

# **PROCUREMENT CARD SYSTEM AUDIT** **AUDIT PROGRAM**

- 1. Getting Started**
- 2. Policies and Procedures**
- 3. Training**
- 4. Card Issuing**
- 5. Card Use**
- 6. Card Deactivation**
- 7. Internal Controls**
- 8. Department Administration**
- 9. System Administration**
- 10. Business Administration**

# **PROCUREMENT CARD SYSTEM AUDIT**

## **1. Getting Started – Documents and Information to Request and Obtain**

1. Internal policy and procedures documentation:
  - Organization-wide Procurement Card procedures manual.
  - Department Procurement Card procedures manual.
  - Training manuals.
2. Card Issuer's Card Agreement.
3. From the Procurement Card Administrator:
  - List of active cards.
  - List of Cardholders.
  - List of Card Managers
  - List of approved Merchant Category Codes. If this is unique to each card or classification of card, get all the lists.
  - Name and telephone number of the Card Issuer customer representative.
  - An active Procurement Card that is configured to be used for standard purposes.
4. From the Card Issuer:
  - One month's hard copy of the Card Issuer billing report. If possible, obtain two versions of this report - one in order of account type charged, the other in order by department.
  - Computerized file of one year's procurement card transactions for the entire organization.
  - List of active cards.
  - List of replacement cards issued in the last year.
5. Obtain any appropriate Local, State, and Federal expenditure and purchase guidelines.

## **2. Policies and Procedures**

- 2.1. Have the Procurement Card policies and procedures been approved by executive management?

### *Testing*

- 2.1.1. Obtain evidence of executive management approval of Procurement Card policies and procedures.

- 2.2. Is there an individual or group responsible for being the central Procurement Card Administrator? (Preferably not a member of the Purchasing Department)

### *Testing*

- 2.2.1. Meet with the Procurement Card Administrator, and determine how this person manages this effort. Does their explanation agree with sound business practices and with the business needs of the operation?

- 2.2.2. Determine if the Procurement Card Administrator has reviewed the Procurement Card policies and procedures in the last year to keep them up-to-date, and to account for added Merchant Category Codes.

- 2.2.3. Select a sample of user departments, locate the Procurement Card policies and procedures manual(s) within these departments, and ensure the department Procurement Card Management has arranged for up-to-date manuals to be filed within the department.

- 2.3. If the Procurement Card has been active for more than one year, have the policies and procedures been reviewed and, if appropriate, updated in the last year?

### *Testing*

- 2.3.1. Obtain evidence of the most recent updates to the Procurement Card policies and procedures.

2.4. Do the Procurement Card policies and procedures include the following provisions?

- Who can have the card
- Who cannot have the card (former employees, non-employees, agents/students/consultants/vendors)
- Training requirements
- Reconciliation procedures
- What can and cannot be purchased with the card
- Restricting use to organizational business needs
- How to get the card
- How to handle exceptions and irregularities
- How a card can and should be deactivated
- How to get help
- Cardholder agreements
- Rights and responsibilities of the Cardholder, Department Card Manager, and Card Administrator, organization and Card-Issuer.
- Dealing with disputes.

Testing

2.4.1. Review the actual policies and procedures to ensure Procurement Card Administrators have included these provisions.

2.5. Ask Corporate Legal Counsel if they have reviewed the Procurement Card policies and procedures to ensure they do not conflict with any Local, State, and Federal expenditure and purchasing guidelines, especially as they relate to record retention, sales tax, dollar limits, related party, and authorized vendor purchases.

Testing

2.5.1. Obtain evidence of a review from Corporate Legal Counsel. If Corporate Legal Counsel has not reviewed the Procurement Card policies and procedures, ask them to conduct such a review during the course of the audit, and obtain the results of their review.

## **3. Training**

- 3.1. Is unique training for provided for Card Managers vs. Cardholders?
- 3.2. What training is provided to new Card Managers and Cardholders of the Procurement Card system?

### *Testing*

- 3.2.1. Review the training program to ensure the Procurement Card Administrator and executive management has approved the content, frequency of presentation and focus.
  - 3.2.2. Review the contents of the training program to ensure it is complete, current and relevant.
  - 3.2.3. Ask a sample of Cardholders if they found the Procurement Card training relevant and timely.
  - 3.2.4. Ask a sample of department Procurement Card Managers if they found the Procurement Card training relevant and timely.
- 3.3. Are new users required to receive training before becoming users of the Procurement Card system?

### *Testing*

- 3.3.1. From the list of Cardholders, select a sample of users who obtained their Procurement Card in the last year. Interview them to determine if they received timely training before becoming users of the Procurement Card system, and are familiar with their responsibilities.
- 3.4. Are department managers required to receive special training before being assigned management responsibility over the Procurement Card system?

### *Testing*

- 3.4.1. From the list of Procurement Card Managers, identify who became responsible for Procurement Card management in the last year. Interview them to determine if they received timely training before being assigned management responsibilities within the Procurement Card system, and are familiar with their responsibilities.

- 3.5. How do Cardholders and Card Managers become aware of the available training?  
Is this notification process effective at reaching all relevant personnel?

*Testing*

- 3.5.1. From the list of Cardholders, select a sample of Cardholders and department Card Managers. Interview them to determine how they became aware of the necessary training for Procurement Card usage.
- 3.6. Determine if department Card Managers know their responsibilities.

*Testing*

- 3.6.1. Interview a sample of Card Managers to determine if their understanding matches their responsibilities as prescribed by policy.
- 3.7. Determine if the training identifies who to go to with follow-up questions. Ideally, there should be a central Card Administrator that is responsible for fielding follow-up questions. If more than one person or group is to field questions, this increases the risk of confusion and inconsistent answers.

## **4. Card Issuing**

- 4.1. Are cards issued only to appropriate employees in a department?

### *Testing*

- 4.1.1. From the list of Cardholders obtained at the beginning of the audit, select a sample of \_\_\_ Cardholders. Determine if these Cardholder assignments are based on sound business needs.

- 4.2. Is it common practice to issue one card per person, i.e., no sharing?

### *Testing*

- 4.2.1. From the list of Cardholders obtained at the beginning of the audit, select a sample of \_\_\_ Cardholders. Interview them to determine if they have ever shared their Procurement Card with someone.

- 4.3. Is the Cardholder required to sign a Cardholder agreement stating terms and conditions?

### *Testing*

- 4.3.1. From the list of Cardholders obtained at the beginning of the audit, select a sample of \_\_\_ Cardholders. Match this sample to Cardholder agreements kept on file, checking that the date of signature is on or before the date of card issuance.

- 4.4. Is the method of distributing the cards secured, and ensures that only the Cardholder receives the card? (NOTE: Interoffice mail may not be secure. The favorable method is for the Card-Issuer to mail the card directly to the Cardholder home or office address.)

### *Testing*

- 4.4.1. Call the Card-Issuer customer representative and determine how the Card-Issuer gets new Procurement Cards to the Cardholders.

- 4.5. How are new cards activated? (NOTE: the preferred method requires the Cardholder to call the Card-Issuer upon receipt of the non-active card, and request that the card be activated.)

Testing

- 4.5.1. Call the Card-Issuer customer representative and determine how they activate new cards.
- 4.6. How long are the cards active, and how are cards renewed? (NOTE: There is no generally preferred method - automatic versus positive confirmation. Automatic renewal has the risk of renewing inappropriate cards, but positive confirmation requires added paperwork.).

Testing

- 4.6.1. Call the Card-Issuer customer representative and determine how the Card-Issuer renews existing Procurement Cards.
- 4.7. Do the Card-Issuer and organization distribute and activate replacement cards in such a way to prevent mishandling?

Testing

- 4.7.1. From the list of replacement cards issued in the last year obtained from the Card-Issuer at the beginning of the audit, select a sample of \_\_\_\_ Cardholders. Interview these Cardholders to determine if they received their replacement card in a controlled and timely manner.
- 4.8. Are all issued cards accounted for?

Testing

- 4.8.1. Compare the list of cards issued that was obtained from the Card-Issuer to the list of cards obtained from the Procurement Card Administrator.

## 5. Card Use

- 5.1. Meet with the organization Procurement Card Administrator and obtain a list of vendor MCC (Merchant Category Codes) groups that are screened from use. Typical MCC groups include transportation, utilities, retail stores, auto and vehicles, clothing stores, and repair services. Are the MC Codes used appropriate for the types of business conducted?

### Testing

- 5.1.1. Using the one year of transactions obtained at the beginning of the audit, select a sample of \_\_\_ transactions and verify the purchases were from authorized merchants.
- 5.1.2. Using the one year of transactions obtained at the beginning of the audit, select a sample of \_\_\_ transactions with broad-merchandise MCC codes (Wal-Mart, grocery stores), and review the transactions to ensure 1) adequate detailed documentation is on file, 2) the purchase was reviewed and approved, 3) the purchases were relevant to the need, and 4) the purchase did not include unauthorized items.
- 5.1.3. Using the active Procurement Card obtained at the beginning of the audit, attempt to make purchases of products and at various merchants that have disallowed MCC codes. When attempting to make these purchases, explain the test to the merchant, and note that you will be returning the items if the purchase is allowed.
- 5.1.4. Ask the Card-Issuer customer representative for a list of disallowed MCC codes. Verify this list matches that maintained internally.
- 5.2. Are expenditures appropriate for the accounts being charged?

### Testing

- 5.2.1. Using the one year of transactions obtained at the beginning of the audit, select a sample of \_\_\_ transactions. Review these purchases to ensure 1) adequate detailed documentation is on file, 2) a department Card Manager reviewed and approved the purchase, and 3) the purchases were relevant to the needs of that account.
- 5.2.2. Using the one year of transactions obtained at the beginning of the audit, search for unusual vendor names or product descriptions, using the list of unusual vendor names as a reference.

- 5.2.3. Using the one year of transactions obtained at the beginning of the audit, search for purchases that end in multiple zeros, such as \$1000.00, 5000.00 and 10000.00. Select a sample of these purchases to ensure they were appropriate
- 5.3. What are the purchase \$ limits and/or # of transaction limits, and how are they enforced?

Testing

- 5.3.1. If the Procurement Card computer system automatically enforces limits, use the active Procurement Card obtained at the beginning of the audit to attempt to make purchases that exceed \$ or transaction limits. When attempting to make these purchases, explain the test to the merchant, and note that you will be returning the items if a purchase is allowed.
- 5.3.2. If limits are enforced "on honor," review the one years of transactions obtained at the beginning of the audit. Determine if and why these limits were exceeded.
- 5.3.3. Ask the Card-Issuer customer representative for a record of purchase \$ and # limits. Verify this list matches that maintained internally.
- 5.4. What are the default accounts and are these accounts appropriate for the business?
- 5.5. How does the system prevent or monitor "Card Sharing"?

Testing

- 5.5.1. From the list of Cardholders obtained at the beginning of the audit, select a sample of \_\_\_ Cardholders. Interview them to determine if they have ever shared their Procurement Card with someone.
- 5.5.2. From the one year of transactions obtained at the beginning of the audit, review the signatures on sample of purchase receipts from purchases made off individual cards. Verify the signatures match.
- 5.6. How does the system prevent, limit or monitor "Stringing," i.e., breaking down one large purchase into several smaller purchases to circumvent purchase authorization limits?

Testing

- 5.6.1. From the one year of transactions obtained at the beginning of the audit, look for like or similar purchases made from a particular vendor within a few day period with a particular card that together add up to more than the preset purchase authorization limit. Determine if the Cardholder made these purchases on the same date, and actually consist of one large purchase.
- 5.6.2. From the one year of transactions obtained at the beginning of the audit, look for like or similar purchases made from a particular vendor within a few day period with different cards that together add up to more than the preset purchase authorization limit. Determine if the Cardholders made these purchases on the same date, and actually consist of one large purchase.
- 5.7. What are the procedures for following up with the Card-Issuer regarding disputed transactions? Is the method timely?

Testing

- 5.7.1. Contact a sample of department Card Managers responsible for managing Procurement Card usage. Interview them to determine if they have ever had a disputed transaction, and if they believe the Card-Issuer and the organization resolved this dispute in a timely and satisfactory manner.
- 5.8. How is personal use of the card monitored and, if found, how does the Cardholder provide restitution?

Testing

- 5.8.1. Contact a sample of department Card Managers responsible for managing Procurement Card usage. Interview them to determine if they have ever found a Cardholder using the Procurement Card for personal use. Ask how they resolved this situation, and assess if this method of resolution was satisfactory.
- 5.8.2. From the one month's hard copy of the Card-Issuer billing report obtained at the beginning of the audit, select a sample of \_\_\_\_ transactions. Review these transactions, looking for purchases of items that would be of a personal nature.

- 5.8.3. From the one month's hard copy of the Card-Issuer billing report obtained at the beginning of the audit, select a sample of \_\_\_\_ transactions from general merchandisers such as Wal-mart, Sears, and Target. Review these transactions in detail, looking for purchases of items that would be of a personal nature.
- 5.9. Are there procedures for identifying unusually high or otherwise unusual activity?

Testing

- 5.9.1. From these exception reports, select a sample of \_\_\_\_ transactions, verifying they were appropriate.
- 5.9.2. From the one year of transactions obtained at the beginning of the audit, look for purchases made on weekends and holidays. Select a sample of these purchases to ensure they were appropriate.
- 5.10. If the Procurement Card policies and procedures prohibit cash advances and purchases of traveler's checks, work with the Procurement Card Administrator on determining what automated procedures are in place to reduce the risk of such purchases (MCC codes, purchase value limits).

Testing

- 5.10.1. Using the active Procurement Card obtained at the beginning of the audit, attempt to make purchases that include cash back.
- 5.10.2. Using the active Procurement Card obtained at the beginning of the audit, attempt to purchase travelers checks at a local currency exchange and a local gas station that issues such.
- 5.10.3. Using the active Procurement Card obtained at the beginning of the audit, attempt to purchase a cashier's check or money order from a local gasoline station.
- 5.11. If the organization is tax-exempt, what is the procedure for communicating tax-exempt status to vendors? (Examples - Noted on the Procurement Card face, fax copy of exempt letter to primary vendors.) If the Cardholder accidentally pays taxes, is there a cost efficient, sound and simple process for recovery of these charges?

Testing

- 5.11.1. From the one month's hard copy of the Card-Issuer billing report obtained at the beginning of the audit, select a sample of \_\_\_\_ transactions. Review these transactions, determining if the Cardholder incorrectly paid taxes on the purchases. If such tax payments were made, follow-up to determine how the taxes were recovered or why they were not.
- 5.12 If the Procurement Card can be used to make gasoline purchases, are such purchases subject to added scrutiny to catch personal use?
  - 5.12.1. Using the one year of transactions obtained at the beginning of the audit, identify the transactions with gasoline-oriented MCC codes. Also do a search based on a list of gasoline stations common in your area. Then select a sample of \_\_\_\_ gasoline-oriented purchases and verify the purchases were for business purposes and of the gasoline quantities were appropriate for the documented mileage and use of the vehicles.

## **6. Card Deactivation**

- 6.1. Do the cards have expiration dates? If so, are the default expiration dates set for a length that supports sound business practice? (NOTE: the preferred expiration date is 3-5 years after issuing)
- 6.2. How does the organization retrieve the Procurement Card of someone transferring from one department to another?

### *Testing*

- 6.2.1. From Human Resource records, select a sample of employees who have transferred from one department to another in the last year. Determine if they had a Procurement Card, and that the Procurement Card Administrator retrieved the Procurement Card in a timely and orderly manner.
- 6.3. How does the organization retrieve the Procurement Card of someone leaving the organization?

### *Testing*

- 6.3.1. From Human Resource records, select a sample of employees who have left the organization in the last year. Determine if they had a Procurement Card, and that Procurement Card Administrator or Human Resources retrieved the card in a timely and orderly manner.
- 6.4. If the Procurement Card is shared, how does the organization change the card when an employee with whom it had been shared transfers or leaves the organization?

### *Testing*

- 6.4.1. From Human Resource records, select a sample of employees who have transferred or left the organization in the last year. Determine if they shared a Procurement Card with another employee, and that the Procurement Card Administrator or Human Resources retrieved the card in a timely and orderly manner and the Procurement Card Administrator updated the authorized Cardholder status.

6.5. What is the process for reporting and deactivating stolen cards?

- Are they clearly understood by Cardholders?
- What are the responsibilities of the Cardholder, organization, and the Card-Issuer?
- Who notifies the Card-Issuer?
- Who notifies law enforcement authorities?
- What is the liability for fraudulent use between the time of the card being stolen and the time it is reported?

Testing

6.5.1. From the list of replacement cards issued in the last year obtained from the Card-Issuer at the beginning of the audit, select a sample of \_\_\_\_ Cardholders. Meet with their Card Manager to determine the following:

- Was the lost card reported in a timely manner?
- Who notified the Card-Issuer?
- Were law enforcement authorities notified?
- If the Cardholder has lost their card more than twice, what remedial or disciplinary action has taken place?

6.5.2. Ask the Card-Issuer customer representative how they believe the organization is doing with regard to keeping replacement card needs to a minimum.

6.6. Is there a method for identifying long unused cards so they can be deactivated?

Testing

6.6.1. From the Card Issuer, obtain a record of the last time each active procurement card was used. Have any been unused for more than two years?

## 7. Internal Controls

### 7A. Recordkeeping

7A.1. What evidence of Procurement Card purchases does the organization and departments require, and how is this documentation filed? Does this include the following?

- original receipts, not copies
- shipping documents (if available)
- packing lists
- vendor's name
- unit cost of each item purchased
- date of purchase/sale
- total amount of purchase transaction
- itemized description of each item purchased
- business purpose, if not evident

#### Testing

7A.1.1. From the one year of transactions obtained at the beginning of the audit, select a sample of \_\_\_\_ transactions. Review supporting documentation to ensure all necessary information is on file and available for management review. Particular attention should be to ensuring original receipts with detailed lists of purchases are on file.

7A.1.2. From the one month's hard copy of the Card-Issuer billing report obtained at the beginning of the audit, select a sample of \_\_\_\_ transactions. Review supporting documentation in the appropriate departments to ensure all necessary information is on file and available for management review.

7A.2. How long is evidence of receipt of goods retained? (NOTE: At least 3 years, but prefer 7 years.)

#### Testing

7A.2.1. Select a department and review their Procurement Card purchases file, ensuring transaction documentation exists back to the period that evidence needs to be retained.

- 7A.3. Does the Cardholder complete a log of card usage? (NOTE: This is the preferred method of maintaining management control over Procurement Card usage. The log can be manual or automated.)

*Testing*

- 7A.3.1. From the one month's hard copy of the Card-Issuer billing report obtained at the beginning of the audit, select a sample of \_\_\_\_ transactions. Review the supporting activity log to ensure all necessary information is on file and available for management review.

**7B. Reconciliations**

- 7B.1. What are the procedures to reconciliation? (NOTE: These procedures should include monthly reconciliation of Card-Issuer billing reports to logs of card purchases, typically by the department Card Manager)

*Testing*

- 7B.1.1. From the one year of transactions obtained at the beginning of the audit, select a sample of \_\_\_\_ transactions. Conduct an independent reconciliation of these transactions to the Issuer report. Also look for evidence of timely monthly reconciliation by the department Card Manager.

- 7B.1.2. From the one month's hard copy of the Card-Issuer billing report obtained at the beginning of the audit, select a sample of \_\_\_\_ transactions. Conduct an independent reconciliation of these transactions, ensuring the department has the correct supporting documentation. Also look for evidence of timely monthly reconciliation by the department Card Manager.

- 7B.2. If there is a combination of automated and manual reconciliation, does the department manager perform the manual reconciliation before the automated reconciliation? (NOTE: This reduces the risk of the manager simply thinking "If the automated reconciliation is correct, why bother with the more tedious, but more thorough, manual reconciliation?")
- 7B.3. Is the review of activity at the level to detect abuse, i.e., inappropriate purchases?

- 7B.4. How is “double dipping” controlled to reduce the risk of a Cardholder using the procurement card AND submitting the same expenses through the regular batch expenditure system.

*Testing*

- 7B.4.1. Using the computerized file of one year’s procurement card transactions obtained at the beginning of the audit, match this file to the computerized file of regular expenditures for the same period of time. Match based on vendor name and dollar amount (this will probably result in false matches as well). Hopefully all matches are simply coincidence.

**7C. Segregation of Duties**

- 7C.1. Are segregation of duties adequate so that no one person will control all phases of Procurement Card usage (transaction initiation, authorization for payment, and reconciliation) and to reduce the likelihood of errors and irregularities going undetected?

*Testing*

- 7C.1.2. Select a sample of \_\_\_ departments and determine who in each selected department is the Card Manager and who are the Card Holders. Determine if the assignments are adequate for a reasonable separation of duties.

- 7C.2. Are the roles and responsibilities of Cardholders periodically reviewed to ensure card privileges are still appropriate?

- 7C.3. If the Card Manager is also a Cardholder, does another person independently monitor this person’s card usage?

*Testing*

- 7C.3.1. From the list of Cardholders obtained from the Card-Issuer at the beginning of the audit, verify Card Managers are not also Cardholders.

If from this list you determine the Card Manager is also a Card Holder, select a sample of \_\_\_ purchases made by the Procurement Card Managers/Card Holders. Verify these purchases were reviewed and approved by his/her supervisors in detail. Ensure the purchases were appropriate, logged, and supported by the required documentation.

If from this list you determine the Card Manager is also a Card Holder, meet with the Card Manager's managers to ensure they know they are to review the Card Manager's purchases.

7C.3.2. Select a sample of \_\_\_ departments and identify who receives the Card-Issuer activity report for reconciliation. Verify this person is 1) the designated Card Manager, 2) is restricted from Procurement Card usage, and 3) is a department manager and not a staff member.

## **7D. Physical Security**

7D.1. Is the stock of blank cards stored in a secure location?

### *Testing*

7D.1.1. Visit with the Card Administrator, and verify this person has stored blank card stock in a secure location.

7D.2. Are active cards stored in secure locations? (NOTE: If the card is issued to the individual, the card should be under the control of these individuals. If the card is issued to the department, the card should be in a secured desk drawer or filing cabinet.)

### *Testing*

7D.2.1. Visit a selected department of Card Holders and ask them to produce their cards. Verify they have their cards and these cards are not just lying around.

7D.3. What is done with the Card-Issuer activity reports after the monthly reconciliation?

### *Testing*

7D.3.1 Select a sample of \_\_\_ departments and identify who receives the Card-Issuer activity report for reconciliation. Since the information on this report (credit card numbers) can easily be used to make unauthorized purchases (such as telephone orders), verify the Card Manager secures the report from unauthorized viewing, and that the person using it is reliable.

## **7E. Logical security**

- 7E.1. If users access an automated log to note card usage how is access to this log secured?

### *Testing*

- 7E.1.1. Ask the Card Administrator to print out security access rules for the automated card log. Select a sample of users, and verify their access is appropriate.

## **7F. Disciplinary Actions**

- 7F.1. What actions are taken if incomplete supporting information is made available by the Cardholder, e.g., missing receipts?
- 7F.2. What actions can be taken if a Cardholder routinely disobeys usage guidelines?
- 7F.3. What actions can be taken if a Cardholder abuses the system?
- 7F.4. What actions can be taken if a department Card Manager does not perform the review and approval function?
- 7F.5. Has legal counsel reviewed the various disciplinary actions the organization can take to stop Procurement Card abuse?

## **7G. Card Design**

- 7G.1. Is the Procurement Card design such that it is easy to identify as a Company Procurement Card?

### *Testing*

- 7G.1.1 Select a sample of Procurement Cards and verify the following:

- Does NOT display the Cardholder's social security number
- Displays Card Holder Name and Organization Name
- Displays Tax ID number
- Includes Cardholder signature
- Is difficult to fraudulently duplicate
- Is of the design and color to makes it stand out to reduce the risk of accidentally using it as a personal credit card

## **7H. Procurement Card Administrator Overrides**

- 7H.1. Determine why and how the Procurement Card Administrator overrides purchase limits and practices.
- 7H.2. Ask the Procurement Card Administrator how these overrides are authorized and documented.

### *Testing*

- 7H.2.1. Review the file of documented overrides to determine if documentation and authorization are adequate.
- 7H.2.2. Interview a sample of Card Managers to determine when and why overrides were requested. Examine the Procurement Card Administrator records to ensure the Card Manager requests are all appropriately documented and authorized.

## **8. Department Administration**

- 8.1. Are departmental users familiar with Procurement Card policies and procedures?

### *Testing*

- 8.1.1. Interview a sample of departmental Cardholders, asking when and how they use the card. Do their answers comply with policies and procedures and sound Cardholder practices?

- 8.2. What are the procedures to ensure property or capital assets purchased with the Procurement Card are properly tagged and reported to Property Control for inventorying?

### *Testing*

- 8.2.1. From the one year of transactions obtained at the beginning of the audit, identify all transactions with individual items exceeding the capitalization threshold, and ensure all applicable items were recorded in Property Control inventory records and tagged.

- 8.3. Do departments maintain a record of Procurement Card Cardholders? Is this list reviewed at least annually to ensure appropriate assignment of privileges?

### *Testing*

- 8.3.1. Match the department list of Cardholders to the list of active cards obtained from the Card Issuer at the beginning of the audit.

- 8.4. Are there any special year-end cutoff procedures?

- 8.5. Can purchases be split between different accounts? If so, how is this controlled and monitored?

## **9. System Administration**

- 9.1. Who maintains the automated card recordkeeping system? Are these people restricted from using a Procurement Card?

### *Testing*

- 9.1.1. From the list of Cardholders obtained from the Card-Issuer at the beginning of the audit, verify the system administrators are not also Cardholders.

- 9.2. How is access to the card recordkeeping system secured?

### *Testing*

- 9.2.1. Ask the Card Administrator to print out security access rules for the card recordkeeping system. Select a sample of users, and verify their access is appropriate.

- 9.2.2. Attempt to enter card usage information into the system using several logons what should not have this access capability.

- 9.3. How often is the automated card recordkeeping system backed up? Is a backup copy stored off-site?

### *Testing*

- 9.3.1. With the assistance of the Card Administrator, visit the off-site storage area and verify that an appropriate backup copy of the system and data files is stored off-site.

- 9.4. How are data transmissions between the Card Issuer (bank) and the organization secured from unauthorized viewing, use, and alteration?

### *Testing*

- 9.4.1. Ask the Card Administrator to print out security access rules for the data transmission system. Select a sample of users with access, and verify their access is appropriate.

- 9.5. What completeness and accuracy transmission controls are there for the data transmissions between the Card Issuer (bank) and the organization? (NOTE: This typically includes echo checking, record count and financial totals.)

Testing

- 9.5.1. Ask the Card Administrator to print out recent control totals, and then conduct an independent reconciliation of data transmissions.
- 9.6. Are all electronic data transmissions encrypted?

Testing

- 9.6.1. If encryption is used, verify with system administrators that the encryption algorithm is reasonably current and subject to public key/private key technology.
- 9.7. Is there a business continuity plan for restoring the Procurement Card system, and has it been tested in the last year?

Testing

- 9.7.1. Obtain a copy of the business continuity plan, and verify the Card Administrators have reviewed it in the last year. Seek evidence of the most recent test.

## **10. Business Administration**

- 10.1. If the Procurement Card was installed to save money and increase efficiencies, how does the organization monitor these savings and efficiencies? Also, can the organization compile statistics to support continued use of the Procurement Card?

### *Testing*

- 10.1.1. Obtain copies of the statistics and calculations that support cost and efficiency savings.
- 10.1.2. Verify that executive management has reviewed the cost and efficiency savings.

- 10.2. Who maintains complete records of Procurement Cards issued? Does the Card Administrator review this list with department heads at least annually to ensure appropriate assignment of privileges?

### *Testing*

- 10.2.1. Compare the organization-prepared list to the list of Cardholders obtained from the Card-Issuer at the beginning of the audit.

- 10.3. If the Procurement Card can be used for purchasing services, what are the provisions for ensuring 1099 tax reporting (USA Only)?

### *Testing*

- 10.3.1. From the one year of transactions obtained at the beginning of the audit, identify all transactions with Merchant Category Codes from the list in Internal Revenue Service list of service providers. Select a sample of these purchases to verify the proper IRS documentation was prepared.

- 10.4. Did legal counsel review the Card-Issuer and Cardholder agreements before they were authorized and used?

### *Testing*

- 10.4.1. Obtain documents evidencing legal counsel review and assessment of these documents.

- 10.5. Is the organization satisfied with the quality of customer support provided by the Card-Issuer?

### *Testing*

- 10.5.1. Interview executive management to verify their continued support of the Procurement Card system.

- 10.6. Determine the method for handling card purchases during the year-end cutoff period.
- 10.7. Is the organization charged an interest penalty for outstanding balances? If so, determine total interest costs in the last year. Interview the Card Administrator to determine if they are aware of the interest costs. Determine how these costs are allocated and covered.