

## Internal Control Assessment A/P Purchasing Process

### Purpose

To ensure that proper internal controls exist regarding the procurement of materials and services and the extent that FSA adheres to those policies, procedures, regulations and laws.

### Background

In accordance with the GAO document *Standards for Internal Controls in the Federal Government*, FSA must ensure that separation of duties exist in the procurement of materials and services. To the extent practical, different individuals should be assigned responsibility for:

- Approving purchase requisitions and orders
- Receiving ordered materials
- Approving invoices for payment
- Reviewing and reconciling the monthly general ledger

This measure is important to reduce the risk of error, waste, or wrongful acts and to reduce the risk of the possibility of going undetected. No one individual should control all aspects of a transaction or event. Duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist. Key duties include authorizing, approving, and recording transactions; issuing and receiving assets; making payments; and reviewing or authorizing transactions. Collusion can reduce or destroy the effectiveness of this internal control standard.

### Internal Control Standard

FSA must have separation of duties for the approval of its purchases, receipt of the services or goods, and the payment of the services or goods received. Separation of duties must be established so that no one employee has total control over any purchase transaction.

**Assessment of FSA's Compliance** \*

We performed a judgmental sample of purchase orders, receiving reports and vendor invoices over the period of several months. We interviewed FSA employees in order to answer the following question: Are the duties of requisitioning, purchasing, receiving functions, invoice processing, accounts payable, and general ledger functions separated? We interviewed several employees in the accounts payables department in order to analyze whether adequate segregation of duties was met. The FSA employees outlined their day-to day duties, and we noted that staffing needs are not always met, thus the segregation of duties is not upheld.

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\* The actual testing phase including interviews and examination of sampled records has not yet occurred. This write-up is only a sample of what may be discovered during the testing phase of the FMFIA process.