

New York State Office of the State Comptroller

Managing the Procurement Audit Process

DEFINITIONS

Audit Program

An audit program contains specific steps auditors should complete to obtain a sufficient understanding of an agency's internal controls over a particular area and determine whether those controls are adequate. An audit program provides guidance to internal auditors, managers, or others for assessing the procurement process. Since it is a guide, an audit program should be modified, where necessary, to meet the specific needs of an agency.

Background

The audit program should provide background information about the unit or program that processes procurement transactions. The auditor should become familiar with the policies, procedures, flowcharts, surveys, prior audit reports, risk assessments and any material pertaining to the activities being audited.

Audit Scope

The audit scope sets the boundaries of the audit. It should include the nature and extent of auditing procedures being performed and the time period being audited.

Audit Objectives

Audit objectives include statements that define what the audit will accomplish. The primary objective of a procurement audit should be to determine if the agency's procurement process complies with all laws, rules, regulations, guidelines and accepted business practices.

Audit Methodology

Audit Methodology describes the criteria the auditor uses and the tasks the auditor will take to collect, analyze, interpret and document information during the audit.

PROCUREMENT AUDIT PROGRAM

The audit program is divided into two overall objectives.

Objective A: This section provides steps to obtain an understanding of an agency's internal controls. Internal control is defined as the integration of the activities, plans, attitudes, policies, and efforts of the people of an organization working together to provide reasonable assurance that the organization achieves its objectives and mission. To understand internal control, it is important to address the five components of internal control: the control environment, risk assessment, control activities, communication/information and monitoring. Each component is defined and appropriate audit steps have been listed to assess the component. For more information on internal control, please see the Standards For Internal Control in New York State Government at the following website: http://www.osc.state.ny.us/agencies/ictf/docs/intcontrol_stds.pdf

Objective B: This section evaluates the effectiveness of the internal controls by testing the existing controls over the procurement process. The procurement process is composed of purchasing, receiving and accounts payable functions. Audit steps have been created to evaluate each of these functions:

AUDIT OBJECTIVE A

To obtain a sufficient understanding of an agency's internal controls over the procurement process.

Audit Step 1: Assess the control environment of the unit.

The control environment influences all the decisions and activities of an organization. A positive control environment, providing discipline and structure, is the foundation for all other standards of internal control. It is defined as the attitude toward internal control established and maintained by the management and the employees of an organization. It is a product of management's philosophy, style and supportive attitude, as well as the competence, ethical values, integrity, and morale of the organization's people. Organization structure and accountability relationships are key factors in the control environment.

1. Request an up-to-date organization chart from unit officials. The organization chart is helpful in identifying contacts for requesting information and setting up meetings.
 - a. Review the organizational chart to gain an understanding of the structure of the unit, reporting relationships, lines of communication, and supervision of staff. Are the levels of authority appropriate?

- b. If the unit does not have an organization chart, interview unit officials to outline staff and reporting relationships.
2. Obtain the unit's written mission statement:
 - a. Does the mission statement reflect current purpose, goals and objectives of the unit?
 - b. Review to gain an understanding of the unit's purpose. As you're reviewing the unit's activities, keep in mind whether they address the unit's purpose and objectives.
3. Observe the attitude of management and staff. These observations should be documented in meeting minutes. In assessing their attitude, consider the following:
 - a. Do they seem open to suggestions for improvement?
 - b. Are management's actions consistent with the stated values and conduct expected of all other employees?
 - c. Do staff or management make negative comments?
 - d. Are they cooperative?
 - e. Do they seem to have a sufficient understanding of their unit?
 - f. Consider conducting a control self-assessment to assess internal control. This would provide information on management's ethics, integrity, philosophy and operating style, and the competence of the people in the organization.
4. Assess the competence of staff by asking unit officials the following:
 - a. Does the unit experience a high turnover of staff? How has staff turnover affected the unit?
 - b. Does the unit have an employee training program? Are staff and managers continuously trained? Do they attend training that addresses fraud and/or purchasing practices?
 - c. How are new employees trained?
 - d. Is the staff's performance evaluated? How often?
 - e. Does staff accomplish their tasks?
 - f. Does staff have knowledge and comprehension of their tasks?

Audit Step 2: Determine if a comprehensive risk assessment has been performed.

Risks are events that threaten the accomplishment of objectives. They ultimately impact an organization's ability to accomplish its mission. Risk assessment is the process of identifying, evaluating and determining how to manage these events. At every level within an organization there are both internal and external risks that could prevent the accomplishment of established objectives. Ideally,

management should seek to prevent these risks. However, sometimes management cannot prevent the risk from occurring. In such cases, management should decide whether to accept the risk, reduce the risk to acceptable levels, or avoid the risk. To have reasonable assurance that the organization will achieve its objectives, management should ensure each risk is assessed and handled properly.

1. Determine from the internal control officer whether a risk assessment for the purchasing, receiving and accounts payable functions have been performed within the last year. If not, determine other means used by management to assess risk, such as meetings or informal discussions.
2. If the unit has performed a risk assessment, review it to determine whether it includes the following:
 - a. Description of each function being assessed.
 - b. Listing of all people and organizations (internal and external) associated with this function and how they are associated.
 - c. Outline of the unit's activities and description of the procedures involved in performing each activity.
 - d. Description of what would happen if the procedures above were not performed or done poorly. What is the risk associated with each activity?
 - e. Description of the existing controls to manage the risk and potential problems.
 - f. Identification of any discrepancies from prior risk assessment survey steps.
 - g. The agency's risk factors the unit evaluated. These should be simple, clear, meaningful, definable and answerable. Examples of risk factors include the following:
 1. Regulation of the unit and the risk of non-compliance or the negative aspects of adverse publicity as well as those of a lack of public awareness.
 2. Computer data processing procedures and new technology.
 3. Government regulations.
 4. Pressure on management/staff to meet objectives.
 5. The size of the unit (i.e. high turnover, agency restructuring, rapid growth, etc.)
 6. Potential occurrence of fraud, waste and abuse.
 - h. The likelihood of the risk occurring. If the unit has good internal controls, the risk of occurrence should be low. If adequate controls are not in place, the risk of occurrence should be high.
 - i. The impact on the unit if an adverse event happens. It should describe the impact of the following:

1. An erroneous decision from the use of incorrect or unreliable data.
 2. Erroneous record keeping, inappropriate accounting, fraudulent reporting, loss and exposure.
 3. Failure to adequately safeguard assets.
- j. Ask management how they allocate resources to a project/program (i.e. cost /benefit analysis).
3. Determine if management maintains an analysis and interpretation of the risk assessment information as part of the risk assessment documentation.
- a. Does the analysis support the risk management decisions?
 - b. Does management review the risk management decisions periodically to determine whether changes in conditions warrant a different approach to managing risk?

Audit Step 3: Assess the control activities of the unit.

Control activities are tools - both manual and automated - that help prevent or reduce the risks that can impede accomplishment of the organization's objectives and mission. Management should establish control activities to effectively and efficiently accomplish the organization's objectives and mission.

1. Obtain the unit's written policies and procedures from agency officials for the Purchasing, Receiving and Accounts Payable functions. (Policies and procedures are important to ensure that management's directives are carried out.)
2. Determine the following regarding policy and procedures:
 - a. Are procedures current and readily available to staff? This is important to ensure staff is following appropriate procedures and these procedures reflect current activities.
 - b. Are procedures established for each of the Unit's activities? Are procedures appropriate/adequate?
 - c. Are procedures easy to understand?
 - d. Do procedures comply with applicable laws and regulations? (Please refer to The State Finance Law Articles 11 and 11B and the OGS Procurement Guidelines) Are procedures consistent with OSC policies?
 - e. Do procedures address a system of approvals, authorizations, verifications, reconciliations, reviews of operating performance, security and separation of duties?
 - f. Do procedures address how employees should handle confidential or sensitive information?

3. Interview unit officials to determine the following:
 - a. Does the unit have performance reports that compare planned performance with past performance?
 - b. Does management use program achievement reports?
 - c. Are problem areas identified and corrective action plans prepared?
 - d. Follow up on corrective action plans.
4. Obtain or create a flowchart of the procurement function including the purchasing, receiving and accounts payable cycles. Determine if there are any weaknesses in the process.
5. Conduct a walk-through of the unit's operations. Observe staff duties to determine whether they are following written policies and procedures. Observe and determine if duties are adequately separated.
6. Test some of the transactions to verify staff is following the procedures.

Audit Step 4: Determine whether the unit has a secure and effective system in place to capture and store relevant information timely and accurately and whether lines of communication exist to circulate this information to the right people timely.

1. Ask for a demonstration of the key automated systems relevant to overseeing the unit's activities. During the demonstration ask the following:
 - a. For each system, what staff has system override privileges? Does the system log all overrides?
 - b. What safeguards are in place to prevent lost or unauthorized access to data?
 - c. Does each system have an automatic logoff? If so, observe the length of time until logoff.
 - d. What controls are in place to ensure that input data is properly authorized?
 - e. Do staff have Internet access? What does the agency do to monitor Internet use by staff?
 - f. Is anti-virus software installed?
2. Obtain a copy of the unit's password protection policy. Review the policy and determine:
 - a. How often passwords must be changed, at least every 30 days.
 - b. If sharing of passwords among employees is prohibited.
 - c. If the system accepts common words for passwords.

- d. If the system automatically logs off when the computer is unattended for a period of time, at least 15 to 20 minutes.
 - e. From staff if they share passwords, change their password at least every thirty days, and if the system logs them out automatically
3. Select a sample of time and attendance records. Identify dates where the employee was not present and determine if the employee was logged on to the system on that date. If such cases exist, this would indicate that the employee shared his/her password.
4. Interview staff to assess communication regarding the following:
 - a. Does the unit hold regular staff meetings? Are minutes maintained? If so, ask to see them.
 - b. Does staff have access to adequate resources to accomplish their objectives?
 - c. How do supervisors review their staff's work?
 - d. Does staff have access to the most current information, which enables them to do their job (e.g. access to internet). If staff has Internet access, ask them to demonstrate where the information is located.
5. Determine if management's expectations are effectively communicated to employees.
 - a. How does management communicate expected behaviors with staff?
 - b. Review the performance evaluation process. How is staff performance measured and evaluated? What performance measures are used to evaluate staff? Are staff evaluations performed in a timely manner? Are these evaluations kept on file and up to date?
 - c. Does management report on the unit's performance relative to its goals and objectives? Are there status reports? If so, ask to see them.
6. Interview unit officials to determine how they are held accountable for unit and staff performance.
 - a. Are unit supervisors held accountable for staff performance?
 - b. What actions would be taken if the unit performed poorly or an employee acted unacceptably?
 - c. How are employees who break the laws, rules or regulations held accountable?

Audit Step 5: Determine the extent of the unit's monitoring activities.

Monitoring is the review of an organization's activities and transactions to assess the quality of performance over time and to determine whether controls are effective. Management should focus monitoring efforts on internal control and achievement of organization objectives. For monitoring to be most effective, all employees need to understand the organization's mission, objectives, responsibilities and risk tolerance levels.

1. Interview unit officials to discuss the unit's monitoring activities in the following areas:
 - a. How does the unit track their errors and corrections?
 - b. Do they have a tracking system that details errors and corrections? If so, ask for a demonstration and documentation to support the correction.
 - c. Are reconciliations done timely and reviewed by a supervisor?
 - d. Does the unit have a process in place to note exceptions (transactions that do not ordinarily occur)? If so, review to determine effectiveness.
 - e. What measures does the unit take to prevent future errors?
 - f. How does the unit track OSC adjustments/rejections? Obtain supporting documentation.
 - g. How does the unit measure the timeliness of voucher processes?
 - h. How does the unit address vendor complaints? Does the unit solicit feedback from vendors about service?
 - i. How frequent are vendor complaints?
 - j. What types of reports does the unit produce and use to monitor production/performance (e.g., performance reports, status reports, issues reports, internal management reports, etc.). Are these reports distributed timely? Obtain copy of these reports.
2. Determine if other audit work has been performed relating to the unit's functions and whether the unit has taken appropriate actions to correct or resolve the issues promptly.
 - a. Obtain prior audit reports (e.g., OSC, internal audit, GAO, etc.) related to the unit's functions. OSC reports can be found at <http://www.osc.state.ny.us>.
 - b. If the agency has an internal audit department, obtain reports relating to the audit (including any internal audits/reviews, self assessments, or external audits that have been conducted).
 - c. Review reports and identify any pertinent findings or weaknesses.
 - d. Determine what management has done to address identified findings or weaknesses.
3. Ask management how they ensure that policies/procedures are followed, and how they are assured the internal controls in place are effective. To

what extent does a Quality Assurance function exist at different personnel levels (staff, supervisor, etc.)?

AUDIT OBJECTIVE B

Good internal control dictates that no one person or department should handle all aspects of a transaction from beginning to end. It is important to separate the functions of authorizing transactions from recording transactions and maintaining custody over assets. If possible, the purchasing, receiving and accounts payable functions should be clearly separated and processed in different units.

The following audit steps are used to evaluate the effectiveness of the controls over procurement by testing controls over the purchasing, receiving and accounts payable functions. Analysis using audit software and electronic files is an extremely useful tool in evaluating effectiveness. The Computer Audit Support Team within the Bureau of State Expenditures can provide agencies with historical payment and cost center/object code data upon request. See G-Bulletin 185 for contact information.

Purchasing

Purchasing Units authorize the purchase of goods and services. Purchase orders and contracts should be issued only after compliance with laws, rules and regulations and procedures for determining need, obtaining competitive bids (if necessary), and obtaining approval. The OGS Procurement Guidelines can be found at the following website:

<http://www.ogs.state.ny.us/procurecounc/default.asp>

We will reference specific parts of the guidance that correspond to the individual audit steps:

1. Determine if the agency is purchasing only what is needed:
 - a. Review inventory turnover reports for indications of low turnover for high-risk commodities (e.g. drugs - look for returns, expired items, unnecessary stockpiling of goods).
 - b. Review year-end purchases to determine unnecessary buying due to lapsing funds. (How long are items in storage?)

2. Determine if goods and services are purchased in accordance with NYS laws, rules, regulations, and guidelines.
 - a. Are goods obtained at the best possible price, procured fairly and in a competitive environment?
 - b. Select a sample of commodities purchased.
 1. If the commodity is available from a preferred source, determine whether the agency purchased the item from the

preferred source, as defined in the Procurement Guidelines. (See website http://www.ogs.state.ny.us/procurecounc/appendix_C.asp) If not, did the agency document why the item did not meet their agency's form, function or utility and had to be purchased elsewhere. Did the agency request a waiver from the preferred source?

2. If the commodity was not available from a preferred source or it did not meet the agency's form, function and utility requirements, determine whether the agency purchased the items from statewide P contract vendors. The list of vendors can be found at the following website: <http://www.ogs.state.ny.us/purchase/SearchBrowse.asp> If not, did the agency document why the item did not meet the agency's form, function and utility requirements.
3. If the commodity was available on statewide P contract, but the agency did not purchase the commodity from the contract vendors, determine if the agency used OGS or Less. (See website http://www.ogs.state.ny.us/procurecounc/appendix_C.asp). Did the agency ask the P contract vendor to meet or beat the price of the non-contract vendor? Look for non-use of P contracts for commonly procured items (e.g. review purchases for office supplies).
4. If the agency did not use OGS or Less, was the commodity purchased from a certified MWBE (Minority and Women-Owned Business Enterprise up to the allowable level? See website: http://www.nylovesbiz.com/Small_and_Growing_Businesses/mwbe.asp

and State Finance Law, Section 163.6.

5. If the agency purchased on the open market, determine how the purchasing agent selected the vendor and is assured the price is reasonable. Did the purchasing agent solicit prices from more than one vendor? Was the solicitation done in accordance with procurement and advertising laws and any competitive bidding requirements that may apply?
 - a. Did the agency where required, submit contracts or all copy purchase orders the Bureau of Contracts timely and were they approved?
- c. Are services obtained at best value, which optimizes quality, cost, efficiency, and responsiveness of vendor?

Select a sample of services purchased. (Analysis of purchases by object codes from the agency's history file is useful in determining if the vendor procured appropriately.)

1. If the service is available from a preferred source (see website http://www.ogs.state.ny.us/procurecounc/appendix_C.asp), determine whether the agency purchased the item from the preferred source, or documented why the item did not meet the agency's form, function and utility requirement and had to be purchased elsewhere. Did the agency request a waiver?
 2. If the service is not available from a preferred source, determine how the purchasing agent selects the vendor and is assured best value. Was the solicitation done in accordance with procurement and advertising laws and any competitive bidding requirements that may apply?
 - a. Did the agency where required, submit contracts or all copy purchase orders the Bureau of Contracts timely and were they approved?
- d. Identify vendors with multiple payments without contract or approved purchase order for possible split ordering. (Exclude all payments or any other payees where it is known that the agency did not have a choice of vendors.)
- e. Is the agency doing business with responsible, reliable and legitimate vendors? Public Officer's Law, section 73 (4)(a)(i) states that no State employee shall sell any goods or services having a value in excess of twenty-five dollars to any state agency unless such goods and services are provided pursuant to an award or contract let after public notice (Contract Reporter) and competitive bidding.
1. Match the agency's payment history file to the agency's payroll file to determine if State employees are receiving payments for inappropriately providing goods and services to the State. Use Payee ID, name or address for matching criteria.
 2. Use Internet sites for verification of vendor address, license if applicable, and any complaints directed to the vendor. While there are numerous sites that have information on these areas, the following are suggested starting points:

For Licenses: <http://www.dos.state.ny.us>

For Complaints & verification:

<http://www.op.nysed.gov/rasrch.htm> Covers most professional licenses

<http://www.bbb.org> Better Business Bureau

<http://www.switchboard.com> for verification of address and telephone number

<http://www.anywho.com> for verification of address and telephone number

3. Determining if a vendor is responsible can be a complex matter. Other reference sources that may have useful information would be the NYS Department of Labor to determine if the vendor has been disbarred for Prevailing Wage Rule violations, the New York City Vendex system which has information on vendors doing business with New York City.

3. Determine if payments are processed accurately.

a. Analyze payments to determine if:

1. The agency purchased similar commodities or services that, in total, exceeded the discretionary purchasing threshold without a contract within a 60-day period. Agencies, when evaluating the need for a contract, need to consider both the dollar amount and the time period covered by the purchase. Agencies should consider their historical purchasing and/or their estimated annual projected need for commodities and the total time period over which the services will be provided. See State Finance Law 163.6 and Title 9, NYCRR Part 250.2(h).
2. The agency appropriately liquidated against contracts or approved purchase orders.
3. The agency used "A" route codes in accordance with the OSC G-Bulletin #189 at the following website: <http://www.osc.state.ny.us/agencies/gbull/g189.htm>
4. The agency is making duplicate payments. Consider matching the following items for indication of duplicate payments:
 - a. Same invoice number, amount, invoice date and vendor.
 - b. Same invoice number, amount, and vendor.
 - c. Same invoice number and vendor.

- d. Same amount and vendor.
 - e. Same purchase order, vendor and amount.
5. The agency minimizes its interest payments by processing their invoices in a timely manner.
- a. Identify how many vouchers incurred interest and the reason for incurring interest. Review for large differences between the MIR date and Liability Date or Invoice Date for indication that agency's processes are untimely. See G-Bulletin 147 for guidance <http://www.osc.state.ny.us/agencies/gbull/g-147.htm>
 - b. Determine if the agency takes advantage of the Scheduled Contract Payment process, which enables agencies to enter a payment schedule in the CAS at the time the contract is entered. See A-Bulletin 354 on the OSC website: <http://www.osc.state.ny.us/agencies/abulls/a354.htm>
 - c. Travel vouchers are processed accurately and for properly authorized travel. See NYS travel information on the Comptroller's website: <http://www.osc.state.ny.us/agencies/travel/travel.htm>
 - 1. Analyze travel vouchers to determine:
 - a. Excess or inappropriate charges.
 - b. Inappropriate date and time of travel.
 - c. Inappropriate official station.
 - 2. Analyze travel card transactions to determine
 - a. If charges are reconciled on a timely basis.
 - b. If charges are excessive or inappropriate.
6. Procurement card purchases are valid and processed accurately. Please refer to the Comptroller's website for purchasing card guidelines: <http://www.osc.state.ny.us/agencies/travel/amexinfo.htm#fpurchase>
- a. Are procurement card purchases properly authorized?
 - b. Are procurement card purchases properly documented? (i.e. record of purchase, record of receiving, etc.)
 - c. Is the monthly procurement card statement reconciled on a timely basis?
 - d. Does the transaction dollar limit exceed the agency's Quick Pay limit? (Transaction dollar limit should not

exceed Quick Pay limit.)

7. If advance accounts are being utilized appropriately. Guidance is available at the following websites:
<http://www.osc.state.ny.us/agencies/accmanual/special/40210.htm> for regular advance accounts

<http://www.osc.state.ny.us/agencies/travel/manual.htm#cash> for travel advance accounts.
 - a. Review advance accounts to determine how many advance accounts the agency has and their dollar amounts. Examine advance account establishment and reimbursement trends to determine if the account is being used appropriately. If the account is not being fully utilized, recommend reducing or closing the account.
 - b. Review advance accounts to determine if they are reconciled timely to bank statements and to OSC records.
8. If there are incorrect object codes being used or improper use of Payee ID's such as:
 - a. Same Payee ID with many vendor names.
 - b. Same Vendor with different object codes.
4. Determine if goods and services are ordered timely enough to meet agency needs. Are there significant last minute purchases the agency classifies as an emergency, but should have been able to anticipate?
5. Determine if the agency is purchasing quality products and services. Are there a significant number of returns? Is obsolete inventory stored that does not serve a purpose? Does the product deliver less than what is expected (e.g. bad toner)?
6. Determine whether goods and services are procured economically and efficiently. Select a sample of non-contract payments. Determine if the prices for the goods or services are reasonable.

Receiving

All goods received and services provided should be received/acknowledged by the agency through a receiving department or unit that is independent of the purchasing, storing and accounting. For commodities, the receiving department is responsible for determination of the quantities received, the detection of defective or damaged merchandise, the preparation of a receiving report, and the prompt transmittal of goods to a storeroom. For services, the program or

contract manager should verify the service was performed according to the terms and conditions of the contract.

1. Determine if goods are received as ordered.
 - a. Select a sample of receiving reports to determine if the amounts received correspond to the purchase order. Document errors.
 - b. Does the receiving clerk know the number of items he is receiving from the purchase order? (Receiving clerk's copy of purchase order should not contain the number of items ordered).
2. Determine if goods received are secure. For goods that are stored in a secure area, select a sample of receiving reports and verify the goods are received. If goods are not in storage, determine the disposition of the goods.
3. Determine if goods received are accurately and promptly reported. Select a sample of receiving reports to determine if these documents were reported promptly to Accounts Payable.

Accounts Payable

Accounts Payable is responsible for authorizing and preparing the payment for goods and services received. The function should be separate from both the receiving and purchasing functions. In order for a payment to be processed, accounts payable staff must determine whether the purchase was properly authorized and received in accordance to the terms and conditions of the contract.

1. Determine if the agency is paying for only what was ordered and received.
 - a. Select a sample of vouchers. Verify invoiced quantities, prices and terms to the purchase order and receiving report. Are these documents in agreement? Follow up on material exceptions.
 - b. If the sampled items are for purchases that do not usually generate a purchase order or receiving report (e.g. services), verify how the services were ordered and that they were received as expected. Follow up on material exceptions.
2. Determine if the agency takes advantage of discounts. Select a sample of vouchers. If the invoices indicate discounts are offered, determine if the agency took advantage of the offer.
3. Determine if liabilities for goods and services are accurately and timely recorded. Determine from receiving logs or reports, if each receipt is recognized as a liability within the appropriate period of time.

4. Determine if inappropriate transactions are being made.
 - a. Are adjustments to purchases accurately, appropriately and promptly recorded?
 - b. Is access to accounting records limited to only those authorized by management?

5. Determine if payments are processed accurately.
 - a. Determine if the agency reconciles vouchers submitted to actual payments. See G-Bulletin 204 for information supplied by OSC to reconcile payments: <http://www.osc.state.ny.us/agencies/gbull/g-204.htm>
Select a sample of payments on the VOU065 and verify the amount, vendor name, and address to the agency records. VOU065 is a report that all agencies receive from OSC listing payments made to vendors. Verify the reconciliation is done timely. Determine how discrepancies are resolved.

 - b. Review a sample of vouchers to determine the accuracy and validity of transactions. The following steps should be used, and modified as necessary, to address the audit area:
 1. Ensure that the certifier is authorized.
 2. Verify whether the total amount on the voucher agrees with the sum total of the supporting invoice(s) and that no invoice exceeds the agency's approved limits for processing.
 3. Inspect supporting documentation to determine if evidence exists that the transaction may have been split to circumvent purchasing procedures.
 4. Verify to source documentation whether all information entered on the voucher is correct, including: payee name and address, Federal identification number, route code, and contract number (P Contract and liquidating contracts).
 5. Verify whether the IRS 1099 code is appropriately reported. See G-Bulletin 132 for guidance <http://www.osc.state.ny.us/agencies/gbull/g-132.htm>
 6. Verify whether the voucher appears to represent a proper State charge, is in line with the needs of the agency and that the purchase is in compliance with all procurement requirements.
 7. Verify whether supporting documentation includes an invoice and receiving report.
 8. Determine if lapsing vouchers are processed accurately. Select a random sample of vouchers paid during the three-month lapsing period. Verify to the receiving report and/or the shipping documents as appropriate, whether the merchandise was received prior to the end of the lapsing

period.

6. Determine if the Quick Pay Certifier is properly authorized.
 - a. Identify the agency's quick pay certifiers from the agency's payment history file.
 - b. Ensure the agency's security unit authorizes the certifiers. The Knowledge Management Unit in OSC has all current authorized certifiers on file.
 - c. Ensure that no certifier has authority to data enter the voucher and that no data entry operator has the ability to certify.
 - d. Request a sample of time and attendance records for the certifiers to ensure that they were in attendance on the same day that they certified a batch for payment. If not, this is an indicator that the employee violated procedures by sharing his/her password.
 - e. Determine if any inappropriate payments were made to the certifiers. Search on name, address or social security number.

7. Determine if transactions are indicative of fraud, waste or abuse.
 - a. Apply audit techniques, such as Benford's Law, to spot irregularities or indicators of possible error or fraud in voucher payments. Benford's Law makes predictions on the occurrence of digits in large amounts of unaltered data. As the value of the digit increases, the likelihood for it to occur decreases. Data that fails to follow the expected frequencies may include fraudulent items.

 - b. Apply CAATS (Computer Assisted Audit Techniques) to:
 1. Determine whether payments were made to deceased people.
 2. Perform perimeter tests to special types of payments (i.e. jury duty payment to same person more than once a year).
 3. Analyze vendor addresses to identify fraudulent trends and patterns (i.e. identify multiple vendors using one P.O. Box, or one vendor using multiple P.O. Boxes).
 4. Analyze vendor ID/names to identify fraudulent trends and patterns (i.e. two vendors using same ID, one ID with different names).

8. Determine if payments are processed efficiently, effectively and appropriately.
 - a. Consolidate number of vouchers.
 1. Identify vendors receiving a large number of voucher payments each year (50 or more - approx. 1 per week). Contact a selection of vendors and determine the reason they are sending so many invoices. Determine if the number of checks to a vendor can be consolidated.

2. Determine if agency is using the Schedule Contract Payment process, which automatically generates contract payments on the scheduled dates without agencies having to process vouchers.
- b. Analyze small dollar transactions - Procurement Card.
 1. Stratify payments using intervals such as \$1, \$5, \$10, \$25, \$50, \$100, \$250, \$500, \$1,000, \$2,500, and \$10,000. Do the results indicate a large percentage of small dollar payments? Does analysis indicate whether the majority of payments could be made through other means (i.e. procurement card, advance accounts)?
 - c. Appropriate use of Quick Pay.
 1. Using the agency's payment history data, identify and determine the validity of payees receiving a frequent number of quick pay processed payments.
 2. For the payees identified above, determine if the unit split one invoice into two or more payments to circumvent their quick pay level.
 - a. Consider reviewing sample for similar invoice numbers released on the same audit date. Watch for an added letter or extra number at the end of the original invoice number as a way to falsify payments.
 - b. Request vouchers for any suspect invoice numbers.
 - c. Review payments not associated with contracts. These payments are particularly at risk for split ordering.
9. Does Management encourage staff in purchasing and accounts payable functions to visit other agency staff to verify information (such as receipt of products or services; quality level of goods or services)?