

## Travel and Expense Reimbursement Audit Program

### Audit Objectives:

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| 1 | Evaluate the overall internal control environment resulting from the current processes. |
| 2 | Evaluate the effectiveness and efficiency of current processes.                         |
| 3 | Perform detailed testing of selected expense reports.                                   |

### Applicable SOP:

|   | SOP# | Subject | Effective Date |
|---|------|---------|----------------|
| 1 |      |         |                |
| 2 |      |         |                |
| 3 |      |         |                |
| 4 |      |         |                |
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| 7 |      |         |                |
| 8 |      |         |                |
| 9 |      |         |                |

### Work Program:

|   | Audit Step  | Initial | WP Ref. |
|---|---|---------|---------|
| 1 | Obtain and read relevant policies, memos related to this area, and SOPs as noted above. <ul style="list-style-type: none"> <li>- When reviewing SOP xxx identify the \$ of authority granted to the various positions of the Company.</li> <li>- Obtain the most recent organizational chart of the Company to assist in determining if the proper level of position approved the expense report.</li> <li>- Identify the last date the expense reimbursement schedule and report instructions were issued.</li> <li>- Inquire of controller and assistant controller if any other specific agreements exist related to this area.</li> </ul> |         |         |
| 2 | Review the master list of SOPs to determine if others are applicable.   |         |         |
| 3 | Obtain and read the last audit issued for this area and review the findings. Make note of those items that were to be addressed and incorporate it in the current year audit, if necessary.   |         |         |
| 4 | Obtain the following reports for the period under audit,  |         |         |

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|    | <p>which for the audit to be completed in xxx the period under audit will be xxx through xxxx.</p> <ul style="list-style-type: none"> <li>- The G/L detail report sorted by location, account, and fiscal period.</li> <li>- The General Ledger Explorer program, summary by period, which provides the overall expense per month for the T&amp;E expenses.</li> </ul>  |  |  |
| 5  | Obtain the latest Master list of Calling Card/Gas Card memo issued.   |  |  |
| 6  | Obtain the log from A/P, which lists the advanced airline tickets purchased.  |  |  |
| 7  | <p>Obtain the IRS standard auto mileage reimbursement rate for the time period under audit. (2002 and 2003).</p> <ul style="list-style-type: none"> <li>- This rate can be found on the IRS web site (IRS.gov) as well as in an email that is issued by the A/P Supervisor at the beginning of the year.</li> </ul>   |  |  |
| 8  | <p>Select a sample of expense reports to be detail tested:</p> <ul style="list-style-type: none"> <li>-</li> </ul>  |  |  |
| 9  | <p>Select a sample of company credit cards to be detailed tested.</p> <ul style="list-style-type: none"> <li>- Review the master list obtained. Select 2 individuals that were issued cards during the period under audit.</li> <li>- Request all documents regarding the transactions.</li> </ul>  |  |  |
| 10 | <p>Document the risk factors and the potential impact to the organization each factor possesses.</p> <ul style="list-style-type: none"> <li>- Develop a preliminary expectation of the detail findings.</li> <li>- Note what the expected deviations would be.</li> </ul>   |  |  |
| 11 | <p>Develop an understanding of the process in place through inquiry of key personnel. Key personnel would include and is not limited to:</p> <ul style="list-style-type: none"> <li>- Accounting or Finance personnel responsible for establishing the T&amp;E policies and procedures.</li> <li>- Accounts payable or payroll personnel who process the T&amp;E reports.</li> <li>- Administration responsible for the approval of the T&amp;E reports.</li> </ul> |  |  |
| 12 | <p>Provide a narrative of the process based upon the inquiry. Items to include:</p> <ul style="list-style-type: none"> <li>- Identify and document the key internal controls in each area.</li> </ul>   |  |  |

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|----|--|--|--|
|    | <ul style="list-style-type: none"> <li>- Description by employee title of the process in place. (Do not list employees' names as they may change. It is better to list the position in the organization that is responsible for the item discussed.)</li> <li>- Identify what preferred provider contracts are in place. I.e. Specific airline or hotel arrangements which provide company savings based upon volume</li> <li>- Identify where the expense reports are available to employees and if they are up to date.</li> </ul> |  |  |
| 13 | <p>Perform detail testing on the expense reports.</p> <ul style="list-style-type: none"> <li>- Testing is to be documented in a work sheet and is intended to determine if transactions are in accordance with the related SOPs.</li> <li>- Any errors are to be identified and summarized.</li> </ul>   |  |  |
| 14 | <p>Perform detail testing on the issued company credit cards selected in the sample.</p> <p>-</p>  |  |  |
| 15 | <p>Scan the log, which lists the advanced airline tickets purchased for any trips not taken, and determine if amounts were refunded to company.</p>  |  |  |
| 16 | <p>Review and evaluate the policies and procedures identified.</p> <ul style="list-style-type: none"> <li>- Evaluation should include a discussion of the effectiveness and efficiencies of the process</li> </ul>   |  |  |
| 17 | Prepare recommendation points.   |  |  |
| 18 | Prepare draft report.  |  |  |
| 19 | Review by Mgr.   |  |  |
| 20 | Review by Snr. Mgr.  |  |  |
| 21 | Review by controller   |  |  |
| 22 | Review by Auditee  |  |  |
| 23 | Meet with Auditee and audit team.  |  |  |
| 24 | Finalize report  |  |  |
| 25 | Obtain responses from Auditee  |  |  |
| 26 | Issue report   |  |  |
| 27 | Archive audit documents  |  |  |

