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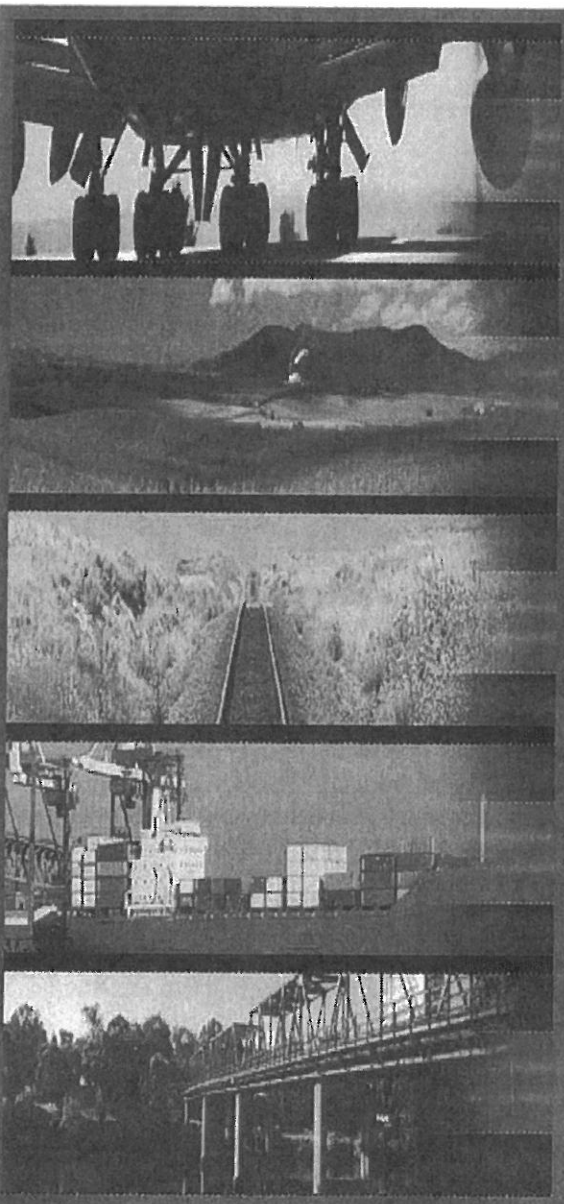

Department of Infrastructure, Transport, Regional Development and Local Government

Review of Corporate Credit Cards

2007-08

Conducted:	**March 2008**
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1 Executive Summary

1.1 Background

The Department of Infrastructure, Transport, Regional Development and Local Government (the Department) staff are issued with Departmental credit cards for travel and other Departmental related purchases. Past audits have identified an unacceptably high level of non-compliance.

The approach taken for this internal audit was to use a Computer Assisted Audit Technique (CAAT) to interrogate credit card transactions to identify potentially suspicious transactions (or trends in transactions). The CAAT allows unusual transactions to be identified including weekend transactions, incomplete or suspicious 'Spendvision' narratives and large and/or frequent cash withdrawals.

This deliberate and targeted approach of selecting unusual transactions for review may result in a 'higher risk' sample of cardholders compared with previous reviews where samples were selected primarily on a random basis (refer 2.7 Review of compliance levels for comparisons between reviews).

1.2 Scope

The audit focused on acquittal timeliness, sign-off, reasonableness of expenditure, and substantiation for a total of 44 cardholders for a 3-month period (October - December 2007 inclusive). This included seven cardholders who were rated either 'non-compliant' or 'unable to be audited' in the last review (Internal Audit Report No.2 2006/07).

1.3 Results

Overall results

Rating[1]	No. of cardholders	% of sample
Fully compliant	24	54%
Partially compliant	9	21%
Non-compliant	9	21%
Referred	1	2%
Unable to audit	1	2%
Total	44	**100%**

[1] In accordance with the Credit Card Team's rating criteria – refer Attachment B

Results – analysis by selection criterion

Reason for Selection	Compliant	Partially Compliant	Non Compliant	Referred	Unable to Test	Total
Previously non-complaint	4	1	1	-	1	**7**
Weekend transaction	4	-	1	-	-	**5**
Suspicious transaction	7	1	3	-	-	**11**
'Spendvision' acquittal issue	1	1	1	-	-	**3**
Frequent traveller, suspected misuse	4	4	1	-	-	**9**
Frequent or large cash withdrawals	4	2	2	1	-	**9**
Total	**24**	**9**	**9**	**1**	**1**	**44**

1.3.1 Referred

One cardholder was assessed as 'referred', implying that the cardholder is believed to have significantly breached the Department's card usage policies.

Issues identified with the cardholder included:

- Extremely excessive cash withdrawals (including withdrawals of $7,000 and $1,000 on consecutive days);
- No supervisor sign-off of acquittals for two of the three months reviewed; and
- Inappropriate use of card (including the cardholder using the card for relocation expenses and reimbursement of car allowance which are not permitted).

1.3.2 Non-Compliant

Nine cardholders were assessed to be non-compliant with the Department's card usage policies. This included one cardholder who had been assessed as non-compliant in a previous review.

Common issues identified for these cardholders included:

- Substantial or frequent transactions not substantiated;
- No cardholder or supervisor sign-off (including cardholders who had acquittals signed-off upon notification of the Internal Audit); and
- Inappropriate use of card (including one cardholder using the card for reimbursement of car allowance).

1.3.3 Partially-Compliant

Nine cardholders were assessed to be partially-compliant with the Department's card usage policies. This included two cardholders who had been assessed as non-compliant in a previous review.

Common issues identified for these cardholders included:

- Minor or infrequent transactions being unsubstantiated;
- No travel minute on file to support international travel; and
- Excessive or frequent late cardholder or supervisor sign-off.

1.4 Recommendations

This internal audit focused on compliance with policies and procedures that have been in place for over four years. Given the seriousness of these findings and the quantity of expenditure involved we recommend:

1 - The 'referred' cardholder should have expenditure for the past twelve months reviewed by the Credit Card Team immediately.

2 - All 'non-compliant' cardholders should be given two weeks from the official notification to rectify this situation, after which they would be audited for the prior twelve-month period. The Credit Card Team should review any explanations for unsubstantiated expenditure, on a case-by-case basis, to determine whether any recovery action is required.

3 - All 'partially-compliant' cardholders should be contacted by the Credit Card Team to explain the issues identified so that they are aware of these matters for future expenditure acquittals.

1.5 Management response

Of the original findings, one partially-compliant cardholder was found to be a mistake as the supporting documentation was on file at the time of the audit.

The Chief Financial Controller (CFO) has sent letters to all non-compliant cardholders with a copy sent to their respective General Managers. They were given until June 27 to make their files compliant. A follow-up is currently underway to confirm that this has been done, from which CFO will determine whether credit cards are withdrawn.

The Credit Card Team will follow-up and determine if any recovery action is required and whether a taxation liability exists. The CFO will brief the Executive Management Team and SES Management Team of the outcome of the audit to ensure their staff is complying with the Department's credit card guidelines. Cardholders will then be contacted by their supervisors to remind them of the guidelines and their responsibilities.

Emails were sent to partially-compliant cardholders from the Manager, Financial Operations and the relevant supervisors were copied. The Credit Card Team will follow-up any explanations to ensure that approval and appropriate substantiation has now been obtained and assist with future expenditure acquittals.

The revised CEI 8.1 and practical guide on credit card usage was implemented in April 2008 to include the ATO's receipt requirement for Tax Invoices to $82.50. As well, the practical guide clarified cardholder and supervisor responsibilities.

In addition, Spendvision will automatically email a notification to the Manager, Financial Operations and the Credit Card Team Leader immediately when cash withdrawals of $1,000 or greater occur. This notification will ensure that such withdrawals are investigated in a timely manner, and where required, appropriate authorities notified.

The Manager, Financial Operations is working with Spendvision to add electronic supervisor approvals to acquitted statements. The Credit Card Team will then be able to report on and follow-up with any outstanding non-approved statements to enforce compliance for timely sign-offs.

Partner
KPMG

Chief Financial Officer
Department of Infrastructure, Transport, Regional Development and Local Government

2 Testing Results

Each cardholder was allocated an overall rating in accordance with the criteria agreed with the audit sponsor (refer to Attachment B).

2.1 Referred

#	Unsubstantiated expenditure	No Supervisor sign-off at time of fieldwork	Other compliance matters noted
1	$1,027	Nov 2007 $9,394 Dec 2007 $70 ***$9,464***	• No supervisor sign-off in November and December. • Late supervisor sign-off in October. • Excessive cash withdrawals in November (including withdrawals of $7,000 and $1,000 on consecutive days). • Inappropriate use of card (for payment of relocation expenses and car allowance). • Substantial items (one item greater than $900) unsubstantiated.

2.2 Non-compliant

#	Unsubstantiated expenditure	No Supervisor sign-off at time of fieldwork	Other compliance matters noted
1	$579	Refer to second point in 'Other compliance matters noted'.	• Cardholder signed-off for all three months under review on the date they were notified of internal audit (13 March 2008). • Supervisor sign-off for all three months under review obtained on or after the date the cardholder was notified of internal audit (13 March 2008). The amounts listed below. Oct 2007 $57 Nov 2007 $4,428 Dec 2007 $5,105 ***$9,590*** • Inappropriate use of card (for payment of car allowance).

#	Unsubstantiated expenditure	No Supervisor sign-off at time of fieldwork	Other compliance matters noted
2	$73	Oct 2007 $3,226 Nov 2007 $2,363 Dec 2007 $2,355 ***$7,944***	• No cardholder sign-off for October, November and December. • No supervisor sign-off for October, November and December. • Minor expenditure unsubstantiated.
3	$1,602	Oct 2007 $12,955 Nov 2007 $2,128 Dec 2007 $1,738 ***$16,821***	• No supervisor sign-off for October, November and December. • Late cardholder sign-off in October, November and December. • Substantial items (one item greater than $1,000) unsubstantiated.
4	$559	n/a	• Substantial item (greater than $350) unsubstantiated. • Frequent unsubstantiated minor items.
5	$525	n/a	• Substantial item (greater than $150) unsubstantiated. • Frequent unsubstantiated minor items. • Inappropriate use of card (cash refund for $100 after payment on card). • Late cardholder sign-off in October and November. • Late supervisor sign-off in November and December.
6	$207	n/a	• Supervisor sign-off before cardholder for November. • Frequent unsubstantiated minor items.
7	-	Dec 2007 $16,601 ***$16,601***	• No supervisor sign-off for December. • Late supervisor sign-off for November.
8	-	Refer to first point in 'Other compliance matters noted'.	• Supervisor sign-off for all three months under review obtained on the date the cardholder was notified of internal audit (13 March 2008). Amounts listed below. Oct 2007 $219 Nov 2007 $195 Dec 2007 $217 ***$631*** • Late cardholder sign-off for October and December.

#	Unsubstantiated expenditure	No Supervisor sign-off at time of fieldwork	Other compliance matters noted
9	$50	Refer to first point in 'Other compliance matters noted'.	• Supervisor sign-off for November and December obtained on the date the cardholder was notified of internal audit (11 March 2008). Nov 2007 $2,655 Dec 2007 $1,154 ***$3,809*** • Late supervisor sign-off for October. • Late cardholder sign-off for November.
	$3,595	**$41,366**	

2.3 Partially compliant

Nine cardholders were found to be partially compliant, indicating improvement in certain areas is required in order to be rated fully compliant. Common issues identified for these cardholders are summarised as follows:

- Two instance of insufficient substantiation for cash withdrawals (neither cardholders used the Department's cash reconciliation spreadsheet);
- Six instances of unsubstantiated items, not considered significant (less than $100);
- Two instances of no travel minute being held on file for international travel;
- Seven instances of late cardholder sign-off; and
- One instance of no cardholder sign-off. (The cardholder left the Department before all items were present on the acquittal. The nominated authority to sign the acquittal had not done so, however all items were appropriately substantiated.)

2.4 Results by selection criteria

2.4.1 Results

Reason for Selection	Compliant	Partially Compliant	Non Compliant	Referred	Unable to Test	Total
Previously non-complaint	4	1	1	-	1	7
Weekend transaction	4	-	1	-	-	5
Suspicious transaction	7	1	3	-	-	11
Spendvision acquittal issue	1	1	1	-	-	3
Frequent traveller, suspected misuse	4	4	1	-	-	9
Frequent or large cash withdrawals	4	2	2	1	-	9
Total	**24**	**9**	**9**	**1**	**1**	**44**

2.4.2 Previously non-compliant

Seven cardholders assessed as non-compliant in a previous internal audit review were investigated during this engagement. Of the seven cardholders, four were assessed compliant, one partially-compliant, one non-compliant and one cardholder was withdrawn from the sample by the Credit Card Team. Issues identified for non-compliance was no supervisor sign-off for one of the months tested.. Issues identified for partial-compliance included insufficient documentation of expenditure (i.e. cardholder retained EFTPOS receipt, not the tax invoice) and/or late monthly acquittal sign-off.

2.4.3 Weekend transactions

Five cardholders were included in the review by internal audit after being identified when the CAAT program was run to identify weekend transactions. Four of the five cardholders selected for weekend transactions were found compliant, with one cardholder assessed non-compliant. Issues identified for non-compliance included no supervisor sign-off for all three months reviewed and large amounts unsubstantiated.

Acceptable reasons for weekend transactions included approved international purchases (i.e. due to time zone differences Monday morning Canberra time purchases were recorded as United States Sunday afternoon transactions); and purchases when travelling interstate (i.e. dinner on Sunday night after travel for Monday morning meeting).

2.4.4 Suspicious transaction

Eleven cardholders were included in the review by internal audit after being identified when the CAAT program was run to identify suspicious transactions. Seven of the eleven cardholders selected for suspicious transactions were found compliant, with one cardholder assessed partially-compliant and three cardholders found non-compliant.

Acceptable reasons for the identified transaction included approved expenditure on furniture (cardholder posted to Singapore, approval granted) acceptable expenditure on dinner and alcohol after review of cardholders Spendvision acquittal (i.e. insufficient narrative/description on acquittal) and an approved cancellation fee for a function which was booked by the cardholder and subsequently cancelled.

Issues identified with the cardholder assessed partially-compliant included no cardholder sign-off (cardholder had left department and nominated authority had not signed-off at time of review, however all items were substantiated).

Issues identified with cardholders being assessed as non-compliant included supervisor sign-off obtained after they were notified of the internal audit review, large unsubstantiated items, frequent unsubstantiated minor items and supervisor sign-off before cardholder.

2.4.5 'Spendvision' acquittal issues

Three cardholders were included in the review by internal audit after being identified when the CAAT program was run to identify 'Spendvision' acquittal issues which included insufficient or suspicions narrative for expenditure. One of the three cardholders selected for suspicious transactions were assessed compliant, with one cardholder assessed partially-compliant and one cardholder found non-compliant.

Acceptable reasons for the identified transaction included sufficient narratives being maintained with receipts on cardholders file.

Issues identified with the cardholder being assessed partially-compliant included late cardholder sign-off and unsubstantiated expenditure.

Issues identified with the cardholder assessed non-compliant included no cardholder nor supervisor sign-off for all three months tested and unsubstantiated expenditure.

2.4.6 Frequent traveller, suspected misuse

Nine cardholders were included in the review by the Department who were frequent travellers and were suspected of misuse. Four of the nine cardholders selected for suspected misuse were assessed compliant, with four cardholders assessed partially-compliant and one cardholder non-compliant.

Issues identified with the cardholders assessed partially-compliant included late cardholder and supervisor sign-off, no travel minute held on file for international travel and minor unsubstantiated expenditure.

Issues identified with the cardholder assessed non-compliant included supervisor sign-off obtained after they the cardholder was notified of internal audit review.

2.4.7 Frequent or large cash withdrawals

Nine cardholders were included in the review for frequent or large cash withdrawals. Seven were nominated for inclusion in the sample by the Department and two were selected by internal audit after being identified when the CAAT program was run. Of the nine cardholders, four were assessed compliant, two were assessed partially-compliant, two were assessed non-compliant and one cardholder was referred.

Acceptable reasons for frequent or large cash withdrawals included frequent departmental travelling, overseas travel (requiring larger withdrawals) and approved retention of cash from travel (roll-over of minor cash amounts as a frequent traveller).

Issues identified with cardholders being assessed as partially-compliant included minor unsubstantiated cash expenditure, incomplete and insufficient documentation of cash expenditure (i.e. not using the Department's cash reconciliation spreadsheet).

Issues identified with cardholders being assessed as non-compliant included misuse of the card for cash withdrawals (i.e. for car allowances) and supervisor sign-off obtained after they were notified of the internal audit review.

Issues identified with cardholder being assessed as referred included no supervisor sign-off for two of the months reviewed, extremely large cash withdrawals and inappropriate use of card (for payment of relocation allowance and car allowance).

2.5 Divisional breakdown of testing results

The breakdown of testing results by the Department's divisions is as follows:

Division	Compliant	Partially Compliant	Non Compliant	Referred	Unable to Test	Total
MALT	8	3	3	-	-	14
OTS	7	1	4	1	-	13
ATSB	3	1	1	-	-	5
Regional Services	2	1	-	-	1	4
Auslink	2	1	-		-	3
Corporate Services	1	1	-	-	-	2
TLG	1	-	-	-	-	1
BTRE	-	-	1	-	-	1
Aviation & Airports	-	1	-	-	-	1
Total	24	9	9	1	1	44

2.6 Action required by the Credit Card Team in relation to testing results

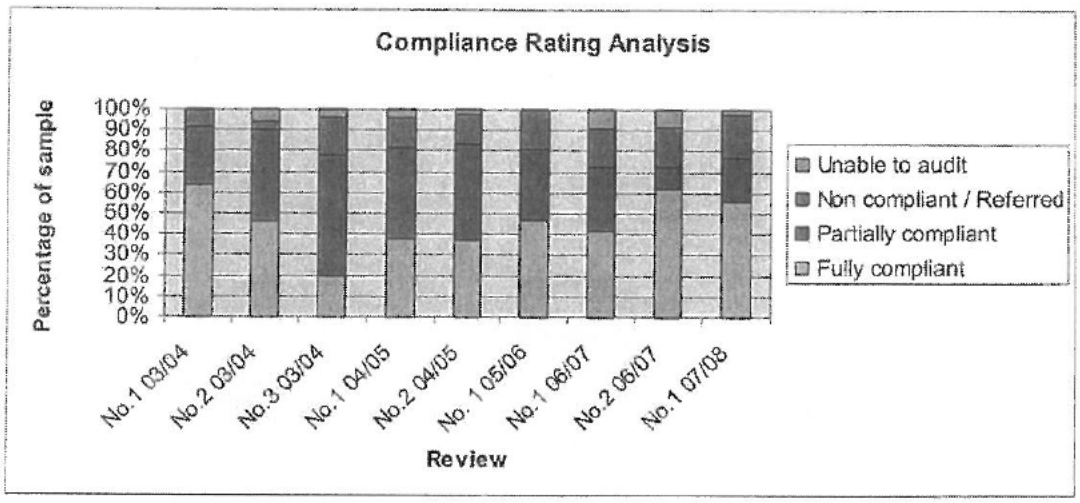
For each of the ratings applied to cardholders, internal audit have indicated the action to be taken by the Credit Card Team based on recommendations and management comments made in previous Credit Card reports.

Rating	Course of action required of the Credit Card Team
Referred	The Referred cardholder should have expenditure for the past twelve months reviewed by the Credit Card Team immediately.
Unable to audit	The Credit Card Team should contact these cardholders directly and ensure that their files are made available for the next review, including those who have left the department.
Non-Compliant	Given the seriousness of these findings and the amounts involved we recommend: • All non-compliant cardholders should be given two weeks from the official notification to rectify this situation, after which they would be audited for the prior twelve-month period. • The Credit Card Team review the explanations for unsubstantiated expenditure, on a case-by-case basis, to determine whether any recovery action is required.
Partially Compliant	The cardholders should be contacted by the Credit Card Team to explain the issues identified so that they are aware of these matters for future expenditure acquittal.
Compliant	The cardholders, and their supervisors, who are found to be fully compliant with guidelines should be contacted by the Credit Card Team so they can be informed of their individual performance, and thanked for their participation in the review.

2.7 Review of compliance levels

A review of compliance levels was undertaken by comparing the results of individual cardholder ratings with the seven previous reviews (three from 2003/2004, two from 2004/2005, one from 2005/06, and two from 2006/07).

The percentage of cardholders in each compliance category, complaint, non-compliant (including referred) and partially complaint (consisting of minor issues or requiring improvement), is illustrated in the following graph:

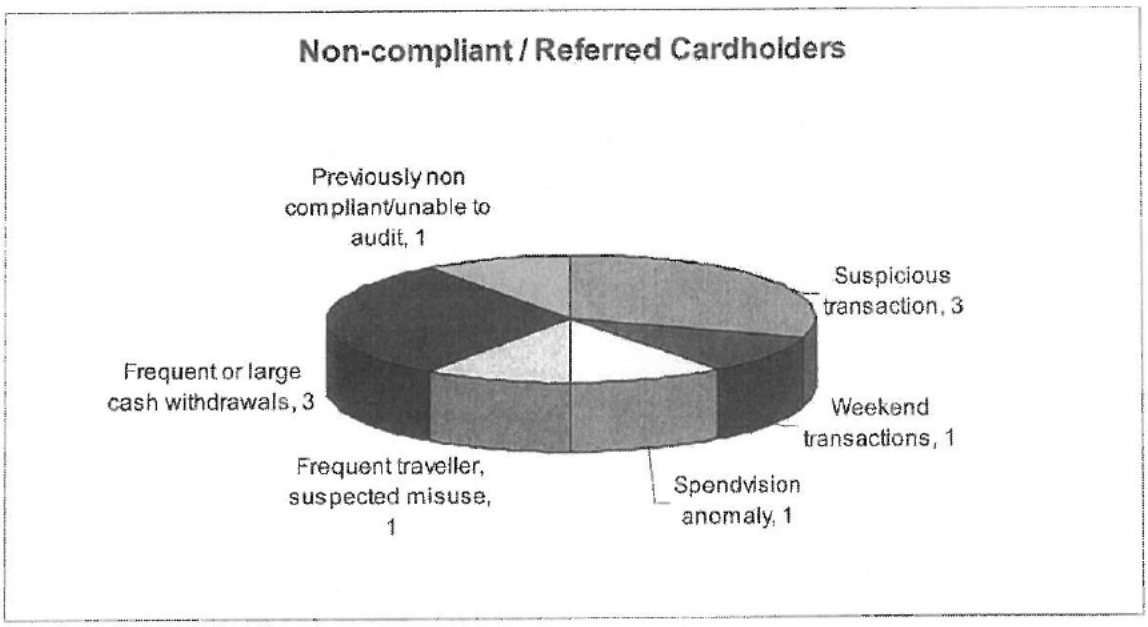


In comparing the compliance levels across the various reviews we note no obvious trend beyond the continued unacceptable levels of non-compliance. In comparing results, the following sample selection practices should be noted:

Section 47E

Section 47E

For future sample selection considerations the chart below identifies which selection criteria the 10 'non-compliant' cardholders and one 'referred' cardholder were from.



A Audit Overview

A.1 Scope

The key objective of this internal audit was to:

- Assess the ongoing compliance with the Department's travel and purchasing card policies and procedures.

A.2 Audit sample

The original sample size was 44, one of which has been assessed as unable to be audit. The sample comprised of:

- nine cardholders (all included by the Department) for being frequent travellers suspected of misuse;
- nine cardholders (seven included by the Department) for large and/or frequent cash withdrawals;
- five cardholders with weekend transactions;
- eleven cardholders with suspicious transactions;
- three cardholders with insufficient or suspicious Spendvision narratives; and
- a follow-up of the seven cardholders whom were either *non-compliant* or *unable to be audited* in the last review.

A.3 Review approach

On a sample basis, we tested whether selected cardholders had complied with record keeping and substantiation requirements as outlined in the Department's travel and purchasing card guidelines (Chapters 7 and 8 of the Chief Executive's Instructions). In particular, we examined cardholder's files to ensure they had complied with the following:

- Timely filing of receipts and other documentation that adequately supported their work related expenditure;
- Timely review and sign-off by supervisors of this acquittal and supporting documentation;
- Use of an official registry file for filing Spendvision statements; and
- Reasonableness of expenditure.

Cardholder compliance was assessed against the rating criteria agreed with the Audit Sponsor (included at Attachment B).

B Ratings Criteria (as agreed with Audit Sponsor)

Rating	Criteria
Unable to audit	• Cardholder file cannot be supplied by Records Management for review. • Unable to contact cardholder once they have been notified of pending review. • Cardholder is away on leave at the time of review and registry file cannot be otherwise obtained.
Referred	• Assigned to cardholder who has been assessed non-compliant (see below) and requires immediate further investigation by the Credit Card Team.
Non-Compliant (To be followed up in next review)	• Significantly incomplete substantiation. - Failure to provide tax invoices (or statutory declaration) for expenditure over $82.50 (> 10% of number of such transactions). - Failure to provide tax invoices/receipts (or notes on file for missing receipts) for expenditure under $82.50 (> 20% of number of such transactions). - Frequent missing receipts - Frequent unsubstantiated cash withdrawals. • Failure to repay outstanding cash balance >$20 within 2 statement periods following return from travel. • Failure to acquit / sign-off statement / obtain supervisor signoff. - No cardholder acquittal / sign-off for month(s) within review period. - No supervisor sign-off for month(s) within review period. • No registry file established.
Partially Compliant	• Incomplete substantiation. - Any unsubstantiated expenditure over $82.50 not leading to non-compliant rating (i.e. ≤ 10% of number of such transactions). - Any unsubstantiated expenditure under $82.50 not leading to non-compliant rating (i.e. ≤ 20% of number of such transactions). - Infrequent unsubstantiated cash withdrawals (less than $82.50). • Untimely acquittal / sign-off of statement / supervisor signoff. • Monthly Spendvision statement is missing from registry file and cannot be otherwise located. • Instances of overseas travel not supported by minute on file.

Rating	Criteria
Compliant	Complete substantiation. - All expenditure has been substantiated. - All cash withdrawals have been substantiated. • Complete and timely acquittal of statement / supervisor signoff. • All instances of overseas travel are supported by minute on file.