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(Research Article)

An Internal Control Analysis of Credit Sales at Imported Meat Distributors in Cirebon Regency

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Abstract: This study analyzes the effectiveness of internal control over credit sales at an imported meat distributor in Cirebon, Indonesia, using the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. The research aims to identify weaknesses in the current system and propose implementable solutions. Data were collected through field observations, interviews, and documentation analysis. The findings reveal that the company's internal control does not yet align fully with the five COSO components—control environment, risk assessment, control activities, information and communication, and monitoring. Key issues include role overlaps, lack of formal credit policies, weak coordination, and informal communication methods. The absence of routine risk evaluations and inadequate credit monitoring further exacerbate inefficiencies. The study recommends organizational restructuring, development of a formal credit evaluation system, integration of a real-time accounting application, and the assignment of specialized staff for credit collection. These strategies are expected to strengthen internal control, reduce the risk of bad debts, and improve financial performance.

Keywords: Internal Control; Credit Sales; COSO Framework; Risk Assessment; Accounting Information Systems; Credit Management; Control Environment, Monitoring; Small Business Finance; Cirebon.

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1. Introduction

Imported meat plays a vital role in meeting the protein needs of the Indonesian population. At present, Indonesia still heavily relies on beef imports to fulfill national consumption demands. According to the Ministry of Agriculture of the Republic of Indonesia (2022), the country experienced a beef production deficit of approximately 248.65 thousand tons in 2022. Local beef production only reached a total supply of 470.02 thousand tons. However, with estimated national consumption at 745.96 thousand tons, there was a shortfall of 275.95 thousand tons. This deficit is projected to persist through 2026, with estimated shortfalls of 286 thousand tons in 2024, 291 thousand tons in 2025, and 307 thousand tons in 2026. Research conducted by IPB University (2024) indicated that domestic beef production in 2022 only fulfilled around 59% of total national demand. Consequently, the remaining demand must be met through imports from various countries, including Australia, India, and New Zealand (Badan Pusat Statistik, Statistik Perdagangan Luar Negeri, 2023).

Indonesia continues to depend on beef imports to meet its national consumption needs. Imported meat plays a strategic role in fulfilling the population's protein requirements. The Ministry of Agriculture (2024) reported that between 2019 and 2023, beef imports showed an increasing trend annually. In 2019, imports amounted to 197,364 tons, decreasing to 167,128 tons in 2020. However, from 2021 to 2023, there was consistent growth—211,429 tons in 2021, 225,650 tons in 2022, and 238,433 tons in 2023. This trend is illustrated in Figure I.1 below:

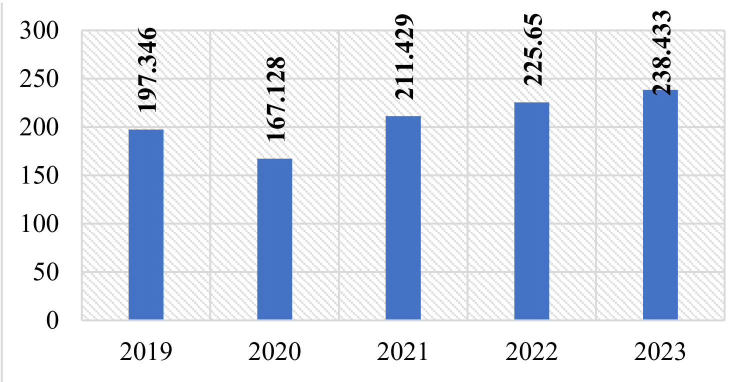

Figure I.1: Growth of Beef Imports in Indonesia, 2019–2023
Source: Ministry of Agriculture, 2024

In the context of Indonesia's rapidly growing population, which leads to increasing demand for animal protein, the role of Imported Meat Distributors in Cirebon Regency has become increasingly crucial. Their presence is not only essential in supporting food security but also contributes to controlling inflationary pressures in local markets. These distributors act as intermediaries between foreign meat suppliers and local consumers, ensuring access to high-quality meat at affordable market prices (Budiman et al., 2020). In fulfilling this role, imported meat distributors in Cirebon must consider multiple factors, including product quality, current government regulations, and evolving market trends.

Imported Meat Distributors in Cirebon Regency form a critical component of the food supply chain, helping to fulfill public demand for quality meat products. With the growing demand for imported meat in this region, these distributors serve as intermediaries between international suppliers and local consumers, including wholesalers, restaurants, hotels, and traditional markets. Their strategic importance continues to rise in line with the growth of the culinary industry and the demand for raw materials that meet food safety and quality standards (Roy & Ballantine, 2020).

Sales are a core activity in any business that involves the exchange of goods or services for monetary compensation or barter. According to Kotler and Keller (2020), a company's sales activity substantially determines its revenue and overall profitability. Businesses must continually strive to increase their sales to survive market competition, meet financial targets, and support operational and expansion efforts. Various strategies are employed to boost sales, including product improvement, advertising innovation, distribution expansion, and enhanced customer service quality. As stated by Weeygandt (2019), stable sales growth is a key indicator of a company's ability to maintain and sustain its financial health in the long term. The following table 1 presents sales data for imported meat at distributors in Cirebon Regency for the years 2022–2024:

Table 1 Imported Meat Sales Data – Cirebon Regency (2022–2024)

Year	Cartons	Units (Kg)	Sales (IDR)
2022	25,991	568,965	30,519,171,204
2023	34,965	753,164	38,749,060,354
2024	25,141	547,345	28,716,569,495

Source: Processed by the author from Sales Data of Imported Meat Distributors in Cirebon Regency

In Figure I.2 above, sales data from Imported Meat Distributors in Cirebon Regency from 2022 to 2024 exhibit noticeable fluctuations. In 2022, total sales amounted to IDR 30,519,171,204, with 25,991 cartons sold, representing a total weight of 568,965 kilograms. In 2023, all indicators increased significantly: total sales reached IDR 38,749,060,354, with 34,965 cartons sold and a total weight of 753,164 kilograms—making 2023 the peak year for sales. However, in 2024, sales declined to IDR 28,716,569,495, with 25,141 cartons and a weight of 547,345 kilograms, significantly lower than in the two preceding years. This decline was attributed to shifts in market demand and fluctuations in the price of imported meat.

In the context of business, sales are typically classified into two categories: cash sales and credit sales. According to accounting principles, cash sales refer to transactions in which payment is made at the time of delivery, thus minimizing the risk of bad debts and facilitating cash flow management. In contrast, credit sales occur when goods or services are delivered first, with payment deferred according to a mutually agreed schedule. Credit sales are often used to attract more customers and build business relationships, but they carry inherent risks due to the possibility of unpaid accounts—known as bad debts. To mitigate these risks, companies must implement procedures to minimize such losses (Horngren et al., 2018). Effective credit management ensures business continuity while keeping financial losses at a minimum.

In recent years, Imported Meat Distributors in Cirebon Regency have experienced significant growth in response to rising market demand. To meet this demand and expand their customer base, many distributors have started implementing credit sales systems (Kasmir, 2016). One strategic approach employed is offering credit facilities to customers—especially smaller retailers who often lack sufficient capital for upfront purchases (Setianto, 2020). While this approach has boosted both sales volume and profitability, it also introduces greater risks compared to cash transactions. These risks may include delayed payments, customer defaults, or even bankruptcy (Hery, 2018). Hence, comprehensive credit analysis is essential before extending credit, to reduce potential financial losses.

Under this new credit-based sales model, distributors face various risks such as unreliable credit, collection losses, and write-offs due to non-recoverable working capital. These risks not only threaten the company's financial performance but may also damage its reputation and sustainability. Therefore, businesses—particularly resellers—require a well-designed internal control system to manage and minimize such risks (Prabowo & Isro'iyah, 2022).The table 2 below presents cash and credit sales data from Imported Meat Distributors in Cirebon Regency from 2022 to 2024:

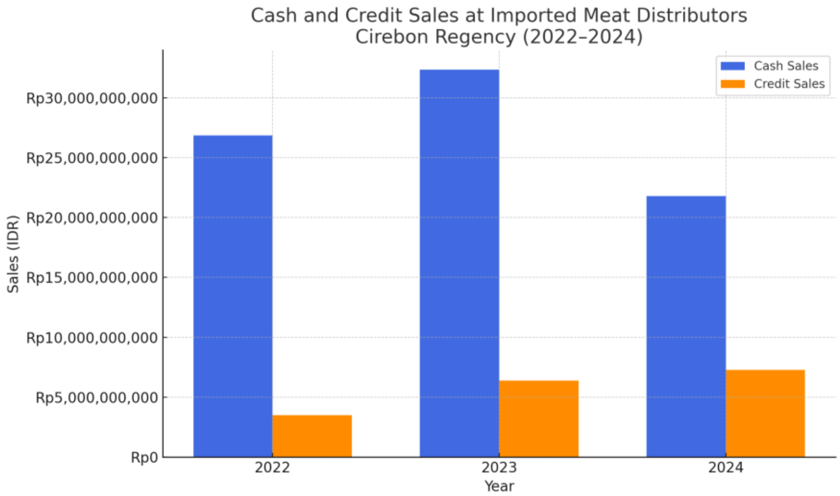

Figure I.3 Cash and Credit Sales at Imported Meat Distributors in Cirebon Regency (2022–2024)

Source: Mendeley Sales Report, Processed by the Author

Based on Figure I.3, sales performance at Imported Meat Distributors in Cirebon Regency over the past three years shows a fluctuating trend in both cash and credit transactions. In 2022, total cash sales were recorded at IDR 26,845,008,130, while credit sales amounted to IDR 3,492,961,625. In 2023, there was a significant increase in cash transactions, reaching IDR 32,350,224,790, and credit sales also rose to IDR 6,382,383,465. However, in 2024, the overall sales trend declined compared to the previous year. Cash sales dropped to IDR 21,780,352,101, while credit sales continued to increase, reaching IDR 7,287,738,919.

This data reveals a noteworthy phenomenon: although cash transactions remain dominant, credit sales have steadily increased over the past three years. This indicates that the flexible credit policy has encouraged customers to opt for credit payment methods, which in turn can impact cash flow management and long-term business strategy for the distributor.
According to Mulyadi (2018), an internal control system is a process involving the coordination of organizational structure, methods, and standards used to safeguard company assets, ensure the accuracy and reliability of accounting data, enhance efficiency, and ensure compliance with management policies. Setting a clear credit policy is equally important. Each company should establish creditworthiness assessment criteria for customers, which must be consistently followed by all staff. Non-compliance increases the likelihood of bad debts. Therefore, it is crucial that all personnel receive adequate training and that continuous communication of credit policies is maintained.

Internal controls are designed to detect and prevent fraudulent activities. In credit sales, fraud can be committed by either employees or customers. For example, an employee might extend credit to an unqualified customer in exchange for personal gain such as commissions. To mitigate such risks, companies should implement a strong internal audit system, allowing for regular transaction audits to ensure alignment with existing policies (Prabowo & Isro'iyah, 2022).

In practice, late payments can severely disrupt cash flow and affect the company's relationships with suppliers and creditors. Delays in fulfilling financial obligations may lead to difficulties in securing needed goods or services. Thus, imported meat distributors must develop effective strategies to handle delayed payments—such as offering early payment discounts or imposing late fees (Rogowski, 2019). These strategies not only help maintain cash flow stability but also encourage customers to make timely payments, thereby strengthening business relationships and trust (Ahsan et al., 2023).

In today's business landscape, an integrated internal control system is essential to support operational effectiveness and efficiency—particularly in distribution activities. One critical element in maintaining financial stability is managing accounts receivable from credit sales (Fauzen Adiman et al., 2023a). Credit sales have become a common strategy to boost volume by offering flexible payment options to customers. However, they also pose risks such as uncollectible receivables, payment delays, and fraud. Therefore, an adequate internal control system is required to effectively manage these risks (Sari & Buana, 2022) and ensure healthy cash flow. The implementation of strict monitoring procedures, such as customer credit assessments before transactions and oversight of the billing process, can significantly reduce the potential for losses due to uncollectible accounts.

Table 1.1 Uncollectible Sales at Imported Meat Distributors in Cirebon Regency

No.	Date	Customer Name	Address	Amount (IDR)
1	11/09/2017	Mr. Fery	Jati Asih	64138300
2	01/01/2018	Hanani	Kediri	37050075
3	15/03/2018	Hanani	Kediri	65003945
4	03/06/2019	Joni	Ketanggungan	8525890
5	23/03/2018	Imam	Kediri	15720000
6	04/04/2018	Sarwanto	Pekalongan	41098310
7	18/04/2018	Mrs. Sukar	Kudus	32120000
8	19/04/2018	Sarwanto	Pekalongan	48203650
9	01/05/2018	Sarwanto	Pekalongan	36908000
10	14/05/2018	Sarwanto	Pekalongan	44856000
11	22/06/2018	Uus	Rajagaluh	5902000
12	24/06/2018	Subur	Kediri	46088000
13	09/11/2018	Wijaya	Ciledug	5539120
14	02/12/2018	Uus	Rajagaluh	5453000

Source: Uncollectible Receivables, Processed by the Author

Table I-1 shows that the imported meat distributor in Cirebon Regency suffered a financial loss amounting to IDR 456,606,290 due to uncollectible accounts receivable. This issue highlights the considerable risk faced by the company, largely attributed to weak internal control mechanisms in managing credit sales transactions. To prevent similar incidents in the future, it is imperative to implement stricter monitoring procedures. These procedures include conducting a thorough creditworthiness analysis of customers prior to transactions and consistently monitoring and evaluating the billing process. Moreover, maintaining accurate records and utilizing technology in receivables management will assist in early risk detection and strengthen preventive measures.

The imported meat distributor in Cirebon Regency is among the rapidly growing enterprises in the retail and distribution industry, especially given the rising demand for high-quality meat. Hence, it is crucial to understand that such significant growth is not solely determined by sales volume but also by how effectively the company manages its receivables. Efficient receivables management is vital to boosting the company's revenue and profitability. Conversely, poor receivables management can be detrimental, particularly in terms of profitability (Sari & Buana, 2022).

Based on field observations, it was found that the distributor has not yet implemented an optimal internal control system. This is evident in various operational issues, one of which is the lack of proper work hour recording, allowing employees to arrive late without any disciplinary consequences or adequate supervision. This situation reflects weak control over work discipline.

Another significant problem lies in overlapping job responsibilities across departments that should ideally have distinct functions and duties. For instance, the administration staff is responsible not only for printing invoices but also for physically checking stock daily. They also substitute for the finance department during weekends. Similarly, the marketing department not only handles sales orders but also acts as receivables collectors, occasionally substitutes for delivery drivers, and manages inventory orders. Meanwhile, finance staff are overwhelmed with multiple responsibilities including transaction recording, payroll, debt write-offs, debt collection, and shipping coordination.

This disorder is exacerbated by the absence of a formal policy regulating credit limits granted to customers. As a result, the company is exposed to significant risks of uncollectible accounts, which can jeopardize its financial stability. These overlapping duties, coupled with the high volume of transactions, increase the likelihood of errors and fraud due to lack of controls or authority misuse.

Overall, this situation indicates the urgent need for improvement in the organizational structure and internal control systems at the imported meat distributor in Cirebon Regency. The company must define clearer job responsibilities and establish policies that strengthen monitoring to minimize both operational and financial risks in the future.

According to Sumiyati & Safrizal (2024), as a company grows, internal control becomes essential to ensure all business processes function effectively and efficiently to achieve organizational goals. Internal control systems must therefore be designed, implemented, and monitored regularly by management to evaluate their alignment with expected outcomes and determine corrective actions when discrepancies arise, ensuring organizational systems operate efficiently.

The COSO framework (Committee of Sponsoring Organizations of the Treadway Commission) offers a structured model for developing, implementing, and maintaining an effective internal control system. According to COSO, internal control consists of five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring (Mulyadi, 2016). These components work in concert to determine the overall effectiveness of an internal control system. The COSO framework can be applied as an analytical basis to assess internal control effectiveness, considering real-world business conditions, especially in local enterprises. This comprehensive model is widely used for evaluating internal control systems in organizations.

In the context of credit sales, applying the COSO framework is crucial in helping companies identify, manage, and mitigate risks associated with credit transactions. The control environment reflects management's commitment and attitude toward internal control, demonstrated by written credit policies, clearly defined responsibilities across departments, and employee training on credit procedures and work ethics.

The risk assessment component involves identifying potential issues such as customer default or employee abuse of authority during credit granting. This assessment underpins the development of risk-mitigating policies, such as credit limits or creditworthiness evaluations (Suhardi et al., 2022). The control activities component relates to implementing standard operating procedures to reduce risk, such as background checks before granting credit, segregation of duties between credit approval and billing, and proper documentation of transactions.

Regarding information and communication, companies must ensure that all relevant data on credit sales are timely and accurately accessible to stakeholders. Integrated information systems and regularly updated receivables reports are vital for informed decision-making (Fauzen Adiman et al., 2023b).

Lastly, the monitoring component includes regular internal audits, compliance checks with credit policies, and corrective actions when discrepancies are found. Integrating all five COSO components enables companies to build a reliable internal control system for credit sales, reduce losses, and improve operational accountability and efficiency (Khersiat, 2020).

Based on the background previously described, several key issues have been identified concerning the operations of the imported meat distributor in Cirebon Regency. First, there was a noticeable decline in sales in 2024, which can be attributed to a shift in market demand and fluctuations in the price of imported meat. This change reflects a broader trend in consumer behavior and market dynamics that has negatively affected revenue. Second, the distributor has experienced a consistent increase in credit sales from 2022 to 2024. This trend suggests that the implementation of a flexible credit policy has successfully encouraged more customers to utilize credit-based payment methods. While this may have contributed to short-term sales growth, it poses long-term challenges in cash flow management and requires the development of strategic financial planning to mitigate potential risks. Most significantly, the company incurred a loss of IDR 456,606,290 due to uncollectible receivables. This issue highlights the substantial risks associated with credit sales and indicates weaknesses in the company's internal control system, particularly in managing customer creditworthiness, billing processes, and collection efforts. Without immediate improvements to internal control mechanisms, the company may continue to face financial instability and increased vulnerability to bad debts in the future.

Based on the aforementioned background, the researcher is interested in conducting a study entitled “An Analysis of Internal Control Over Credit Sales at Imported Meat Distributors in Cirebon Regency.”

2. Literature Review

2.1 Internal control

Internal control plays a pivotal role in maintaining the stability and sustainability of business operations, particularly in the management of credit sales. According to **Mulyadi (2018)**, internal control is a structured process involving organizational structures, policies, and procedures designed to protect company assets, ensure the accuracy of accounting records, promote efficiency, and ensure compliance with management directives. The objective of internal control is not merely compliance but also the enhancement of performance and risk mitigation.

A widely accepted framework for internal control is the **COSO (Committee of Sponsoring Organizations of the Treadway Commission)** model, which consists of five components: control environment, risk assessment, control activities, information and communication, and monitoring (COSO, 2013). These components are interrelated and must operate together to ensure effective risk management, particularly in credit-related processes. According to **Hall (2016)**, organizations that implement COSO-based controls report higher reliability in financial reporting and reduced financial misconduct.

Credit sales, although beneficial in increasing customer acquisition and retention, pose significant financial risks. As emphasized by **Horngren et al. (2018)**, while credit sales can enhance revenue streams, they can also result in bad debts if not properly managed. Thus, companies must carefully assess customer creditworthiness and establish clear credit terms. **Kasmir (2016)** highlights the importance of a company's credit policy in managing receivables, including proper documentation, credit limits, and regular monitoring.

Research by **Rogowski (2019)** supports the implementation of proactive receivable management strategies, such as offering early payment discounts and charging penalties for late payments, to enhance cash flow and reduce overdue accounts. Meanwhile, **Setianto (2020)** found that flexible credit policies significantly increased sales but also necessitated stronger controls to avoid excessive exposure to credit risk.

Indonesian case studies provide further insight. **Sumiyati and Safrizal (2024)** observed that weak internal control at PT PCS resulted in uncollectible receivables and tax-related issues. Similarly, **Widiyanto (2023)** found that function overlap and the absence of standard operating procedures at CV Sentosa Maju Jaya led to inefficient receivable collections and higher instances of fraud. The studies underscore the need for strict role segregation, routine internal audits, and employee accountability.

In addition, **Prabowo & Isro'iyah (2022)** argue that internal control systems serve not only to prevent fraud but also to improve operational effectiveness and protect against financial losses. Their findings reveal that companies with integrated financial systems and clear reporting lines have better receivable turnover ratios.

Technological integration also supports internal control effectiveness. According to **Sari & Buana (2022)**, automation in billing and collection processes significantly reduces human error and speeds up decision-making. This is especially important for companies facing large transaction volumes, such as meat distributors.

Furthermore, **Fauzen Adiman et al. (2023)** highlight that internal control must be localized to reflect business conditions in specific regions. In rural or semi-urban areas like Cirebon Regency, limited access to financial systems and informal transaction norms present unique challenges that must be addressed through tailored internal control strategies.

In line with the COSO framework, **Suhardi et al. (2022)** state that risk assessment and ongoing monitoring are critical in managing receivables. Companies must regularly review customer payment histories and adjust their credit policies accordingly to avoid liquidity issues and insolvency.

In summary, existing literature supports the assertion that effective internal control—particularly aligned with the COSO framework—plays a critical role in minimizing the risks associated with credit sales. Through clear organizational structure, role clarity, appropriate credit analysis, and use of technology, businesses such as imported meat distributors in Cirebon Regency can improve their financial health, reduce uncollectible receivables, and enhance long-term sustainability.

2.2 Credit Sales: Definition and Strategic Implications

Credit sales refer to a system of transaction in which payment is made after the buyer receives the goods, based on an agreed-upon credit period between the buyer and the seller. This method allows customers to acquire goods or services without making an upfront payment, providing them with flexibility in managing their finances (Widiyanti, 2022a). In a more formal sense, credit sales are defined as transactions in which goods or services are delivered with the understanding that payment will be made within a predetermined period. This system serves as an effective strategy for businesses to increase their sales volume and expand market share. However, it also exposes the company to the inherent risk of uncollected receivables or bad debts.

Hery (2018) emphasizes that credit sales inherently create accounts receivable for the company, which must be managed efficiently to mitigate the risk of financial losses. Poor receivables management can lead to significant cash flow problems and threaten business sustainability. Therefore, companies adopting credit sales must establish robust credit policies, including evaluating customer creditworthiness and implementing structured billing systems.

Furthermore, Budiman et al. (2020) argue that credit sales can enhance customer loyalty by offering convenience and financial flexibility. This, in turn, contributes to customer retention and supports long-term business growth. However, the adoption of credit sales must go hand in hand with sound internal controls and monitoring systems to prevent delays in payments and to ensure the effectiveness of the credit policy.

In sum, while credit sales are a strategic tool for boosting revenue and expanding customer bases, they also require strong internal control mechanisms to manage the risks associated with delayed or defaulted payments. A well-structured credit management system—supported by regular credit analysis, effective collection strategies, and continuous monitoring—can optimize the benefits of credit sales while safeguarding the company's financial health.

2.3 Conceptual Framework

The implementation of credit sales is one of the strategies widely adopted by distribution companies, including the Imported Meat Distributor in Cirebon Regency. This strategy can increase sales volume and expand market reach. However, credit sales also bring consequences, particularly the heightened risk of default, which can directly impact the company's financial health (Widiyanti, 2022b). Therefore, a reliable internal control system is essential to manage these risks effectively.

One of the most widely adopted frameworks for internal control systems is the COSO Framework (Committee of Sponsoring Organizations of the Treadway Commission). COSO outlines five key components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Proper implementation of these five components is believed to strengthen risk management within organizations, including those related to credit sales (Saputra & Novita, 2023; Mulyadi, 2016).

Currently, the Imported Meat Distributor in Cirebon Regency is facing a serious challenge, having suffered losses of over IDR 456 million due to uncollectible receivables. This highlights fundamental weaknesses in credit risk management, driven by several factors such as the absence of clear credit limits, weak debtor creditworthiness analysis, and insufficient monitoring of outstanding receivables (Hidayat et al., n.d.). To address these challenges, the company must integrate a risk-based internal control system and regularly evaluate its credit policies (Kumala & Abu Bakar, 2022).

An effective internal control system not only helps mitigate credit risks but also serves as a guide in operational decision-making processes. As emphasized by Sari (2022), a strong internal control system ensures that all credit transactions are conducted with prudence, efficiency, and accountability. In this context, several strategic steps can be undertaken: establishing measurable creditworthiness assessment procedures, limiting credit based on customer risk profiles, actively monitoring customer payments, and providing transparent and up-to-date financial reporting.

Although many companies have adopted the COSO framework, weaknesses are still found in the areas of control activities and monitoring (Fadlan et al., 2018). In the first component—control environment—companies must foster a work culture based on integrity, professionalism, and a clear organizational structure (Leke et al., 2022). The risk assessment component involves identifying risks of default due to fluctuations in meat prices and market demand uncertainty (Horngren et al., 2018).

Next, control activities involve verifying customer creditworthiness, setting credit limits, and supervising cash flow (Usta, 2022). The information and communication component emphasizes accurate data and timely information sharing between departments to prevent delays in managing receivables (Khairunnisa et al., 2022). Finally, the monitoring component is implemented through internal audits and periodic evaluations of receivables management procedures (Yurii, 2022).

Previous studies have confirmed the importance of applying the COSO framework in credit control. Krisdianti and Supriatna (2022) demonstrated that companies which implemented the COSO system comprehensively experienced significant reductions in accounting errors and improvements in operational efficiency. Therefore, by strengthening the five COSO components, the Imported Meat Distributor in Cirebon Regency can reduce the risk of default and develop a safer, more efficient, and sustainable credit sales system.

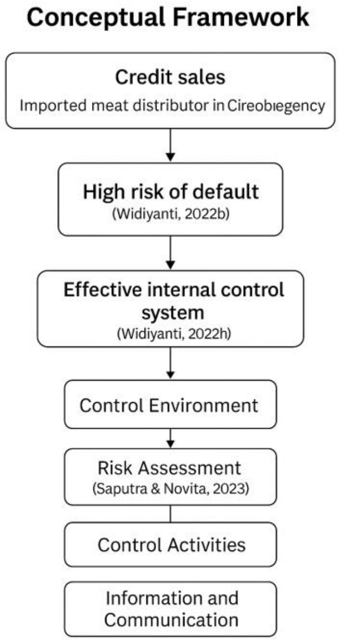

Figure 2. Conceptual Framework

The conceptual framework illustrated above serves as a foundation for analyzing internal control over credit sales at the Imported Meat Distributor in Cirebon Regency. It adopts the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, which is widely recognized as a comprehensive model for designing and evaluating internal control systems. This framework comprises five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring. Each component plays a crucial role in minimizing risks associated with credit transactions and ensuring the reliability of financial operations. The integration of these elements is essential to enhance the company's ability to manage uncollectible receivables, reduce the likelihood of fraud, and support sustainable business growth. By implementing this conceptual model, the company is expected to strengthen its internal control system, particularly in mitigating risks arising from increasing credit sales and uncollected debts.

3. Research Methods

This study employs a qualitative research method. According to Jaya (2020), qualitative research is conducted comprehensively on a particular subject, where the researcher serves as the primary instrument in the data collection and analysis process. Qualitative research emphasizes meaning and depth of understanding rather than generalization. This study is a case study using a descriptive analysis method, with the object of research being an imported meat distributor located in Cirebon Regency. Data were collected through interviews with the business owner and direct field observations to obtain accurate and contextual information regarding the company's sales practices.

For this study, the population or social context to be analyzed includes the entire system, procedures, documents, reports, and all parties involved in operational activities directly related to the recording, storage, and supervision of credit sales at the imported meat distribution company in Cirebon Regency. The sample selected in this study consists of internal control and credit sales at the imported meat distributor in Cirebon Regency from 2022 to 2024. The research was conducted from February to July 2025.

3.1 Data Collection Technique

Before collecting data in the field, the first step involved identifying the research location and gaining access, followed by reporting the research intent to the selected informants. This stage aimed to inform participants about the purpose of the research. Afterward, the researcher proceeded to the data collection phase according to the predetermined timeline. During this stage, the researcher built communication with the informants to gather the necessary information.

Data were collected and explored through interviews with key informants and by examining sales documents. In qualitative research, the primary data sources are words and actions obtained through direct observation and interviews. The Distributor of imported meat in Cirebon Regency uses office-based software applications designed to streamline data processing—from data entry and management to the preparation of financial reports. Important information was recorded and stored for further analysis. The final stage included resolving field-related issues and properly storing collected data, following the data collection procedures outlined by Creswell (Noviriani et al., 2022).

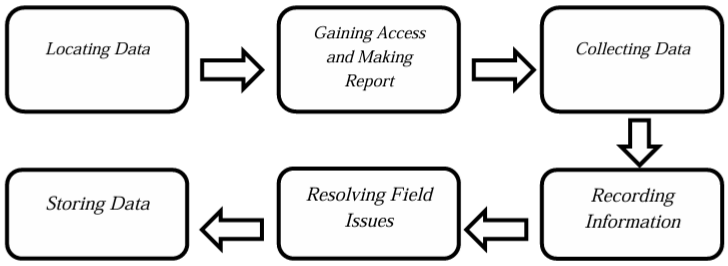

Figure 3. Collection Data Step
Source : Creswell (Noviriani et al., 2022)

3.2 Data Validity Testing

In this study, data validity was tested using two techniques proposed by Jaya (2020), namely:

3.2.1 Triangulation

Triangulation refers to a credibility test conducted by integrating various data collection techniques, such as observation, interviews, and document analysis, drawn from different data sources. This approach aims to enhance the validity of research results by comparing information obtained from multiple sources.

3.2.1 Member Checking

Member checking is a method used to ensure the credibility of data collected in the field. This process involves verification by the informants themselves to confirm that the data accurately reflects what they conveyed. This technique significantly contributes to increasing the trustworthiness and validity of the research findings.

3.3 Data Analysis Technique

In qualitative research, the data analysis process consists of three main stages that occur simultaneously: data reduction, data presentation, and drawing conclusions. These stages are not conducted separately but are integrated and take place concurrently. The flow of these activities is visualized in the illustration below.

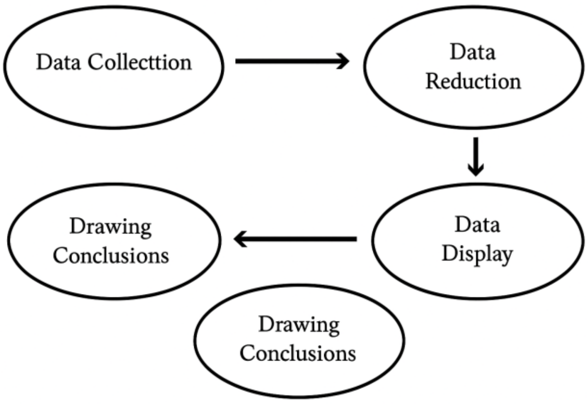

Figure 3.2 Flow of Activities
Source: Sugiyono (in Jaya, 2020)

Data Collection
Data collection is a systematic process of obtaining relevant and accurate information from various sources in order to answer the research questions, test hypotheses, or achieve research objectives. In both qualitative and quantitative research, this activity plays a crucial role as it serves as the foundation for analysis and conclusion. Data can be collected through various methods such as observation, interviews, questionnaires, document studies, or a combination of these methods, depending on the research design and approach. The validity and reliability of the data heavily depend on the accuracy of the chosen collection techniques and the researcher's ability to apply them effectively in the field.

Data Reduction
Data reduction is an analytical process involving the selection, organization, simplification, and focus on the essential parts of the collected data. This stage is conducted based on the documentation of observations and interviews recorded by the researcher during direct interactions with informants. The aim is to organize the data systematically in accordance with the research focus.

Data Presentation
The next step is data presentation, which can take various visual forms such as diagrams, tables, graphs, or other representations. The purpose of this stage is to organize information in a structured manner so that it is clearer, more organized, and easier to understand for readers or stakeholders.

Conclusion Drawing
The final stage in the data analysis process is drawing conclusions. The conclusions developed by the researcher are dynamic and may change if new data or evidence emerges during the research process. This allows the researcher to formulate a stronger and more valid final conclusion supported by field findings.

4. Result and Discussion

4.1.1 Credit Sales Process at the Imported Meat Distributor in Cirebon Regency

a. Sales Order Procedure

The credit sales process at the Imported Meat Distributor in Cirebon Regency begins when a customer places an order with the marketing department. At this stage, both the product specifications and the agreed price are confirmed. Once the order is validated, the marketing department communicates the details to an internal WhatsApp group, which serves as an informal yet immediate instruction for same-day dispatch. As stated by one marketing staff member during the interview:

"Usually, I offer products to customers and inform them about the pricing. Once confirmed, I forward the order details to our internal WhatsApp group for immediate processing."

This description highlights the use of informal communication tools for order processing, which, while practical and efficient, lack formal documentation and digital tracking systems. Upon receiving the order notification, the administrative department is responsible for recording the transaction in a logbook, verifying inventory availability, and printing the sales invoice.

The administrative staff elaborated:

"When there's an order from marketing, I first note it in the logbook. Orders are usually sent via our WhatsApp group. I then check the stock, and if everything is available, I proceed with printing the sales invoice."

Following this, the goods are dispatched, and the sales invoice is issued as formal evidence of the transaction. Despite the sequential and routine nature of this workflow, the process remains heavily reliant on manual input and informal communication, which may pose risks of administrative error, delayed recording, or data inconsistency. For this reason, it is strongly recommended that the distributor adopt a more integrated and automated sales management system to enhance operational efficiency, data accuracy, and documentation quality.

b. Credit Approval Procedure

To accommodate customers requiring flexible payment options, the distributor has implemented a credit sales policy. This strategy aims not only to build customer loyalty but also to facilitate continuous transaction flows. Credit is generally extended upon customer request and is subsequently discussed and recommended by the marketing department to the business owner. As noted by the marketing staff:

"We only give recommendations, but the final decision is always made by the owner. Sometimes, we also inform the finance and administration departments."

The business owner confirmed this process:

"I usually grant the final approval myself, although marketing often provides recommendations."

Currently, the distributor lacks a formal credit evaluation system or documented criteria. However, several informal considerations are used to assess creditworthiness, including purchase history, the quality of the business relationship, and consistency in prior payments. The owner acknowledged:

"I assess a customer's previous purchases, the strength of our business relationship, and how promptly they pay. But no formal written system has been implemented."

For new customers, a single unpaid invoice policy is enforced: customers must settle outstanding invoices before receiving additional deliveries. Once customers establish a good payment track record, further approvals are no longer required unless there are violations of prior agreements.

It is important to note that the distributor does not impose a credit limit per customer. As long as previous invoices are settled, larger orders are permitted—even if the order value exceeds the previous credit. While this offers transactional flexibility, it increases the risk of unmanaged credit exposure.

Regarding payment terms, no formally documented due date exists. However, a generally accepted flexible payment period ranges from two weeks to one month. The owner explained:

"We have some general rules, but they're flexible. Typically, the maximum time to settle a payment is between two weeks and one month."

If a customer fails to place a new order for an extended period, informal debt collection is initiated by the marketing staff, usually through direct communication or WhatsApp messages. No formal collection documents or reports are used in this process.

While a digital application is employed to record sales transactions, the credit control system remains underdeveloped—especially in terms of receivables management. One administrative staff member noted:

"Yes, we use the system for sales, but overall credit management is the responsibility of the finance department."

This statement reflects the limited integration of credit control functions within the current information system. The collection process remains manual, and the staff in charge also holds multiple responsibilities, leading to delays and inconsistencies in debt collection.

Although the use of digital tools is a positive development, the effectiveness of internal controls over credit sales still heavily depends on interdepartmental coordination and individual performance. To strengthen the system, the implementation of automated features in the application, clearer task delegation, and the appointment of a dedicated credit monitoring officer are recommended. These improvements are critical to ensuring accountability and minimizing the risk of uncollected receivables. The overall credit approval procedure is illustrated in Figure 43, which outlines the informal yet structured flow of communication and decision-making used by the company.

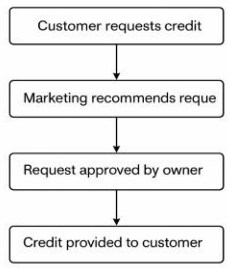

Figure 4.3. Credit Approval Procedure
Source: Imported Meat Distributor in Cirebon Regency, processed by the author.

c. Delivery Procedure
The distribution procedure at the Imported Meat Distributor in Cirebon Regency begins with the order being recorded by the administrative staff. After the order is logged, the administrator coordinates with the warehouse team to prepare the items to be delivered. The warehouse staff prepares the products under the supervision of the administrator to ensure that the items match the customer's request. In an interview, the administrator explained the initial steps as follows:
"Usually, when there's an order from marketing, I record it in the logbook first. Orders typically come through the WhatsApp group. After that, I check the stock availability. If everything is available, then I proceed to issue the sales invoice."

This statement shows that the initial process is still manual and relies heavily on interdepartmental communication, particularly to confirm stock availability before printing documentation and proceeding with delivery. The Warehouse Head is responsible for the final inspection of the quantity and types of items to be released from the warehouse, based on the approved order. Once the inspection is completed, the administrator prepares the sales invoice. The goods, along with the invoice, are then loaded into the delivery vehicle. Regarding payment, there are two types of systems in place:

Cash Payment:
Cash sales occur when customers make immediate payments, either in cash or via bank transfer. After the payment is made, customers receive the white copy of the invoice as proof of transaction. Meanwhile, the red invoice, along with the payment, is handed over by the delivery driver to the administrative department as supporting documentation indicating that the transaction has been completed.

Credit Payment:
For credit payments, the customer receives a copy of the invoice from the driver and signs it upon receiving the goods as proof of delivery. The red invoice is kept for the accounts receivable process, while the white invoice is returned to the admin by the driver to serve as evidence of delivery and a basis for recording receivables.

The following illustration presents the delivery procedure used by the Imported Meat Distributor in Cirebon Regency:

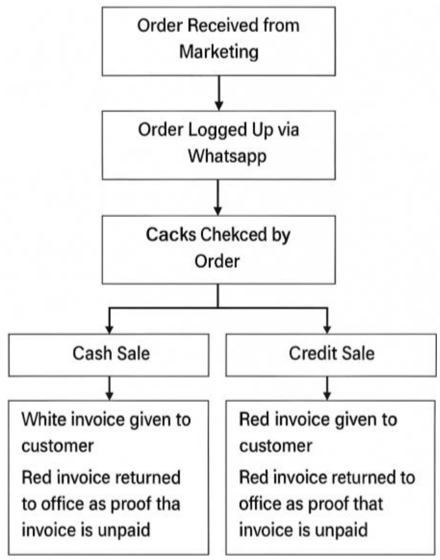

Figure 4.4. DeliveryProcedure

Source: Imported Meat Distributor in Cirebon Regency, processed by the author.

d. Billing Procedure

The Imported Meat Distributor in Cirebon Regency implements a billing procedure aligned with customer purchasing behavior and payment patterns. The primary goal is to maintain smooth cash flow and minimize the risk of problematic receivables.

Billing typically occurs under specific conditions. One common instance is when customers place a repeat order, where they are usually required to settle the outstanding invoice before their new order is processed. However, in actual business practice, there are occasions where goods are still delivered despite previous invoices remaining unpaid. In such cases, the marketing team takes the initiative to follow up with customers, often the following day, especially when two or more invoices are overdue.

In addition to marketing, the finance department is actively involved in the billing process. They are responsible for reminding and following up on receivables directly with customers. This involvement represents a strategic approach to prevent receivables from accumulating and to ensure the company's financial health. Based on interview findings, marketing staff confirmed their role in the billing process:

"This happens quite often, since customers interact more frequently with us. Therefore, we often assist in following up."

Marketing personnel are also aware that the finance department shares responsibilities in delivery and billing:

"Yes, I know, the finance department is also involved in the billing process."

This was reinforced by the administrator, who acknowledged that task delegation between departments is not yet fully structured. While this operational flexibility may help processes run in real-time, the overlapping of responsibilities risks inefficiencies and potential errors. This highlights the need to redesign the organizational structure and internal control systems to better support sustainable operational performance.

e. Accounting Procedure

The operational system implemented by the Imported Meat Distributor in Cirebon Regency integrates an internal application that facilitates automatic recording of every approved sales invoice. Once validated by the responsible personnel, sales transactions are recorded by administrative staff into the system. This digital system classifies sales recapitulations and reconciles customer receivable balances based on logged transactional data. It is important to note that the administrative team does not conduct manual bookkeeping, as the application is designed to handle automated input, including transaction entries and receivable balances. This approach improves administrative efficiency and enhances the accuracy of financial reporting and receivable monitoring.

When customers make cash payments through the delivery driver at the point of delivery, the funds are returned to the office along with supporting documents such as receipts and invoice references. These documents are then verified by the accounting department to ensure accountability and transparency. The accounting staff match the received amount with the recorded transaction data before the transaction is officially posted using standard accounting entries—debiting the cash or bank account and crediting accounts receivable.

This process is an integral part of the company's internal control system aimed at maintaining proper cash flow records and ensuring timely and accurate customer payment documentation. In addition, periodic reconciliation performed by the administration, finance, and accounting departments ensures the consistency between system data and actual payments received. Despite the implementation of an automated accounting information system, manual validation of cash receipts remains necessary as a supervisory measure and risk mitigation against potential errors or fraud. As such, the accounting records not only function as a documentation tool but also serve as a critical instrument in safeguarding the integrity of financial statements and supporting smooth overall business operations. Figure 4.5 displays the interface of the company's internal accounting system used at the imported meat distributor in Cirebon Regency.

Figure 4.5 Internal Accounting System Used At The Imported Meat Distributor In Cirebon Regency

Credit Sales Process at the Imported Meat Distributor in Cirebon Regency

The sales order procedure at the Imported Meat Distributor in Cirebon Regency begins with customers placing orders directly with the marketing department, where product specifications and pricing are mutually agreed upon. Upon confirmation, order details are shared via the company's internal WhatsApp group as instructions for the administrative department to record and verify stock availability, followed by the issuance of a sales invoice. The credit approval procedure is conducted informally, initiated by the customer's request to the marketing team and forwarded to the business owner, who holds final decision-making authority. This process lacks a written credit evaluation system, with decisions instead based on the customer's purchase history, business relationship quality, and prior payment performance. Although a policy is in place requiring full settlement of one invoice before processing the next, credit limits and repayment terms remain flexible.

The delivery process follows order recording and coordination with the warehouse to prepare goods in accordance with the request. Goods are delivered alongside the invoice and recorded based on the payment method—cash or credit. Collections are handled by both the marketing and finance departments, typically on an informal basis, either during repeat orders or when multiple invoices remain unpaid. This indicates overlapping roles and a lack of clearly structured task distribution. Accounting procedures are conducted automatically using an internal application developed by the company, which systematizes sales summaries and accounts receivable records, eliminating the need for additional manual processing.

4.3 Discussion

The focus of this study is to address the main research question regarding the effectiveness of internal control over credit sales implemented by the Imported Meat Distributor in Cirebon Regency. It also aims to identify the challenges encountered in its implementation and to propose feasible alternative solutions. The analysis is conducted through an in-depth examination of data obtained from field observations, interviews, and document analysis, assessed using the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. This framework consists of five key elements: control environment, risk assessment, control activities, information and communication, and monitoring.

Through this approach, the discussion is directed toward evaluating the extent to which the existing internal control system aligns with good governance principles, while also revealing structural and functional weaknesses identified during implementation. Furthermore, this section offers practical and implementable recommendations to enhance the company's internal control system—particularly in safeguarding the quality and security of accounts receivable against the risk of loss due to customers' non-compliance with payment obligations.

4.3.1 Analysis of the Suitability of Internal Control Based on COSO Components

Control Environment

The control environment is the foundation of an internal control system, reflecting the organization's values, integrity, structure, and top management's commitment to effective control. Based on the research findings, the organizational structure at the Imported Meat Distributor in Cirebon Regency does not fully reflect a clear and proportional division of roles. There is an overlap in authority and responsibilities between departments. For instance, marketing staff also serve as drivers, order processors, and are involved in debt collection. Furthermore, the finance division concurrently undertakes supervisory functions. The absence of clear job separation and the lack of documented policies indicate that the control environment has not yet met COSO principles.

Risk Assessment

This component emphasizes the need for organizations to identify and assess risks that may hinder operational and financial objectives, particularly in credit sales. Field data reveal that the distributor lacks a structured risk assessment system, such as customer credit scoring, creditworthiness analysis, or accounts receivable limits. Credit approvals are given orally by the business owner without any formal written procedures, making credit decisions subjective and vulnerable to bad debts.

Control Activities

Control activities are policies and procedures designed to mitigate risks and ensure management directives are properly executed. In the context of credit sales, this should include transaction authorization, shipping authorization, and receivable verification. However, in practice, the distributor often proceeds with delivery even when previous invoices remain unpaid. Payment verification procedures before delivery are inconsistently applied, and the coordination among divisions in managing receivables is still weak. Moreover, there is no designated officer responsible for monitoring receivables on a regular basis.

Information and Communication

An internal communication system should ensure timely and accurate dissemination of relevant information to all departments. Research findings indicate that communication among departments (marketing, administration, and finance) primarily relies on informal tools such as WhatsApp groups, without an integrated reporting system. Although an internal application is used to record sales transactions, receivable information and payment statuses are not fully utilized as the basis for operational decisions.

Monitoring

Monitoring refers to ongoing evaluations to assess the overall effectiveness of internal control. At the distributor, there is no internal audit function nor regular assessments of receivable control effectiveness. Monitoring is reactive and carried out informally by finance or marketing staff, without the use of receivables aging reports. This increases the risk of uncollected debts and reduces the company's ability to respond quickly to financial losses.

Based on the analysis of the five COSO components, it can be concluded that the implementation of internal control over credit sales at the Imported Meat Distributor in Cirebon Regency has not fully aligned with ideal internal control principles. This is due to weak documentation, a lack of formal control structures, and the absence of comprehensive risk evaluation and monitoring systems. Therefore, the company must undertake gradual and holistic improvements in policies, organizational structure, information systems, and human resource capabilities to establish an effective and sustainable internal control system.

The findings of this study reveal that internal control over credit sales at the distributor has not met the five core components of the COSO framework—control environment, risk assessment, control activities, information and communication, and monitoring. Regarding the control environment, the lack of a well-defined organizational structure and unclear segregation of duties between authorization, recording, and supervision functions demonstrate a weak control foundation. The risk assessment component is also ineffective, as there are no formal procedures to evaluate customers' creditworthiness or limit their receivables. Control activities remain informal and undocumented, increasing the risk of irregularities in sales and collection processes. The communication system is not fully integrated, resulting in delays in decision-making. Meanwhile, the absence of an internal audit function and receivables aging reports shows that monitoring activities are not conducted systematically.

This finding supports previous research by Assyifa Nurul Haq and Anita Handayani (2024), who examined internal control over receivables at PT XYZ and found that the lack of segregation of duties and proper documentation could increase the risk of bad debts. Their study highlighted the importance of adopting strong internal control principles to enhance accountability and transparency in credit sales—a concern also reflected in this study.

Moreover, the current research aligns with the findings of Vidya Hangialevi Waninghiyun and Erry Andhaniwati (2024), who studied the role of receivables accounting information systems at PT Tunas Surya Sentausa. They concluded that companies using integrated accounting information systems could improve internal control effectiveness. Their emphasis on formal credit assessment and receivables monitoring procedures echoes the issues identified in this study, particularly the lack of a structured risk evaluation system at the distributor.

Similarly, Iswandir (2024), in his research on the effectiveness of internal control over credit sales at PT XYZ, concluded that clearly defined task segregation reduces errors and fraud in transaction recording. This study reinforces that finding, as the distributor's overlapping roles between divisions continue to hinder the effectiveness of its internal control system. Hence, there is a clear need to restructure the organization and assign responsibilities more distinctly to strengthen internal controls and reduce the risk of losses due to delinquent payments.

4.3.2 Constraints and Solutions in the Implementation of Internal Control on Credit Sales at the Imported Meat Distributor in Cirebon Regency

Based on observations and interviews, the implementation of internal control over credit sales at the Imported Meat Distributor in Cirebon Regency faces several significant challenges. These constraints are not only structural but also involve technical, administrative, and organizational culture aspects within the company.

One of the main challenges is the lack of clear segregation of duties among marketing, administration, finance, and supervisory functions. In some cases, marketing staff also act as drivers, handle order processing, and are responsible for collecting receivables from customers. At the same time, the finance department not only manages cash flows but also takes on supervisory responsibilities for daily operations. This role overlap creates excessive workloads and undermines the internal control system, as the principle of cross-checking becomes ineffective. Moreover, the informal organizational structure and the absence of written job descriptions blur functional boundaries, increasing the risk of undetected errors or irregularities.

Another key constraint is the absence of a standardized credit risk assessment system. Credit approval is granted solely based on the business owner's personal judgment, without written evaluations or structured risk classifications. As a result, credit decisions are made subjectively, leading to a higher risk of uncollectible receivables. In addition, the inconsistent enforcement of payment deadlines and the absence of credit limits per customer weaken the company's ability to control outstanding receivables.

A further obstacle lies in the informal communication and documentation systems used within the company. Most interdepartmental communication is conducted via WhatsApp groups, with no formal recording or reporting procedures that can be used for performance evaluation. Although the company has developed an internal application to record sales, it has not been fully utilized to support receivables monitoring or collection reporting. Debt collection procedures are still carried out manually, based on the initiative of marketing or finance staff, without referencing a systematic aging schedule. As a result, the collection process is inconsistent and often triggered only by repeat orders or overdue invoices.

To overcome these challenges, several structured solutions are proposed. First, the company should restructure its organization by defining and formally documenting job responsibilities, including detailed job descriptions for each position. This will ensure adequate segregation of duties among authorization, execution, and recording of transactions. Second, a written credit policy should be developed, covering credit application procedures, customer eligibility criteria, credit limits, and standardized payment terms. With such a policy in place, credit decisions can be made objectively and consistently documented.

Next, the company should upgrade its internal application system to include features such as receivables monitoring based on aging schedules, automated reminders for due receivables, and customer payment history tracking. The integration of information technology across departments will enhance the speed and accuracy of information while strengthening the company's oversight functions. Finally, the company should implement a scheduled collection system and assign specific personnel responsible for receivables management to ensure consistent and well-planned debt collection processes.

The proposed solutions are expected to strengthen internal control over credit sales and minimize the risk of losses due to uncollectible receivables. This is aligned with the findings of Vidya Hangialevi Waninghiyun and Erry Andhaniwati (2024), who found that a lack of automation in the credit approval process at PT Tunas Surya Sentausa contributed to delays and human error. By integrating information systems across departments, companies not only improve data accuracy and processing speed but also reinforce internal oversight functions, as recommended by Assyifa Nurul Haq and Anita Handayani (2024) in their study on accounts receivable control at PT XYZ.

Moreover, implementing a regular collection schedule and appointing a dedicated receivables officer will help ensure consistent and systematic debt collection. This aligns with Iswandir's (2024) recommendation, which emphasizes the importance of clear task segregation to reduce risks of errors and irregularities in transaction recording. By adopting these solutions, the company can enhance the effectiveness of internal control over credit sales, minimize financial losses, and improve operational efficiency overall.

5. State of Art

The implementation of internal control systems for credit sales has been a critical topic in accounting and financial management research, especially in small and medium-sized enterprises (SMEs). Effective internal control systems are essential to mitigate the risk of uncollectible receivables and to ensure sustainable cash flow. Over the past decade, various studies have examined internal control from multiple perspectives, such as organizational structure, risk assessment mechanisms, technological integration, and policy documentation.

According to COSO (2013), a robust internal control framework comprises five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring. These components serve as a comprehensive foundation for companies to evaluate and improve their internal control systems. However, practical implementation in SMEs often faces challenges due to limited human resources, informal management structures, and a lack of technological adoption (Tuanakotta, 2010).

Assyifa Nurul Haq and Anita Handayani (2024) investigated the internal control of accounts receivable in PT XYZ and revealed that insufficient task separation and lack of formal documentation increased the risk of bad debts. Their study underscores the importance of documenting procedures and clearly defining roles to enhance accountability. Similarly, Iswandir (2024) demonstrated that an effective internal control system, supported by well-defined roles and responsibilities, can significantly reduce transaction errors and fraud in credit sales processes.

Vidya Hangialevi Waninghiyun and Erry Andhaniwati (2024) explored the role of accounting information systems in improving receivables control at PT Tunas Surya Sentausa. They found that automation and system integration were crucial in ensuring timely payment tracking and effective follow-up procedures. Their research aligns with global trends advocating for digitalization in SME operations to increase transparency and reduce operational inefficiencies.

Despite the availability of theoretical frameworks and digital tools, many SMEs in developing countries continue to rely on informal procedures and personal judgment in managing credit sales (Kwarteng et al., 2020). Studies by Susanto (2017) and Widagdo (2019) found that informal communication, overlapping responsibilities, and lack of structured policies often lead to ineffective control systems and increased exposure to financial risk.

This study contributes to the literature by providing an in-depth case analysis of an SME-level imported meat distributor in Cirebon Regency, Indonesia. By using the COSO framework as an analytical tool, this research identifies specific weaknesses in the company's current internal control practices and proposes actionable recommendations tailored to resource-constrained businesses. Unlike previous research that focuses primarily on large corporations or formal organizations, this study emphasizes real-world limitations and cultural practices in SMEs, offering a more grounded and practical insight into internal control system design and implementation.

6. Conclusion

Evaluation of Internal Control Over Credit Sales

Based on the results of the study, it can be concluded that the internal control system over credit sales at the Imported Meat Distributor in Cirebon Regency is not yet functioning optimally and does not fully align with the five components of the COSO internal control framework. The control environment component does not adequately reflect a clear segregation of duties, as overlapping roles between departments still exist, written policies are absent, and the organizational structure remains weak. In terms of risk assessment, the company has not implemented a systematic credit evaluation mechanism. Credit decisions are made based solely on the business owner's personal judgment, without written guidelines or a maximum credit limit. Control activities such as credit authorization, payment verification, and receivables monitoring are inconsistently applied. Information and communication systems between departments remain informal, primarily relying on non-integrated tools like WhatsApp, and have not been supported by a formal management information system for reporting and decision-making. Monitoring of internal control effectiveness is also lacking, as there is no internal audit function or receivables aging reports to track overdue payments.

Challenges and Solutions in Internal Control Implementation

The implementation of internal control over credit sales at the distributor faces several challenges, including an ill-defined organizational structure, disproportionate role distribution, the absence of formal policies regarding credit evaluation and repayment terms, and a weak receivables collection system that lacks a fixed schedule. To overcome these issues, several strategic measures are recommended: (a) restructuring the organization by clearly defining and formally documenting job descriptions and responsibilities; (b) establishing standardized and documented credit policies, including customer eligibility criteria, credit limits, and payment terms; (c) developing an integrated internal information system that enables real-time monitoring of accounts receivable; and (d) assigning dedicated personnel to manage and follow up on collections in a systematic and consistent manner. The gradual implementation of these solutions is expected to strengthen the company's internal control over credit sales and minimize the risk of losses due to late or uncollected payments from customers.

Author Contributions

Conceptualization: Muhamad Aizzudin, Rinni Indriyani, Fitriya Sari ; Methodology: Muhamad Aizzudin, Rinni Indriyani, Fitriya Sari ; Software: Muhamad Aizzudin; Validation: Muhamad Aizzudin. Formal Analysis: Muhamad Aizzudin, Rinni Indriyani. Investigation:; Muhamad Aizzudin Resources: Muhamad Aizzudin; Data Curation: Muhamad Aizzudin, Fitriya Sari; Writing—Original Draft Preparation ; Fitriya Sari Writing—Review and Editing: Rinni Indriyani ; Visualization: ; Supervision: ; Project Administration: Fitriya Sari; Funding Acquisition: Muhamad Aizzudin.

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Data Availability Statement

The data supporting the findings of this study are available from the corresponding author upon reasonable request. Due to privacy and ethical restrictions involving company operations, the data are not publicly available.

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Conflicts of Interest

The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analysis, or interpretation of data; in the writing of the manuscript; or in the decision to publish the results.

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