

Sample Audit Plan

Following are sample steps of procedures commonly performed during an audit of the purchasing card program:

Step 1:

Meet with management to understand concerns and historical problems, and to identify interviewees.

Step 2:

Obtain and read relevant documents, including:

- Credit card statements
- Relevant policies and procedures of the local government, including purchasing card policy, procurement policy, employee expense reimbursement policy, travel policy
- Cal-Card Program Requirements (including merchant codes restrictions, transaction dollar limits, late penalties)
- Cal-Card Cardholder Guide
- Cal-Card Program Summary Rebate Report

Step 3:

Develop interview questions and schedule interviews.

Interviewees typically are:

- (1) Accounting and purchasing employees involved in administering the program, reviewing cardholder compliance, reviewing cardholder reconciliations, and posting transactions to the general ledger; and
- (2) Cardholders and supervisors in the operating department(s) being audited.

Step 4:

Interview employees in order to understand:

- Job responsibilities and procurement needs
- Procurement and purchasing card practices and procedures, including ordering, receiving, authorizations and approvals
- Purchasing card reconciliation and approval procedures
- Perceived strengths and weaknesses in current processes

Step 5:

Review several recent months of purchasing card statements for selected cardholders. Look for transactions that may not comply with policy.

Types of items to focus on are purchase of services, electronics, software, Amazon, high-dollar amounts.

Step 6:

Select several transactions for each cardholder and obtain all supporting documentation including statements, reconciliations, receipts, supervisor approval, posting to general ledger, certification of receipt of credit card.

Test whether purchases were made in compliance with policy including business purpose, timeliness, approvals, coding.

Step 7:

Analyze work flow, approvals/authorizations, written procedures and recordkeeping.

Step 8:

Perform additional document reviews and follow-up inquiries to corroborate information obtained in interviews, document reviews and transaction test

Step 9:

Determine findings and develop recommendations for improvement.

Step 10:

Draft reports showing procedures performed, findings, and recommendations for improvement.

Step 11:

Meet with management to present findings and discuss implementation of recommendations.

Findings

Following are some of the common findings that may result from audits of purchasing card programs:

1. Cardholder allows an unauthorized person to use purchasing card.
2. No escalating discipline of cardholder when there is recurring non-compliance with procedures.
3. Inadequate written internal procedures, which should cover items, such as:
 - a. Purchases of services
 - b. Account coding
 - c. Returns and credits
 - d. Packing slips
 - e. Blanket purchase orders
 - f. Approver review tasks
 - g. Purchase splitting

- h. Disciplinary process
- i. Internet purchases
- j. Unauthorized transactions
- k. Requests for increased limits