities.

Based on the interview results above, with a clear organizational structure, UD Saudara Jaya is able to increase work effectiveness, streamline coordination, and support the smooth running of overall operational activities.

Risk Assessment

Risk assessment according toRachmina (2019)is the entire process of risk identification, risk analysis, and risk evaluation. Risk assessment is essentially an activity of assessing the possibility of events that threaten the achievement of organizational goals and objectives. Risk assessment according to(SNI, 2016)is a part of risk management that provides a structured process that identifies how objectives might be affected, and analyzes risks in terms of consequences and probabilities before decision making.

In implementing performance, risk assessments at UD Saudara Jaya are conducted by considering internal and external factors that can impact the business. Internal factors include errors in the production process, raw material quality, and employee performance. Errors in the production process can include incorrect material measurements, inaccurate processing times, or work processes that do not follow procedures. The quality of raw materials can affect the final product, as poor quality materials can reduce product quality. Employee performance is also affected, as delays or lack of accuracy can hinder the production process. While external factors include changes in raw material prices, market conditions, and business competition.

Changes in raw material prices can increase production costs, thus impacting business profits. Market conditions can influence product demand, as the number of buyers can rise or fall depending on the situation. Business competition can impact sales, as other businesses with similar products can attract customers. By identifying and anticipating these risks, UD Saudara Jaya can mitigate potential impacts. The company can maintain a smooth production process and maintain product quality to ensure the business continues to run smoothly. There are three main points in risk assessment:

Organizational Goals

UD Saudara Jaya's organizational goals focus on maintaining product quality, enhancing customer trust, and developing a sustainable business. The company uses these goals as a guideline for decision-making, including maintaining raw material quality, implementing a production process that adheres to procedures, providing excellent service, and adjusting production volumes to market demand to ensure stable business operations.

Based on interviews and observations, management and employees share a shared commitment to achieving company goals through the use of quality raw materials, consistent production processes, and precision in every stage of work. These practices support the maintenance of product quality, increase customer satisfaction, and strengthen UD Saudara Jaya's business sustainability.

Identifying Organizational Goals

Identifying organizational goals at UD Saudara Jaya is achieved through direct communication between management and employees before and during the production process. Management communicates business goals, including maintaining product quality, using raw materials efficiently, and implementing discipline and responsibility in the workplace. These goals serve as guidelines for employees in carrying out their duties in accordance with company expectations.

Based on interviews and observations, employees understand the organization's goals and implement them in operational activities by following procedures in the production process, using raw materials efficiently, and maintaining product quality and cleanliness. This shared understanding between management and employees supports the smooth running of the production process and helps achieve organizational goals effectively.

Assessing the Changes That Have Occurred

Assessing the changes occurring at UD Saudara Jaya is done through an evaluation of internal and external changes that affect operational activities. Internal changes include the condition of production equipment, employee performance, and work process efficiency, while external changes include fluctuations in raw material prices, changes in consumer demand, market conditions, and the emergence of new competitors. To address these changes, management adjusts production volumes, selling prices, and raw material usage, as well as evaluates production processes to ensure operational activities remain effective.

Based on interviews and observations, management and employees were able to adapt to change through efficient raw material management, operational strategy adjustments, and the search for alternative suppliers when supply constraints occurred. Adjustments were made while still considering raw material quality and market demand, thus maintaining product quality and smooth production. The implementation of these measures demonstrates UD Saudara Jaya's ability to respond appropriately to change to support business continuity.

Control Activities

Control activities according toMarfar (2025)is an action taken to reduce risk and ensure that organizational activities run according to plan. According toWahyudi (2016)Control activities are policies and procedures that help ensure that management directives are carried out.

Control activities serve as prevention, monitoring, and correction efforts for potential deviations in business activities. Companies face potential deviations in the form of errors in recording raw materials, discrepancies in production quantities, distribution delays, and misuse of raw materials in operations. Companies implement control activities to maintain operational stability through structured supervision. Companies increase work efficiency by implementing clear procedures in every production process. Companies minimize risks such as financial losses, decreased product quality, and mismatches between planning and implementation of business activities. There are three things to make control activities effective:

Controls to Minimize Risk

Risk minimization controls at UD Saudara Jaya are implemented through direct supervision of all production stages, inspection of production results, and consistent implementation of work procedures. Management oversees the process from raw material preparation to product readiness to ensure that raw material usage, measurements, temperatures, and processing times comply with established standards. Furthermore, production results are regularly inspected to maintain consistency in product shape, texture, color, and flavor.

Based on interviews and observations, if discrepancies are found in the production process or results, management and employees immediately conduct evaluations and improvements to prevent recurrence. Control is also supported by recording production results and products that do not meet standards as material for operational evaluation. The implementation of monitoring, evaluation, and corrective actions demonstrates that UD Saudara Jaya has implemented preventive and sustainable risk mitigation to maintain product quality and smooth production processes.

Technology-Based Control

According to Prayitno (2024), technology-based control is the use of digital systems, software, and automation to monitor, supervise, and manage organizational operations to improve efficiency, accuracy, and data security. At UD Saudara Jaya, the implementation of technology-based control is still carried out simply through the use of soybean grinding machines, boiling tools, filters, tofu molds, presses, and scales to support the smooth production process and maintain product quality. In addition, recording of incoming raw materials and outgoing products is carried out routinely using a daily log to maintain operational data control.

Based on interviews and observations, the use of production equipment helps expedite the raw material processing process and produces more uniform products that meet company standards. Communication with customers and suppliers is conducted via telephone and WhatsApp, while each order is recorded in an order book to ensure accuracy in quantity and delivery time. Although the technology used is still simple, this implementation has supported effective operational control, a smooth production process, and improved customer service, in accordance with the technology-based control concept proposed by Prayitno (2024).

Implementation of Policies and Procedures

According to Fadiyah (2025), the implementation of policies and procedures is a process, action, and mechanism designed to protect company assets, ensure the reliability of financial reports, and ensure compliance with regulations in order to achieve operational effectiveness and efficiency. Meanwhile, Zinsari (2017) explains that the implementation of policies and procedures is the consistent implementation of work rules and guidelines to support efficiency, risk mitigation, and compliance with established standards. At UD Saudara Jaya, policies and procedures are implemented through work hour regulations, task allocation, production process standards, raw material use, and customer service procedures. All stages of production, from soaking soybeans to molding tofu, are carried out according to procedures to maintain product quality and ensure efficient use of raw materials.

Based on the results of interviews and observations, all employees carry out their work according to established rules, such as punctual attendance, use of tools according to procedures, carrying out tasks based on their respective responsibilities, and orderly recording and serving customers. The implementation of these policies and procedures helps improve employee discipline, reduce the potential for production errors, and maintain product and service quality. Overall, control activities at UD Saudara Jaya have been carried out through controls to minimize risks, the use of operational technology, and the implementation of work policies and procedures. Although it has supported smooth operations and control effectiveness, the company still has opportunities to improve the control system through the use of more modern technology as the objectives of implementing policies and procedures stated by Fadiyah (2025) and Zinsari (2017).

Information and Communication

Information and communication according toWahyudi (2016)is the identification, capture, and exchange of information in a form and timeframe that enable people to carry out their responsibilities. According to(Arifin, 2025)This information and communication ensures the availability of relevant information for effective decision making.

UD Saudara Jaya implements a simple information and communication system, such as manual recording in production books and order books, as well as direct delivery of work information during operational activities. The company relies on direct communication between employees to convey information related to daily work. The company adapts communication practices to its relatively small business scale through verbal information delivery, direct task allocation from management to employees, and rapid work coordination at the production site without complicated procedures to ensure effective coordination. The company supports smooth operations by providing information quickly and easily understood by all employees.

Delivery of information in operational activities

According to Riedha (2024), information delivery in operational activities is the process of collecting, analyzing, and presenting daily data to ensure company activities run smoothly, efficiently, and in line with organizational goals. Meanwhile, Otto (2026) explains that information delivery is functional communication that supports the smooth running of business activities, from receiving orders and managing inventory to providing customer service. At UD Saudara Jaya, information is delivered directly by management to employees regarding production volumes, raw material availability, task allocation, production stages, and customer orders. Information is delivered both before and during the production process to ensure that all operational activities run according to company requirements.

Based on the results of interviews and observations, employees understand the directions and any operational changes conveyed by management, such as adjustments to production quantities, changes to work schedules, and raw material availability, so they are able to adjust the implementation of work in the field. Direct information delivery helps improve coordination between departments, reduces the risk of miscommunication, and supports the smooth production process. These conditions indicate that the information delivery system at UD Saudara Jaya has been running well according to the function of delivering operational information as stated by Riedha (2024) and Otto (2026).

Communication between management and employees

According to Sukarelawati et al. (2025), communication between leaders and employees is a fundamental element in organizational management that plays a vital role in conveying the vision, mission, instructions, and feedback to improve performance and productivity, as well as building a harmonious work culture. At UD Saudara Jaya, communication takes place openly and directly between leaders and employees. Leaders provide employees with the opportunity to report any obstacles that arise during the production process, such as delays in raw materials, equipment damage, production process errors, or discrepancies in production results, so that any problems can be immediately identified and resolved.

Based on the results of interviews and observations, the implementation of two-way communication was able to strengthen coordination between departments, help employees understand work directions, and accelerate the resolution of operational problems. Direct information delivery also supports teamwork, increases employee responsibility, reduces the risk of errors in the production process, and maintains the smooth operation of the company's operations. These conditions indicate that communication at UD Saudara Jaya has been running effectively according to the organizational communication concept proposed by Sukarelawati et al. (2025).

Submission of Information to External Parties

In addition to internal communication, UD Saudara Jaya also communicates with external parties, namely customers and raw material suppliers. According to Margaretta (2025), external communication is communication carried out by an organization with external parties to build relationships, convey information, and maintain cooperation. At UD Saudara Jaya, communication is carried out through face-to-face meetings, telephone calls, and WhatsApp to convey information regarding orders, product prices, raw material availability, and delivery schedules. All customer orders are recorded in an order book to ensure clarity and reduce the risk of errors.

Based on interviews and observations, communication with customers and suppliers has supported smooth operations and maintained good cooperative relationships. Although the communication system is still simple and records have not been formally documented, information delivery has been quite effective in supporting service, smooth raw material supply, and operational control. Therefore, the development of a more structured recording system and the use of simple technology are still needed to improve the effectiveness of the information and communication system, in accordance with the external communication concept proposed by Margaretta (2025).

Monitoring Internal Control

Monitoring activities according toClarke (2023)is a periodic or ongoing assessment conducted by an organization to determine whethercontrolinternalexist and function around their products or services. In other words, monitoring activities are things done to determine whether controls are being implemented as expected or not. Here are three points of internal control monitoring, namely:

Continuous evaluation of controls

According to Leylani et al. (2025), continuous control evaluation is a systematic process for monitoring and assessing the effectiveness of control procedures to prevent errors, detect risks, and support continuous improvement. At UD Saudara Jaya, evaluation is conducted through direct supervision of operational activities without a formal schedule. Management monitors the production process, identifies errors such as inappropriate use of raw materials, non-conformity of production processes, or product results that do not meet standards, then provides direct improvement instructions to employees to maintain product quality.

Based on interviews and observations, direct evaluations help the company quickly correct errors, maintain smooth production processes, and improve employee compliance with work procedures. Although the evaluation system has supported the effectiveness of operational controls, the evaluation results have not been systematically documented, making them less than optimal as a basis for long-term improvement. Therefore, UD Saudara Jaya requires a more structured recording of evaluation results to strengthen its internal control system, in accordance with the concept of continuous control evaluation proposed by Leylani et al. (2025).

Reporting and Follow-up of Control Weaknesses

According to Sayekti (2015), reporting and following up on control weaknesses is the final stage in the audit process to ensure that weaknesses in the internal control system are communicated to management and promptly corrected. Hall (2022) also explains that reporting control weaknesses aims to identify, communicate, and correct weaknesses in the control system to prevent errors, fraud, or inefficiencies. At UD Saudara Jaya, employees report directly to management when problems occur, such as production process errors, raw material delays, or operational obstacles. After receiving the report, management immediately provides direction and establishes corrective actions to ensure the production process continues to run smoothly.

Based on interviews and observations, the reporting system at UD Saudara Jaya has been transparent, prompt, and supported by good communication between management and employees, allowing for prompt resolution of any issues. Although reporting and follow-up have been quite effective in maintaining smooth operations, the reporting process is still conducted verbally and has not been formally documented. Therefore, the company requires a more structured reporting recording system so that evaluation and follow-up results can be used as a basis for continuous improvement of internal control, in accordance with the concepts proposed by Sayekti (2015) and Hall (2022).

Discussion

Control Environment

The control environment is the totality of activities, policies, and procedures that reflect the attitudes, awareness, and actions of management, the board of directors, and the company's owners regarding the importance of internal control. This control environment encompasses the standards, processes, and structures that form the basis for implementing the internal control system throughout the company, including operational activities such as the tofu factory. The following factors shape the control environment:

Commitment to Integrity and Ethics

Commitment to Integrity and Ethics in the company's operational activities at UD Saudara Jaya applies the values of honesty, discipline, responsibility, and openness to all employees so that every job runs according to established rules and procedures. The implementation of integrity is evident in how employees maintain the quality of raw materials by carrying out the production process honestly, and avoiding fraud in production activities and product sales.

The implementation of integrity and ethics has a positive impact on customer service. Employees provide friendly, polite, and professional service, and convey pricing and product availability information clearly and honestly to customers. This attitude increases customer trust and satisfaction with the products and services provided by UD Saudara Jaya. The implementation of a commitment to integrity and ethics at UD Saudara Jaya creates a professional work environment, maintains product quality, and maintains customer trust in the company.

Operational Management Philosophy and Style.

The operational management philosophy and style at UD Saudara Jaya are implemented through production management that emphasizes simplicity, efficiency, and product quality. Management organizes the production workflow clearly and easily, enabling employees to execute each stage of the work in a focused manner. Management also utilizes simple yet functional production equipment to ensure smooth operations without excessive costs. The implementation of a simple work system helps employees understand their respective tasks and responsibilities more easily.

The leadership style applied at UD Saudara Jaya is practical and participatory because leaders not only provide instructions but also participate in daily operational activities. Leaders provide direct work direction to employees regarding the use of raw materials, the sequence of production processes, and quality standards that must be achieved. Leadership involvement in production activities makes it easier for employees to understand their work and are able to carry out tasks according to established procedures. This condition also creates a good working relationship between leaders and employees to support the smooth production process. Through the application of the philosophy and style of operational management at UD Saudara Jaya, it is able to create a simple, effective, and efficient work system so that the company's operational activities can run smoothly and product quality is maintained.

Clear Organizational Structure

UD Saudara Jaya has implemented a clear organizational structure in its operational activities. The management has simplified the organizational structure to meet business needs and the limited number of job levels. Management provides direct direction to employees, ensuring communication is delivered quickly, clearly, and easily understood by all.

UD Saudara Jaya's management has clearly defined tasks and responsibilities for each department. Management is responsible for managing the business and overseeing all operational processes. Raw materials employees are responsible for preparing and ensuring the quality of raw materials before use in the production process. Production employees are responsible for processing raw materials according to established company procedures to maintain product quality. Meanwhile, service employees are responsible for marketing and distributing products to customers. This division of tasks helps each employee understand their respective responsibilities without taking over the work of other departments without direction from management.

UD Saudara Jaya employees demonstrate a strong understanding of the tasks and responsibilities assigned by their management. They are able to carry out their work according to predetermined work stages, enabling the production process to run more quickly, efficiently, and effectively. They also maintain good coordination between departments, as each employee understands their respective roles in the company's operations.

With a clear organizational structure, UD Saudara Jaya is able to increase work effectiveness and streamline coordination between departments within the company. This focused division of tasks makes operational activities more efficient and helps the company maintain production quality. A simple yet clear organizational structure also supports a more orderly and conducive work environment, allowing all business activities to run smoothly.

Risk Assessment

Risk assessment is a crucial process that serves as the basis for determining management steps for various possibilities that could hinder business operations. Risk can be defined as the probability of an event occurring that could negatively impact the achievement of objectives. Therefore, UD Saudara Jaya needs to identify and understand various potential risks to ensure the smooth running of its tofu production activities. In its implementation, risk assessment is conducted by considering internal and external factors that could impact the business, such as errors in the production process, raw material quality, and employee performance for internal factors, and changes in raw material prices, market conditions, and business competition for external factors. By identifying and anticipating various risks, UD Saudara Jaya can minimize potential impacts while maintaining the continuity of its business operations.

Organizational Goals

UD Saudara Jaya maintains clear and focused organizational goals in carrying out its business activities. The management uses these goals as a guideline for decision-making and operational implementation. The company focuses not only on achieving profits but also on maintaining product quality by selecting clean, high-quality, and suitable raw materials. The company also maintains customer loyalty through friendly service, timely delivery, and maintaining consistent product taste and quality according to customer expectations.

Implementing clear organizational goals helps UD Saudara Jaya maintain product quality, increase customer satisfaction, and maintain business continuity. The company strives to increase production capacity according to market needs and expand its marketing reach to ensure its products are more widely known. Clear organizational goals enable leaders and employees to work together to support the smooth operation of the company. Thus, UD Saudara Jaya is able to run its business in a more structured manner, maintain customer trust, and create sustainable business growth.

Identifying Organizational Goals

UD Saudara Jaya has been able to clearly identify organizational goals as a direction for its business operations. Company management communicates these goals directly to employees before and during production, ensuring that each employee understands the company's expectations and targets. Management explains business objectives such as maintaining consistent tofu product quality, using raw materials efficiently, and implementing discipline and responsibility in the workplace.

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Implementing clear organizational goals helps UD Saudara Jaya create a shared understanding between management and employees in conducting business activities. Good communication ensures that each employee understands their roles and responsibilities in supporting the achievement of company goals. This helps the company carry out operations in a more planned manner, maintain product quality, and improve employee performance effectiveness. Thus, UD Saudara Jaya is able to conduct business activities in a more focused manner and support business sustainability.

Assessing the Changes That Have Occurred

UD Saudara Jaya is able to assess changes in the company's operational activities by monitoring internal and external business conditions. The company faces internal changes in the condition of production equipment, employee performance, and work process efficiency, which affect the smooth running of daily operations. The company also faces external changes such as fluctuations in raw material prices, changes in consumer demand, market conditions, and the emergence of new competitors, which impact sales levels and the company's competitiveness. These conditions force the company to adjust production volumes, selling prices, and raw material management to ensure business operations continue to run smoothly.

The management of UD Saudara Jaya has taken various adjustments to address changes in the company's operational activities. They adjust production volumes according to market demand to ensure a more efficient production process and minimize raw material waste. They also calculate production costs when raw material prices change, determining product pricing policies. The company maintains its selling price if cost increases remain within reasonable limits, while gradually adjusting prices if the increases persist.

Control Activities

Control activities are a series of actions implemented by management to ensure that all company operational activities run according to the plans, policies and objectives that have been set, where these activities include efforts to prevent, supervise and correct various potential deviations that may occur in business activities, so that with these controls, the company is able to maintain operational stability, increase work efficiency, while minimizing risks that have the potential to hinder the achievement of organizational goals.

Controls to Minimize Risk

UD Saudara Jaya has implemented controls to minimize risk through direct supervision of the production process, inspection of production results, and consistent implementation of work rules. Management supervises everything from raw material preparation to product readiness to ensure each stage of production meets company standards. Management also ensures that raw material use, temperature settings, boiling times, filtration, printing, and the final production stage are carried out correctly to maintain product quality and minimize the risk of production errors.

UD Saudara Jaya's management regularly checks production results to maintain consistent tofu quality. The management and production department head check the product's shape, texture, color, and flavor before marketing it to customers. During the production process, the company still encounters several errors, such as inaccurate raw material measurements, unstable cooking temperatures, uneven product shape, and tofu that is too soft or too hard.

The implementation of controls at UD Saudara Jaya demonstrates the existence of preventative and supervisory controls in the company's operational activities. The company implements preventative measures through the implementation of clear work procedures, determining the correct raw material dosage, and providing guidance to employees before the production process begins. Implementing these risk controls helps the company maintain product quality, improve operational effectiveness, and maintain customer trust in UD Saudara Jaya.

Technology-Based Control

UD Saudara Jaya implements simple technology-based controls to support smooth operational activities. Company management utilizes various production equipment, such as soybean grinding machines, wood-fired boilers, filters, tofu molds, presses, and scales, to help speed up production and maintain product quality to meet company standards.

Employees record incoming raw materials and outgoing products using a daily logbook to ensure operational data remains organized and easily monitored, even though some data remains unrecorded. UD Saudara Jaya employees utilize production equipment to simplify and expedite the company's operational work. The application of simple technology in operational activities demonstrates that UD Saudara Jaya has strived to improve work effectiveness, streamline communication, and support the company's operational control system more systematically.

Implementation of Policies and Procedures

UD Saudara Jaya implements policies and work procedures in its operational activities through clear and directed work regulations. Company management establishes policies such as working hours, employee task allocation, production process standards, and raw material usage procedures to ensure operational activities run more orderly and controlled. The company also implements production procedures ranging from soaking soybeans, milling, boiling, filtering, and to molding to ensure each production stage meets company standards. Implementing these procedures helps the company maintain product quality and reduce the risk of errors in the production process.

UD Saudara Jaya demonstrates that the company's control activities have been running quite well in supporting its operational activities. The company implements controls through direct supervision, the use of simple technology, and clear work rules to reduce the potential for errors and increase work effectiveness. The implementation of these control activities helps the company maintain product quality, improve operational efficiency, and maintain customer service. Nevertheless, the company still has opportunities to develop a more modern control system through better utilization of technology to support future business growth.

Information and Communication

Information and communication are important components in the internal control system because they function to ensure that all data and information related to business activities can be obtained, processed, and delivered in a timely and accurate manner, relevant information is needed by management for decision making, while effective communication is needed so that policies and directives can be understood and implemented by all employees. At UD Saudara Jaya, the information and communication system is still implemented simply and relies more on direct communication between employees, but this practice is sufficient to support smooth operations because it is appropriate for the business scale which is still relatively small.

Delivery of Information in Operational Activities

UD Saudara Jaya has implemented direct and targeted information delivery in its operational activities. Management provides employees with information regarding production volumes, raw material conditions, task allocations, and customer orders before and during production. Management ensures that each employee understands the information and work instructions provided to ensure all operational activities are carried out according to company needs and established production targets.

The management of UD Saudara Jaya provides work instructions to production employees regarding raw material preparation, processing stages, and the process of producing finished products within the company's operational activities. The management explains each production stage directly to employees so that work can be carried out according to company procedures. Employees receive and understand the information provided by the management, allowing each task to proceed more efficiently and in accordance with applicable company regulations.

UD Saudara Jaya employees receive information about the company's operations directly from management. Management informs employees about production volume adjustments, work schedule changes, and raw material availability during operational activities.

The implementation of information delivery at UD Saudara Jaya demonstrates that communication within the company's operational activities has been running quite well. Direct information delivery helps the company minimize the risk of miscommunication and streamlines coordination between departments in the production process. Employees understand their duties and responsibilities more clearly through direction from management, enabling the company's operations to run more effectively, orderly, and in line with company goals.

Communication Between Leaders and Employees

Communication between management and employees at UD Saudara Jaya is open and direct throughout the company's operations. Management provides employees with the opportunity to express their opinions, work challenges, and issues arising during the production process. Employees report issues such as raw material delays, production process errors, equipment damage, and discrepancies in production results directly to management so that issues can be identified and addressed promptly.

The implementation of communication at UD Saudara Jaya demonstrates that the working relationship between management and employees has been running well and supports the smooth running of the company's operations. Two-way communication helps employees understand work directions, increases responsibility, and strengthens coordination between departments in the production process. Direct information delivery also helps the company reduce the risk of work errors and accelerates the problem-solving process in the field. Therefore, good communication can create a comfortable, focused work environment and support the smooth running of the business as a whole.

Submission of Information to External Parties

UD Saudara Jaya has implemented information communication with external parties, including customers and raw material suppliers, to support the smooth operation of the company. Company management communicates via telephone, WhatsApp, and in-person meetings to convey information regarding customer orders, product prices, raw material availability, and delivery schedules. Management also directs service employees to utilize these communication channels to ensure faster, clearer, and more easily understood information is delivered to external parties.

UD Saudara Jaya employees understand customer order details through direct communication and social media. Employees record order information to ensure product production and distribution run according to customer requirements. They also communicate with raw material suppliers to ensure the availability of materials needed for production. Good coordination between the company, customers, and suppliers helps the company maintain smooth production processes and customer service.

The implementation of external communications at UD Saudara Jaya demonstrates that the company's information and communications systems have been functioning quite well in supporting business activities. Communication with customers and suppliers helps the company maintain cooperative relationships, streamlines information delivery, and supports smooth operations. Although the communications system used is still simple and largely manual, the company strives to maintain effective communications in its daily operations.

Monitoring Internal Control

The company conducts internal control monitoring to assess whether the control system that has been implemented is running well and in accordance with the expected objectives, this activity is carried out continuously so that each procedure remains relevant to business conditions and is able to reduce the potential for errors or deviations, through good monitoring, the company can identify existing deficiencies and immediately make improvements, and the following are three points of internal control monitoring that are carried out.

Continuous Control Evaluation

UD Saudara Jaya conducts continuous control evaluations through direct supervision of the company's operational activities. Management monitors the production process to determine the smoothness of work, the appropriateness of raw material use, and the quality of employee output. Management assesses each stage of production based on field conditions to ensure work processes continue to meet company standards. Management also provides direct guidance and corrections to employees when errors are detected in the production process.

UD Saudara Jaya's production employees follow their management's instructions to correct work processes that are experiencing errors. Employees adjust raw material usage, processing stages, and production results to meet company standards. The production manager supervises employee work to ensure the production process is more focused and adheres to work procedures. Employees maintain a smooth production process by implementing more meticulous and disciplined work after receiving evaluations from management.

The implementation of control evaluation at UD Saudara Jaya demonstrates that the company conducts continuous monitoring and improvement in its operational activities. Management conducts evaluations through direct monitoring to identify and promptly correct production errors. A simple evaluation system facilitates the company's oversight of daily activities. The company still requires more structured recording of evaluation results so that control activities can support the ongoing improvement of operational effectiveness.

Reporting and Follow-up of Control Weaknesses

Reporting and follow-up on control weaknesses at UD Saudara Jaya is carried out directly between employees and management during the company's operational activities. Employees report any obstacles, such as production process errors, raw material delays, and work obstacles, to management so that conditions on the ground can be immediately identified. Management receives these reports and provides guidance and solutions to address the issues that arise so that production continues to run smoothly according to company plans.

The implementation of reporting and follow-up on control weaknesses at UD Saudara Jaya demonstrates that the company has adequately monitored internal controls. Management and employees resolve issues through direct communication and rapid corrective action to ensure smooth operational operations. The company's ongoing verbal reporting system facilitates problem-solving in its daily operations. The company still requires more structured reporting documentation so that evaluation results and follow-up actions can be used to continuously improve its operations.

CONCLUSION

The results of the study indicate that the internal control system for raw material inventory at UD Saudara Jaya has generally been implemented based on the five components of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), namely the control environment, risk assessment, control activities, information and communication, and monitoring. The control environment has been supported by a commitment to integrity, a clear division of tasks, and a participatory leadership style. Risk assessment is carried out through the identification of internal and external factors that affect operational activities. Control activities are carried out through direct supervision, the implementation of work procedures, and the use of simple technology in the production process. Information and communication take place openly through direct coordination between leaders, employees, customers, and suppliers, while monitoring is carried out through continuous evaluation and follow-up of operational obstacles.

This study has limitations because it was conducted on only one research object using a qualitative approach, so the results cannot be generalized to other companies with different characteristics. Furthermore, the study still focuses on analyzing the implementation of the internal control system without measuring its effectiveness quantitatively. Future research is recommended to involve more research objects, combine qualitative and quantitative approaches, and develop indicators for measuring the effectiveness of internal control. Practically, UD Saudara Jaya needs to improve the documentation of evaluation results, implement a more structured and digitalized inventory recording system, and strengthen the use of information technology to improve inventory data accuracy, internal control effectiveness, and smooth production processes.

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