Purchase Card Program Random Sampling Audit Procedures
Appendix E

General

The GSA SmartPay A/OPC personnel will conduct reviews of each account annually. As stated in the service description of the customer agreements: "The purchase card program services will include: Perform an annual audit on random sampling of card use to supplement the full review to be performed by the external agency's approving officials or purchase card point of contact."

During each audit, the A/OPC will follow these procedures in determining what items/transactions are considered to be inappropriate according to the "Prohibited Purchases" section of the Purchase Card Procedures. Note that these procedures may be in addition to any applicable agency-specific regulations.

Random Sampling Audit Process

The external agency point of contact (POC) will be notified around the beginning of each calendar year on which month their audit is scheduled to occur. This schedule is subject to change. The external agency POCs will be notified if a change in schedule affects their month of review.

In the first week of each month, the GSA SmartPay team will request (according to the customer audit schedule) the following items from each cardholder:

- Purchase Log.
- Written pre-approval from AO (emails/internal request form, unless standard agency buy). Provide standard Agency Buy Memo if standard agency purchase.
- Purchase Order (if applicable).
- Receipts/Invoice (must be legible).
- Written proof of item/service received.
- Convenience check log (if applicable and reason why a check was written).
- Credit transactions - brief description or reason for return.
- "Don't Buy List" - Provide a written justification for purchase if exception applies
- Mandatory Sources/NOAA 889 - Provide documentation that research was completed and if open market was used, proof of NOAA 889 compliance.
- Purchases over micro-purchase threshold - Provide a copy of vendor quotes (3 are required) or signed and approved sole source justification.
- Purchases that fall under the category of ' Electronic and Information Technology' (E&IT) provide documentation that the item is Section 508 compliant.
- Any other supporting documentation.

The GSA SmartPay team will send an email to each cardholder requesting the above documentation on their transactions selected for review. The external agency POCs will be copied on each email sent out to their cardholders.

A random sample will be taken from the yearly transactions of each cardholder. The methodology for drawing the sample of transactions is detailed below in the section titled "Sampling Technique".

Sampling Technique

A random sample will be drawn from the transactions of each cardholder. This random sample will minimally be drawn to allow for a 90% confidence level and a 15 %, 20%, and 25 % error rate according to annual transaction counts of each cardholder. The table below determines the number of transactions selected for review.

Annual Transaction Count	Confidence Level-Error Rate
0-250	90%-25%
251-500	90%-20%
501 and up	90%-15%

This sample technique allows for a more extensive audit to be performed on cardholder accounts more frequently used. In certain cases, a more robust sample may be taken.

Additionally, the reviewer may examine any additional transactions at their own discretion as necessary. Any cardholder accounts with transactions that have the appearance of a split transaction, recurring service exceeding $15,000 for the year, or any visually suspicious merchant may require additional documentation from the cardholder. These items will be documented in the final audit report. Additional documentation may be requested at any time prior to the final audit report being sent.

The reviewer will use a random sampling formula and calculator to determine how many transactions must be analyzed in order to generate the desired confidence level and error rate. A list of random numbers will be drawn using this acceptable statistical program. Each random number will represent a transaction number for examination.

Preliminary and Final Report

The GSA SmartPay team will compose a preliminary audit report and email it to the external agency POCs. The report will contain a brief summary of findings and details of each cardholder's transactions selected for review. If the external agency POCs and/or cardholders have additional documentation and/or internal policy to overturn any findings, a reply would be needed by the requested date listed on the email from the GSA SmartPay team. Any supporting documentation would be reviewed and if applicable, the finding(s) removed, and a final review will be provided. Please note that after the specific due date on the email from the GSA SmartPay team, no further documents will be accepted, and no further changes will be made.

Upon completion of the preliminary review, the GSA SmartPay team will send the final audit report. Once the final audit has been completed and the report written, the external agency POCs will be notified by email. The report will contain a brief summary of findings and details of each cardholder's transactions selected for review.

The GSA SmartPay team strongly encourages the external agency POCs to submit responses in the "Corrective Actions Taken" column to complete the full audit report. When the final audit report is sent via email, a "respond by" date will be stated. If no response is received by that date,the GSA SmartPay team will consider the audit finalized. It is ultimately the responsibility of the external agency POCs to address any identified problems. As stated in the Procurement Services Description, it is the customer agency's responsibility to:

1. Retain full management control in dealing with the cardholder in instances of fraud, waste, and abuse.

Card Usage Report

During the same month of the customer agency's annual audit, a card usage report will also be sent to the external agency POCs. The usage report contains the following information:

- Hierarchy Levels
- Cardholder Name
- Single Purchase Limit
- Highest Single Amount Spent
- Total Number of Transactions
- Average Single Spent
- Monthly Purchase Limit
- Highest Monthly Amount Spent
- Average Monthly Spent

The GSA SmartPay team will identify any accounts that appear to have higher single and monthly purchase limits set than are necessary for that account based on usage. These limits/accounts will be identified in red for easy review.

It is the external agency POCs' responsibility to review the report and identify all account limits that should be reduced. This report will also assist in identifying any accounts that should be closed due to inactivity. Reviewing this report and providing a response to GSA SmartPay will mitigate potential risks within each agency' s card program.

CitiManager Access

Along with the annual audit and usage report, a comparison between the CitiManager user access and our internal records will be conducted. This will ensure our records match the current user access in CitiManager. The GSA SmartPay team will communicate with Citibank' s CAS Manager to update any user access that needs implemented.