

Internal control of food procurement in BC Hotel

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Abstract

The focus of this research was on internal control in the purchasing section and receiving section of food procurement in BC Hotel. This research was motivated by the actual food cost that exceeds the tolerance limit of 1% of its standard food cost. This research was a qualitative descriptive research with four informants with details of 2 main informants and 2 key informants. Research data obtained through interviews and checklist observation. The data analysis technique used in this research was descriptive. The results showed that: First, the implementation of internal control in purchasing food items in BC Hotel was not done optimally. Those internal control indicators were control environment, control activity, information and communication, and monitoring activities. Second, the implementation of internal control in receiving food items in BC Hotel was not done optimally. Those internal control indicators were control environment, control activity, information and communication, and monitoring activities.

Keywords: Food Procurement, Internal Control, Purchasing, Receiving

Introduction

Internal control of food procurement is a sustainable process to control food cost in order to reach hotel's target and to avoid any loss. Food cost is a total cost of the menu ingredients and usually shown in percentage. Ideally, the number of food cost is ranged between 35-40%. Food cost consists of actual food cost and standard food cost (Wiyasha, 2011). Actual food cost is the real cost of all the food that a hotel actually spent in the practices. Meanwhile, standard food cost is an estimated cost for food that a hotel serves.

The ideal variance between actual cost and standard food cost is 1% (Wiyasha, 2006). It can be said that the tolerance exceed limit is only 1% in order to maximize hotel's food profit. Observing and analyzing the percentage number of the variance will help hotels to find any inaccuracies in the application of food procurement, especially during the Covid-19 pandemic. It is important for a hotel to control their food cost because when a hotel controlling their food cost it means that the hotel also controlling their food quality, controlling actual food cost, achieving profit goals, and can also take necessary corrective action if needed (Wiyasha, 2011). Parts that have role in controlling food cost in hotels are purchasing, receiving, storing and issuing, processing, and selling, which every parts have its control standard (Wiyasha, 2006). The outcome of the standars application can be seen through the variance between the actual food cost and standard food cost. It is shown in Table 1 comparison between actual food cost and standar food cost in BC Hotel 2020. It can be seen in Table 1 that the variance of standard food cost and actual food cost in 2020 was 7,42% which is higher than the ideal number that stated above, 1%.

Table 1 Actual Food Cost and Standar Food Cost Comparison in BC Hotel 2020

[Source: Cost Control Data BC Hotel 2020]

No.	Months	Actual Food Cost		Standard Food Cost	
		Rupiah (Rp)	Percentage (%)	Rupiah (Rp)	Percentage (%)
1	Januari	963.426.405	35,97	746.925.436	36,08
2	February	956.203.166	34,05	923.617.529	34,04
3	Marh	238.396.869	49,76	923.409.137	35,00
4	April	14.560.348	45,84	893.621.476	35,00
5	May	-	0	-	0
6	June	140.258.016	51,34	746.925.436	36,80
7	July	219.248.630	42,45	722.831.068	36,80
8	August	384.540.051	44,64	746.925.436	36,80
9	September	307.889.672	44,82	722.831.068	36,80
10	October	555.266.899	49,6	999.255.853	35,33
11	November	699.074.218	45,69	1.024.026.417	34,95
12	December	104.577.517	38,82	982.589.639	36,37
	Average		40,25		32,83
	Variance				7,42

The same case also happened in 2021. The percentage between actual food cost was higher than standard food cost. It can be a sign that the food cost control was not done properly. It is shown in Table 2 comparison between actual food cost and standar food cost in BC Hotel 2021.

Table 2 Actual Food Cost and Standar Food Cost Comparison in BC Hotel 2021

[Source: Cost Control Data BC Hotel 2021]

No.	Months	Actual Food Cost		Standard Food Cost	
		Rupiah (Rp)	Percentage (%)	Rupiah (Rp)	Percentage (%)
1	Januari	85.169.856	39,64	310.344.801	36,97
2	February	373.141.073	42,68	297.275.314	36,83
3	Marh	642.684.224	39,24	445.463.544	34,23
4	April	704.303.039	41,97	350.652.086	34,83
5	May	558.118.697	42,58	316.472.777	35,51
6	June	617.379.144	39,42	433.960.626	34,86
7	July	173.276.066	37,33	624.123.729	33,46
8	August	212.465.896	39,43	633.291.864	33,57
9	September	658.224.224	41,41	753.570.304	32,38
10	October	796.847.283	39,26	760.472.412	32,47
11	November	982.946.252	38,20	728.068.842	32,65
12	December	1.331.793.137	41,71	638.308.212	34,03
	Average		40,24		34,32
	Variance				5,92

It can be seen in Table 2 that the number between standard food cost and actual food cost in 2021 was 5,92% which is higher than the ideal number, 1%. The variance number from 2020 to 2021 is decreasing but the number is still far from the ideal limit. According to BC Hotel's Cost Control Staff, the impact that occurs when the actual food cost is higher than the standard food cost is that the hotel's profit is not optimal, even in the worst case losses can occur.

There are some possibilities that caused higher food cost percentage, such as failed to applying right standard in menu planning standard, purchasing standard, receiving standard, storing and issuing standard, and food processing standard (Dukas in Suarsana, 2007). According to the Cost Control Staff, BC Hotel has done well in applying standards for planning, storing and issuing, and food processing parts. Menu engineering standard is used in planning which includes menu design, menu pricing, and menu ingredient. Menu engineering also helps hotel to maximize food profit margin. BC Hotel also managed to applicate the right standard for storing and issuing such as maintain the condition and safety of facilities and locations that are used food storing, using right temperature for every food, using first in first out (FIFO) system for rotation of stock, and write dates for stocked food so that items can be put on the menu before it spoil. Standard recipe and standard portion size are used in food processing in BC Hotel. Both of the standards are mandatory references for Food and Beverage Production Staff for producing a menu. Meanwhile, according to the Cost Control staff, purchasing and receiving standard were not done properly. In purchasing, user often request for a sudden food purchase in a large quantity and it has to be available in less than 24 hours. Sometimes, user also requested a food purchase without following the right purchasing procedure such as requesting food purchase by phone not by hotel system. The lack of time to find the requested items was a problem for the purchasing staff. Because of that, it was hard to meet the quality and quantity needed at best price. Also, there were many suppliers that out of business during the Covid-19 Pandemic. It complicates the purchasing process in that time. In receiving, the main function of it is to check the quality, quantity, and prices of food delivered. In Covid-19 pandemic era, the receiving clerk position in BC Hotel was vacant. The lack of human resources caused the responsibilities of receiving clerk needed to be assigned to other working staff. Staff that was assigned for the responsibilities was Storekeeper, Material Officer, and Cost Control. In additon, Storekeeper was assigned for the biggest responsibilities. Also, the other problem was suppliers often delivering items outside working hour. Therefore, the quality, quantity, and price of the food unable be checked before it was picked up by Food and Beverage Production Staff.

Considering the data stated, it is important to explore internal control of food procurement especially in purchasing and receiving section in BC Hotel. The aim of this research is to analyze the internal control of food procurement in purchasing and receiving section in BC Hotel.

Literature Review

Internal control is a process, policies, and procedures designed by management for the preparation of reports financial statements in accordance with the applicable accounting framework and to ensure reliability of financial reporting (Tuanakotta, 2014). Internal control can help management to control and keep track of hotel's activity to minimalize any loss in the future (Hidayat in Gusnain, 2016). Internal Control is a processes influenced by the management board, management entity, and other members (Committee of Sponsoring Organizations, 2013). Internal control is a dynamic, interactive, and integrative process that can not be done only once (American Institute of Certified Public Accountants, 2018)

There are five indicators in internal control such as control environment, risk assessment, control activities, information and communication, and monitoring activities (Committee of Sponsoring Organizations, 2013). Control environment is a standard, process, and structure as the principle of internal control implementation. Risk assessment is a dynamic and repetitive process in identifying risk and analyzing risk, which form principles in managing risk. Control activity is an action defined by regulations to ensure that management's objectives are carried out and to reduce any risks. Control activity involves formation of responsibilities, separation of responsibilities, documentation, physical control of assets, and audits. Information and communication is used to support the success of internal control from internal source and external sources. Monitoring activity is carried out with ongoing evaluations, evaluations separately, or a combination of both used to ensure state and function of each component of internal control.

Purchasing section is responsible for procurement of operational needs such as food and beverage, housekeeping supplies, and other operational items (Komar in Sumiati, 2015). The purpose of controlling purchasing section is to ensure an adequate food supply with the right quality, quantity, and purchased in most favorable price (Dittmer and Keefe, 2009). Purchasing section is responsible to find supplier partners, conducting transaction, monitoring purchase transaction, monitoring food ingredients price on regular basis, and evaluating performance of supplier on regular basis (Wiyasha, 2011)

Receiving food is the next step after purchasing (Wiyasha, 2011). This step must be done properly in order to achieve the right quality and quantity food with the price that has been dealt before. Receiving section is responsible for 1) Verify the quality, quantity, and price of item delivered. 2) Acknowledge the quality, quantity, and price of item delivered. 3) List all invoices for item delivered and issue receiving report, 4) Forward completed paperwork to next personnel, and 5) Move food item to appropriate areas.

Research Methodology

Object of this research was internal control of food procurement in BC Hotel. This research was located at BC Hotel, Surakarta City, Central Java Province. This was a qualitative descriptive research. Qualitative descriptive research is a methodology that directs researchers to collect data from various available sources (Sugiyono, 2011). Interviews and observations were used as data collection techniques.

Purposive sampling was used to determine informants for this research. Purposive sampling is intentional selection of informants based on their knowledge about this research. There were two main informants and two key informants in this research. Main informant is someone who have knowledge about this research (Gunawan, 2013). Main informants of this research were Chief Accountant and Purchasing Manager. Key informant is someone who understand technical and details about the research (Gunawan, 2013). Key informants of this research are Material Officer and Storekeeper.

Result and Discussions

Internal control of food procurement in purchasing section in BC Hotel

Research data was conducted by observation checklist and interviews with main informant, Material Officer, and key informant, Chief Accountant. A guide theory for interview and observation was internal control by Committee of Sponsoring Organizations (2013).

Based on the interview and observation results, control environment in purchasing section was not done optimally. There are standard operational procedure and structure in purchasing

section, but the implementations were not done accordingly. A user has to make purchase requisition and it has to be approved by executive chef first in order to purchase an item. In the implementation, it can be found that a purchase was done without a purchase requisition. In results, the data in system was not up to date and the administration condition in purchasing was poor.

Based on the interview and observation results, risk assessment indicator in purchasing section was implemented optimally. Purchasing staff was able to identify risk in purchasing food items such as rising food price, limited food quantity in the market, and risk in delivering food items.

Based on the interview and observation results, control activity in purchasing section was not done optimally. There are responsibilities for every staff that written in job description, but the implementation of it often ignored. There were several times when storekeeper work to purchase food items. It means separation of duty was loose. Documentation procedure in control activity also was not done properly because of the sudden food purchase request. Purchasing staff had to wait until the purchase order was made to complete the documentation. Physical control of assets was done optimally in purchasing. In order to protect purchasing's assets there is a certain access card that can only be used by purchasing section to enter purchasing work area. Audits in purchasing were not done optimally, only external audit that was done on regular basis. Meanwhile, internal audit was also needed to be done on regular basis in purchasing.

Based on the interview and observation results, information and communication in purchasing were not done optimally. Communication is often done by telephone or phone, but there were miscommunications can be found in purchasing. Plenty interaction with staffs, suppliers, and transaction that need to be done in a day were some of the reason.

Based on the interview and observation results, monitoring activity in purchasing section was not done optimally. Monitoring activity was done by evaluating and audits in purchasing, but it were not done on regular basis. In results, the problems of the evaluation were not fixed properly.

Internal control of food procurement in receiving section in BC Hotel

Research data was conducted by observation checklist and interviews with main informant, Storekeeper, and key informant, Purchasing Manager. A guide theory that was used for interview and observation was internal control by Committee of Sponsoring Organizations (2013).

Based on the interview and observation results, control environment in receiving was not done properly. There are standard operational procedures in receiving, but the assigned staff was not trained properly about it. Due to the vacant position of receiving clerk at that time, Storekeeper was delegated the task of receiving clerk. Storekeeper only worked based on their experiences and knowledge without official training. As a result, tasks in receiving section were not done properly.

Based on the interview and observation results, risk assessment in receiving section was done optimally. The officer was able to identify and analyze risk such as the right quality, quantity, and price of delivered food items.

Based on the interview and observation results, control activity in receiving was not done properly. There are responsibilities for every staff that written in job description, but the implementation of it in receiving section was not done properly. There were several times when purchasing staff is also assigned to receive delivered food items. In result, separation of duty was loose. Documentation procedure in control activity also was not done properly due to excessive number of items delivered a day. The assigned officer will be completing receiving report in the

next day. In result, receiving report was delayed and not up to date in system. Physical control of assets was done optimally in receiving. In order to protect receiving's assets there was a certain access card that can only be used by receiving section to enter receiving work area. Audits in receiving were not done optimally, only external audit that is done on regular basis. Meanwhile, internal audit is also needed to be done on regular basis in receiving.

Based on the interview and observation results, information and communication in receiving were not done optimally. Communication is often done by telephone or phone, but there were some miscommunication can be found in receiving due to wrong pick up food items by user.

Based on the interview and observation results, monitoring activity in receiving section was not done optimally. Monitoring activity was done by evaluating and audits in receiving but it were not done on regular basis. In results, the problems of the evaluation were not fixed properly.

Conclusions

Based on Result and Discussion, the conclusions of this research are: 1) Internal control of food procurement in purchasing section in BC Hotel was not done optimally. The implementation of control environment were not done optimally due to the standard operational procedure in purchasing was not done properly. Control activity was not done optimally due to the loose of separation of duty, delayed documentation process, and internal audits that were not done on regular basis. Information and communication were not done optimally because there were misunderstandings with other staffs or suppliers in purchasing section. Monitoring activity in purchasing section was not done optimally because the problems of the evaluation were not fixed properly. 2) Internal control of food procurement in receiving section in BC Hotel was not done optimally. The implementation of control environment was not done properly due to lack of training time of the assigned officer. Control activity was not done optimally due to the loose of separation of duty, delayed documentation process, and internal audits that were not done on regular basis. Information and communication were not done optimally because there were misunderstandings in receiving with other staffs. Monitoring activity in receiving section was not done optimally due to the problems of the evaluation were not fixed properly.

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