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NetSuite Inventory Adjustment Approval vs Post-Review

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In this article

1. Executive Summary
2. Introduction and Background
3. Classifying the Trigger and the Native Transaction
4. Pattern 1: Role Restriction Plus Post-Posting Review
5. Pattern 2: A Request Record Approved Before the Adjustment Is Created
6. Pattern 3: A Third-Party Approval Application
7. Count-Based Approval Is a Different Control
8. Feature Comparison
9. Approver Matrix, Evidence and Close Reconciliation
10. Worked Example: From Request to Posting and GL Tie-Out (Hypothetical Example)
11. Data Analysis and Evidence
12. Implications and Future Directions
13. Frequently Asked Questions (FAQs)
14. Conclusion

Executive Summary

NetSuite does not offer one approval switch for every stock correction. Whether an adjustment can be approved before it posts depends on which record creates the correction. A direct **Inventory Adjustment** adds a quantity delta to the prior stock total, while an **Inventory Worksheet** resets the on-hand count to a figure entered for the worksheet date (docs.oracle.com). The transaction lists on Oracle's Approval Routing pages do not include Inventory Adjustment (docs.oracle.com). Practitioner sources describe the direct form as having no built-in approval step or pending queue, in a 2018 post and in posts dated 2026 (technologyblog.rsmus.com) (www.anchorgroup.tech) (www.business-software.com). Readers should confirm this in their own account before designing around it.

Approval states do exist for counts. A standard Inventory Count moves to Completed/Pending Approval, where a supervisor approves or rejects it, and approval can create up to two adjustment transactions (docs.oracle.com). NetSuite WMS (Warehouse Management System) and the Smart Count SuiteApp have their own count approval flows. These controls approve a count result, not a discretionary correction such as damage, a clerical fix or a cost-only change, so the two should be designed separately.

Three control patterns are available for direct adjustments: role restriction plus a documented post-posting review, a request record approved before the adjustment is created, and a third-party approval product. One vendor describes a request step that precedes the adjustment and lets a manager approve before inventory levels are affected, which is a vendor claim (www.thevested.com). Detective review is the cheaper pattern. Preventive approval is stronger when errors are costly to reverse. The US Government Accountability Office (GAO) Green Book distinguishes preventive control activities, which stop a failure, from detective ones, which discover it, and says management may design both (www.gao.gov).

External evidence supports combining both. The Association of Certified Fraud Examiners (ACFE) 2026 report, based on 2,402 occupational fraud cases, finds that active detection such as management review and account reconciliation can uncover problems up to four times faster than passive methods (www.acfe.com). Cases caught within six months had a median loss of USD 40,000 (www.acfe.com). A 2002 GAO guide, offered here as historical context, found leading-edge inventory operations moving adjustment approval up the management chain as the adjustment increased (www.gao.gov). None of this is specific to NetSuite, and no public benchmark compares approval and post-review for NetSuite adjustments. Threshold values in this report are deliberately left blank for each business to set. The report also provides a fictional register, a quantity and valuation tie-out, and acceptance tests that a controller can run in a sandbox.

Introduction and Background

This report is written for controllers, inventory managers and NetSuite administrators at distribution and direct-to-consumer (DTC) businesses. It addresses operational control design, not the keystrokes for entering one adjustment. Oracle's example uses for the form include clerical errors, cost changes, thefts and miscounts (docs.oracle.com). Each trigger carries a different risk profile, which is why a single threshold rarely fits.

The distinctive angle is a separation that many search results blur. A **direct adjustment** (or worksheet) is a transaction a user creates and saves. A **count approval** is a state change on an Inventory Count, WMS or Smart Count record that, once approved, generates adjustments. The first has no approval state in the Oracle pages reviewed. The second does. Treating them as one control leads to either duplicated review or an unreviewed gap.

Disclosure: this report is published by Houseblend, a Montréal NetSuite consultancy. That relationship is not evidence for any of the design patterns discussed below. This report treats configuration choices as design decisions, not platform defects. Where Oracle documentation is silent, the report says so. Readers with audit obligations should consult their external auditor or a qualified accountant on control design.

Prices are not quoted: the pages reviewed give none for WMS, Smart Count or the vendor approval product. Facts were retrieved on 21 November 2026 and should be read "as of November 2026".

Classifying the Trigger and the Native Transaction

Trigger taxonomy

The first design step is to classify why the correction exists. Five triggers cover most requests.

- **Count variance:** the physical count differs from the system. If a count record exists, the count approval path applies, and the generated adjustments are traceable to it. Oracle says an approved count generates variances for differences between the original snapshot and the final count.
- **Clerical correction:** a receipt or pick was keyed wrongly and the stock record needs fixing. This is usually a direct adjustment, small in value and often time sensitive.
- **Damage or expiry:** stock is present but unsellable. The quantity falls and the loss posts to an adjustment account, usually an expense account.

- **Theft or unexplained loss:** the highest-scrutiny trigger. For context, the National Retail Federation (NRF) reported an average retail shrink rate of 1.6% for fiscal 2022 in a survey of 177 retail brands, with internal and external theft making up nearly two-thirds of shrink (nrf.com). The survey is self-reported by retailers, so it is context, not a benchmark for a distributor.
- **Cost-only change:** value changes without a quantity change. These corrections touch the general ledger (GL) without moving units, so unit-based reviews can miss them.

Adjustment versus worksheet

Oracle draws the line that matters for control design. The adjustment form is inclusive of the previous stock total, so it records a change, while the worksheet resets the count to the entered figure on the worksheet date. For serialized or lot-numbered items, only the adjustment form can be used (docs.oracle.com). A back-dated worksheet recalculates costing on all items, whereas a back-dated adjustment recalculates only the items on it (docs.oracle.com). Many teams therefore restrict the worksheet more tightly. Check which roles hold the Adjust Inventory Worksheet permission in your account, because role definitions may be customized.

Where the posting happens

The adjustment form takes an adjustment account, which receives the posting (docs.oracle.com). Oracle's QuickStart help describes a positive adjustment as debiting the item's inventory asset account and crediting the adjustment account, with a negative adjustment reversing the direction (docs.oracle.com). In the Oracle pages reviewed, no approval status sits between save and posting for the direct form. A consultancy case study on an approval build names the same constraint: it is challenging to prevent the system from posting a GL entry until final approval (ecobsoft.com). A community thread from 2024 cites an enhancement request to require approval before an adjustment affects company records or books, which indicates demand, though the thread is not Oracle documentation (community.oracle.com).

Pattern 1: Role Restriction Plus Post-Posting Review

Capabilities

This is the baseline pattern. A small group of roles holds permission to create adjustments, and a second person reviews what was posted. NetSuite permission levels (Create, Edit, Full) support the split: a role with Create but not Edit can enter an adjustment but not alter it afterward, which narrows the window for after-the-fact changes. Test whether a role can still reach other paths to the same stock effect (a worksheet, a transfer or a CSV import). One security vendor counted over 636 distinct NetSuite permissions as of January 2024, which is why role-conflict analysis is laborious (netwrix.com).

The detective half relies on reports and notes. System notes capture the date and time of a change and who made it (docs.oracle.com), and one consultancy describes NetSuite audit trails as searches of system notes with preset filters (www.getgsi.com). A practitioner guide recommends a daily saved search of adjustments above a dollar threshold, plus a month-end search grouped by account, reason code, location and creator (www.business-software.com). The same guide states that the form has no reason field, so a reason code needs a custom field.

The line-level audit trail tracks updates to existing lines but not their creation or deletion (docs.oracle.com), so a review should compare line counts and totals, not rely on the trail alone. A saved search is a detection view and does not guarantee real-time prevention (versich.com). Archiving each period's results gives the auditor a retained report (nuagecg.com).

Adoption

No public survey measures how many NetSuite accounts use this pattern. Available descriptions are qualitative. RSM, a consultancy, wrote in 2018 that Inventory Adjustments had no approval ability and were handled through role permissions (technologyblog.rsmus.com). The Anchor Group describes the standard form in the same terms in a post dated 18 November 2026 (www.anchorgroup.tech). Both are practitioner descriptions, and the 2018 post may predate account-level changes.

Strengths and Limitations

- **Speed:** a correction posts at once, which suits clerical fixes that block shipping.
- **Low build effort:** roles, a saved search and a review calendar, without scripting.
- **Mostly detective:** role restriction is the preventive element, but the posting itself is not pre-approved, so the stock and GL effect exist before anyone reviews them. PCAOB (Public Company Accounting Oversight Board) AS 2201 defines detective controls as those aiming to detect errors or fraud that have already occurred (pcaobus.org).
- **Review precision:** AS 2201 and the SEC's interpretive guidance both say a control must operate at a level of precision that would prevent or detect a misstatement that could be material (pcaobus.org) (www.sec.gov). A review with no stated threshold may not meet that bar, and PCAOB inspection staff have highlighted review precision as a recurring area of attention (assets.pcaobus.org).
- **Same-person risk:** if the preparer can edit the review search or the result, the control weakens. The ACFE 2026 report attributes one-third of cases to a lack of internal controls and a further 19% to override of existing controls (www.acfe.com).

Pattern 2: A Request Record Approved Before the Adjustment Is Created

Capabilities

The preventive alternative moves approval ahead of posting by adding a record the adjustment is created from. The user does not post an adjustment. They submit a request (typically a custom record) with item, location, quantity delta, reason code, estimated value and supporting evidence. A workflow routes it, and only on approval does a script create the real adjustment. Anchor Group describes this staging pattern: a user creates a pending request, a workflow sends it to the manager, and a script creates the actual stock adjustment after approval (www.anchorgroup.tech). A consultant's write-up of an approval-first framework says the same, adding that a rejected request creates no native adjustment (medium.com).

SuiteFlow is NetSuite's point-and-click workflow tool. Oracle defines a workflow as a custom business process for a standard or custom record (docs.oracle.com). Useful actions include setting a field value and locking a record. Test lock behavior in the user interface and through scripts.

The built-in Approval Routing feature should not be assumed here. The transaction list Oracle introduces as those available for Approval Routing does not include Inventory Adjustment (docs.oracle.com), and a consultancy notes that prebuilt routing covers many transactions, not all (8020consulting.com). This is an absence in the pages reviewed, not an explicit Oracle statement, so test it in your account. For transactions that do support routing, Oracle notes that the posting period is set after the transition is approved (docs.oracle.com). A custom request record has to imitate that behavior by creating the adjustment, and therefore choosing its period, only at approval.

Adoption

Public evidence is limited to consultancy descriptions and community requests. EcobSoft describes a three-level approval workflow for adjustment requests, routed by employee hierarchy and request amount (ecobsoft.com). RSM described value-tiered routing for counts using saved searches and workflows, and noted that the count amount is not a calculated field, so formulas are needed to tier by value (technologyblog.rsmus.com). Community posts from 2007 and 2022 describe the same need: a manager reviewing before the stock record is affected (community.oracle.com). These show recurring demand, not market share.

Strengths and Limitations

- **Preventive:** nothing reaches stock or GL until approved, which suits high-value, lot-controlled or high-theft-risk items. The Green Book says transactions should be authorized and executed only by persons acting within their authority (www.gao.gov).
- **Flexible matrix:** routing can use value, SKU risk, location and lot or serial status, because the build defines the fields.
- **Build and maintenance cost:** scripts and workflows are code that needs testing at each NetSuite release. In-house teams and NetSuite partners build these records, and scope and cost vary with the approver matrix.
- **Bypass risk:** unless the direct Adjust Inventory permission is withdrawn from ordinary roles, users can still post directly. The preventive control only works if the direct path is closed.
- **Edit after approval:** if the request can be edited after approval, the approved record and the posted adjustment can diverge. Lock the request on approval and test it.
- **Line limits:** Oracle advises against more than 1000 item lines on one adjustment, so bulk requests need a splitting rule.

Pattern 3: A Third-Party Approval Application

Capabilities

Specialist products package Pattern 2. The Vested Group, a NetSuite partner, markets an Inventory Adjustment Approvals product. Its page says requests are a step before the actual adjustment and that a reviewer can approve before the request affects inventory levels (www.thevested.com). The SuiteApp marketplace listing repeats that requests sit ahead of the native adjustment (www.suiteapp.com). All of this is vendor-stated and was not independently tested.

Adoption

No customer counts are stated in the vendor listing, and none are asserted. The listing confirms that approval before posting is a design choice some buyers purchase instead of build (www.suiteapp.com).

Strengths and Limitations

- **Approver control:** the vendor says organizations can define which managers may approve, and that approvals can be limited by department and supervisor level (www.thevested.com).
- **Routing dimensions:** its FAQ says workflows can use adjustment type, dollar amount, location or department (www.thevested.com). The text retrieved does not mention lot or serial status, so a buyer with lot-controlled stock should ask.
- **Audit:** the FAQ says the audit trail shows who made adjustments, when and why.
- **Open questions for any evaluation:** licensing, SuiteApp (NetSuite add-on) compatibility with your edition, how edits after approval are handled, and whether the direct adjustment path remains open. The page retrieved gave no price, so none is stated here.

Count-Based Approval Is a Different Control

Standard Inventory Count

An Inventory Count is a separate transaction type with its own approval state. After a count reaches Completed/Pending Approval, a supervisor can approve or reject it (docs.oracle.com). The approver cannot edit quantities or results in that status (docs.oracle.com), which gives a clean maker-checker boundary. Up to two adjustment transactions may be created on approval (docs.oracle.com), and a NetSuite partner guide notes that approval can create a positive adjustment to raise on-hand quantity (nuagecg.com).

RSM described pushing adjustments through approval routing by using Inventory Counts as a vehicle (technologyblog.rsmus.com). That is a 2018 consultancy workaround, and it turns a discretionary correction into a count, which can blur count history.

WMS count approval and Smart Count

In NetSuite WMS, a supervisor can approve or reject counts using the WMS interface (docs.oracle.com), and adjustments follow approval, not completion. Smart Count is a SuiteApp for real-time counts during business hours. Approve and Reject apply to records in Pending Approval, Paused or Tolerance Error status

(docs.oracle.com), and the app can auto-approve variances within tolerances set at item, bin and inventory status level (docs.oracle.com). A Smart Count guide recommends documenting thresholds in advance and separating the counter from the reviewer (versich.com). Prerequisites include a OneWorld account and enabled features. Whether WMS requires a separate license is not stated in the Oracle documentation cited here, so confirm entitlements with Oracle before planning around either product.

The implication for design: a count approval controls the count result. It does not approve a damage write-off keyed outside a count. NetSuite's own inventory-controls article says a full physical inventory should be performed at least annually, with cycle counting as an alternative, and that high-value items should be checked more often (www.netsuite.com). Count planning is covered elsewhere and is not repeated in this report.

Feature Comparison

Table 1 below compares the transaction, the posting point and the control available for each path. The third row describes a custom-built request record as one option within Pattern 2. It is not a cited product claim.

Path	Native approval state?	When stock and GL are affected	Approver and routing	Main limitation
Direct Inventory Adjustment, role restriction plus review	None found in Oracle pages reviewed	On save, to the chosen account	Permission levels only	Mostly detective (role restriction is the only preventive element); relies on review precision (pcaobus.org)
Inventory Worksheet	None found in pages reviewed	Resets the count on the worksheet date	Restricted by role permission; confirm which roles hold it	Broader costing recalculation when back-dated
Custom-built request record (built in-house or by a NetSuite consultancy)	Custom state on a request record, defined per build	Only when the script creates the adjustment on approval (medium.com)	Any matrix the build defines (value, SKU risk, location, lot, maker-checker)	Custom code to maintain; the direct path must be closed
Third-party approval app (The Vested Group)	Vendor-stated request and approval step	After approval, per the vendor	Vendor-stated: manager, department, supervisor level	Vendor-specific; licensing and price not stated on page reviewed
Standard Inventory Count	Pending Approval then Approved	Adjustments created after approval	Supervisor approve or reject; value routing is a custom build	Applies to counts, not discretionary corrections
WMS count approval	Complete/Pending Approval	After approval	Supervisor in WMS interface	Requires WMS; entitlement not stated in pages reviewed
Smart Count	Pending Approval, Paused, Tolerance Error	On approval; auto-approval within tolerance	Administrators and Smart Count Inventory Managers	Requires OneWorld and SuiteApp prerequisites

The table shows that only the count paths and the custom or third-party request paths have an approval state before the adjustment exists. The direct form relies on who may use it and on the review that follows. The decision rule is: use preventive approval where an error is expensive to reverse or the item is high risk, and keep detective review for low-value, high-frequency fixes. The SEC's interpretive guidance says management may rely on preventive controls, detective controls, or a combination (www.sec.gov), so most mid-market designs combine a preventive threshold with a detective review of everything beneath it.

Approver Matrix, Evidence and Close Reconciliation

Approver matrix

Approval tiers should be driven by estimated value, SKU risk, location, lot or serial status and maker-checker separation. This research found no authoritative source for dollar authorization limits for NetSuite users, so *Table 2* leaves every value blank for the business to set. It is a template, not a benchmark. The only tiering evidence found is descriptive: GAO's 2002 inventory guide reported leading-edge locations moving approval up the management chain as the adjustment grew (www.gao.gov).

Tier	Estimated value band	SKU risk class	Location	Lot or serial controlled?	Required approver role	Checker differs from maker?
Tier 0 (review only)	[set by controller]	[low]	[any]	[no]	[none before posting; weekly review]	[n/a]
Tier 1	[set by controller]	[set]	[set]	[set]	[warehouse manager]	[required]
Tier 2	[set by controller]	[set]	[set]	[set]	[inventory controller]	[required]
Tier 3	[set by controller]	[set]	[set]	[yes or high risk]	[controller or finance lead]	[required]

Maker-checker means the person who prepares a transaction cannot be the one who approves it. NIST SP 800-53 Revision 5 control AC-5 requires defining system access authorizations that support separation of duties, which it describes as dividing functions among different individuals or roles (nvlpubs.nist.gov). The Green Book states the objective as no one individual controlling all key aspects of a transaction (www.gao.gov), and the GAO inventory guide says staff recording adjustments should not approve significant ones (www.gao.gov). COSO notes that segregation of duties is typically built into the selection of control activities (www.dair.nps.edu). In small teams, full separation is not always possible. AS 2201 acknowledges that limited staffing can restrict segregation and that alternative controls must then be evaluated (pcaobus.org), and the Green Book says management designs alternative control activities where segregation is impractical (www.gao.gov). Approvers also need real authority: AS 2201 treats a control performer lacking necessary authority or competence as a deficiency in operation (pcaobus.org).

Table 2 should be read with its blanks intact. The row structure is the useful part: each tier names an approver role and the maker-checker rule, and the thresholds belong to the business's own risk assessment and auditors.

Evidence required with each adjustment

An adjustment register is the evidence index. For each correction, record the request or adjustment identifier, trigger class, item, location, inventory detail, quantity delta, cost effect, reason code, maker, approver, posting date, account and a link to the proof (photo, count sheet, carrier damage report or approved ticket). NetSuite's own audit data supplements this record but does not replace it. A reviewer needs broader system note visibility than a user with only the Notes Tab permission, which shows only the user's own changes. For lot and serial stock, the adjustment line carries details through an Inventory Detail popup. The SEC lists reconciliations, segregation of duties and review and approval authorizations among control characteristics (www.sec.gov). A Deloitte perspective on inventory controls recommends that automated steps incorporate reconciliation, exception reporting and appropriate segregation of duties (www.deloitte.com).

Close reconciliation

In a closed period no one can make GL-impacting changes to posting transactions (docs.oracle.com), while users with Override Period Restrictions can add and edit posting transactions in locked periods (docs.oracle.com). That permission should be held by few people, and its use should appear on the review list.

Two reconciliations are needed, and they answer different questions. The unit roll-forward is: beginning balance, plus receipts, minus shipments, plus or minus adjustments, equals ending inventory. The valuation tie-out compares the Inventory Valuation Summary, which shows inventory value at a point in time, to the GL inventory asset account. Oracle cautions that running the summary for a past date does not recalculate average cost as of that date (docs.oracle.com), so run the tie-out as of the close date and keep a dated export. Average costing is NetSuite's default method, and under it a cost-only change alters value without moving units. Document which method each item uses before interpreting a valuation difference. The Green Book also expects management to count vulnerable assets periodically and compare them to control records (www.gao.gov).

A reconciling difference is not itself a finding about people or systems. Differences arise from timing, back-dated entries and costing recalculation as much as from adjustments, so the review should classify each one on a regular cycle.

Worked Example: From Request to Posting and GL Tie-Out (Hypothetical Example)

The following example is fictional. All names, items, quantities and amounts are invented for illustration, and they are not customer results or benchmarks. Assume an average-costing item with a constant cost, so that receipts and shipments carry the same unit cost.

Step 1: Request. A picker finds 12 damaged units of SKU-A100. The clerk submits a request (a Pattern 2 record) with a photo link, reason "damage", and estimated value of 12 × $18.50 = $222.00.

Step 2: Route. The matrix places $222.00 in a tier the business has defined as needing warehouse manager approval. A different person from the clerk approves. The request locks.

Step 3: Post. On approval, the script creates the Inventory Adjustment with the adjustment account and the current open period, and attaches the request number in the memo.

Step 4: Review. At close, a saved search lists the period's adjustments and each is compared to a request number.

Table 3 shows a sample register for three fictional adjustments.

Ref	Item and inventory detail	Quantity delta	Cost effect	Reason	Maker / approver	Posting date	Account	Proof
ADJ-001	SKU-A100, no lot	-12	-$222.00	Damage	Clerk A / Warehouse Mgr B	2026-11-03	Inventory Adjustment Expense (example)	proof URL on request R-0101
ADJ-002	SKU-B220, no lot	+5	+$87.50	Clerical correction	Clerk A / Warehouse Mgr B	2026-11-10	Inventory Adjustment Expense (example)	proof URL on request R-0102
ADJ-003	SKU-C310, lot L2411	-3	-$135.00	Expired lot	Clerk C / Inventory Controller D	2026-11-17	Inventory Adjustment Expense (example)	proof URL on request R-0103

The register nets to a quantity change of -10 units across three items and a cost effect of -$269.50 (-$222.00 + $87.50 - $135.00). The unit costs implied are $18.50, $17.50 and $45.00 respectively.

For the tie-out on SKU-A100 alone, assume a beginning balance of 240 units, receipts of 100 and shipments of 188. Units: 240 + 100 - 188 - 12 = 140. Value at $18.50: beginning $4,440.00, plus receipts $1,850.00, less shipments $3,478.00, less the adjustment $222.00, equals $2,590.00, which is 140 × $18.50. The $2,590.00 should equal the item's contribution to the Inventory Valuation Summary and to the GL inventory asset account, and the $222.00 should appear as an expense in the adjustment account, consistent with the posting direction Oracle describes. Any gap should be traced by transaction through the valuation detail report.

Acceptance tests and exceptions

Run these in a sandbox that mirrors production roles before go-live, and repeat after each NetSuite release.

- **Direct path closed:** log in as an ordinary warehouse role and confirm it cannot create an Inventory Adjustment or worksheet.
- **Request lock:** after approval, confirm the request cannot be edited in the browser, in a list edit, or by script.
- **Maker-checker:** confirm the approver cannot be the requester, including through delegation.
- **Threshold routing:** submit one request just under and one just over each blank threshold and confirm the approver role.
- **Lot and serial:** confirm inventory detail carries from request to adjustment.
- **Period behavior:** confirm approval after a period lock fails or lands in an allowed period, and test the Override Period Restrictions permission.

- **Costing:** for each costing method in use, compare the posted amount to the request estimate, since the cost of removed items is calculated, not entered.
- **Evidence:** confirm every posted adjustment shows a request number and a proof link.
- **Exceptions:** document emergency postings, who may use them and when they are reviewed.

Data Analysis and Evidence

No public study measures approval versus post-review for NetSuite inventory adjustments, and none is claimed here. The evidence that exists is general control research and standards, summarized below.

- **Case base:** the ACFE 2026 Report to the Nations analyzes 2,402 occupational fraud cases investigated between January 2024 and September 2025 (www.acfe.com).
- **Asset misappropriation:** it occurred in 90% of cases with a median loss of USD 100,000, the lowest of the three categories (www.acfe.com). Noncash misappropriation, which ACFE defines as an employee stealing or misusing noncash assets of the victim organization, covered 549 cases (23%) with a USD 75,000 median loss (www.acfe.com).
- **Detection:** tips, internal audit and management review together accounted for over 70% of detected cases (www.acfe.com). Active detection methods can uncover cases up to four times faster than passive methods (www.acfe.com).
- **Control presence:** all 18 controls analyzed were associated with reduced median losses and shorter durations (www.acfe.com). In the report's figures, management review was present in 71% of cases, with a median loss of USD 84,000 against USD 186,000 without it, and a median duration of 10 months against 18.
- **Time to detection:** cases caught in the first six months had a median loss of USD 40,000 (www.acfe.com).
- **Record accuracy:** DeHoratius and Raman examined nearly 370,000 inventory records from 37 stores of one retailer in Management Science (2008) and found 65% inaccurate, with 26.4% of the variance in inaccuracy lying between product categories (pubsonline.informs.org) (ideas.repec.org). A 2025 literature-based paper cites record inaccuracy affecting 50% to 70% of SKUs at any point in time in retailing (orca.cardiff.ac.uk). These samples are retail, not NetSuite distribution, and cannot be generalized.
- **Count controls and goals:** GAO's inventory guide says cycle counts serve as a control mechanism and that experts agree record accuracy goals should be set at 95 percent or higher (www.gao.gov). It reports variance research tolerances that ranged from zero to 5 percent (www.gao.gov), and that adjustments were posted after research of selected variances (www.gao.gov). This is 2002 guidance from a study of 12 locations, so it is directional.
- **Accounting basis:** IAS 2 measures inventories at the lower of cost and net realisable value and requires write-downs and losses to be recognized as an expense in the period they occur (www.ifrs.org). US GAAP guidance under ASU 2015-11 uses lower of cost and net realizable value for inventory in its scope, with LIFO and retail-method inventory excluded (viewpoint.pwc.com).

Interpretation requires care. ACFE figures describe fraud cases, not normal adjustment error rates, and most stock corrections are honest mistakes. The data support two limited points: controls and active review are associated with lower loss and faster detection, and timing matters. They do not show that a particular NetSuite pattern is better. Because losses belong in the period they occur, a late approval queue that carries corrections across a close boundary creates a timing risk both patterns must manage.

Implications and Future Directions

For controllers. The central choice is where the control sits relative to posting. A small, high-frequency, low-value flow fits a detective control with tight roles and a documented threshold. A rare, high-value or high-risk flow fits a preventive request. Most businesses will mix them, with the tier table deciding which applies. Write down the review precision, owner, frequency and evidence retained, since an unspecified review is hard to defend to auditors under the AS 2201 precision language (pcaobus.org). The Green Book adds that automated control activities tend to be more reliable than manual ones (www.gao.gov), which favors a workflow-enforced request over a manual approval email.

For NetSuite administrators. Confirm, in a current sandbox, whether the account permits an approval state on a direct Inventory Adjustment, whether SuiteFlow can attach to it, what happens on edits after approval, and how standard cost and average cost amounts behave. These are the open facts for this report. Oracle's Approval Routing lists did not include Inventory Adjustment at retrieval, but releases change, so recheck release notes before each major upgrade. Also confirm WMS and Smart Count entitlement with Oracle, because the pages reviewed do not state licensing.

For operations. Separate the count flow from the correction flow in training. Count frequency is often set by item value, velocity or ABC class (www.sixlakesconsulting.com), and the same classes can seed the SKU risk column in the approver matrix.

Future directions. Community threads from 2007 to 2024 show a persistent request for a native pending state (community.oracle.com). If Oracle adds one, the matrix in this report would apply with a native approval state instead of a custom one. Until a current Oracle page says so, plan for the behavior documented today. Businesses without in-house SuiteScript capacity can compare a vendor product and a partner build on edition compatibility, upgrade testing and total cost.

Frequently Asked Questions (FAQs)

Does NetSuite have a native approval workflow for inventory adjustments?

In the Oracle pages reviewed, the Inventory Adjustment pages describe no approval status, and the Approval Routing lists do not include the transaction. Consultancies describe no built-in approval step. Count records do have approval states. Verify in your account.

What is the difference between approval routing and SuiteFlow for adjustments?

Approval Routing is a feature enabled per supported transaction type. SuiteFlow is the general workflow tool for records, with states, actions and transitions. For a direct adjustment, SuiteFlow is typically used on a custom request record, with a script creating the adjustment on approval (www.anchorgroup.tech).

What controls apply to NetSuite inventory adjustments, preventive or detective?

Preventive controls try to stop an error before it occurs, and detective controls find what already occurred (pcaobus.org). Role restriction and pre-posting approval are preventive. Saved search review and reconciliation are detective. COSO notes that control activities may be preventive or detective and manual or automated (www.dair.nps.edu). Most designs use both.

How should approval routing work by value?

Use a tier table with value bands, SKU risk, location, lot or serial status and maker-checker, with thresholds set by the business. One vendor says its routing can use adjustment type, dollar amount, location or department.

What does the audit trail show for an adjustment?

System notes show the date, time and user of a change. The line-level audit trail does not capture line creation or deletion.

How do I build a saved search to review adjustments?

Use a transaction search filtered to the Inventory Adjustment type and the period, with created-by, date created, account, item, quantity and amount columns, scheduled by email. Check exact filter names in your account.

What are the risks of ad hoc adjustments?

The effect posts on save to the chosen account and period, so errors, back-dating and override of controls are found after the fact. The Green Book warns that management override circumvents existing control activities (www.gao.gov), and ICAEW flags lack of segregation of duties and potential override as particular considerations for smaller entities (www.icaew.com).

Is a worksheet treated like an adjustment?

No. A worksheet resets the count, cannot be used for lot or serial items, and can recalculate costing across all items when back-dated.

Conclusion

NetSuite's answer to inventory adjustment approval depends on the record. In the Oracle pages reviewed, count records have approval states, and the direct Inventory Adjustment and Inventory Worksheet do not. Approval before posting is therefore a design choice: build a request record, buy an app, or accept detective

review with tight roles. The comparison in this report favors preventive approval for high-risk or high-value corrections and detective review for the low-value remainder, with maker-checker separation, evidence capture and two reconciliations at close.

The remaining uncertainty is account-specific. Permissions, SuiteApps, edition and release level change what is feasible, and the test list above should be run in a current sandbox before any pattern is adopted. Controllers with audit obligations should confirm the design with their external auditor.

Source links

Links cited in this article, in order of first appearance. Full addresses are provided for readers using extracted text.

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