

AUDITING OF PURCHASING

It may seem odd to talk of auditing in connection with the purchasing office--all all, purchasers purchase and auditors audit. *But consider it more carefully.* There are several reasons why the people in the purchasing office *must* be aware of auditing techniques, welcome auditors, and use auditing procedures themselves.

A definition of *auditing* might give a better understanding of why you, as a purchaser, need to understand and use auditing.

Auditing is the process of examining *information* (such as data and original documents), *operations* (such as workflow, physical layout and documents in use), *requirements* (such as laws, procedures, policies), *staff* (such as personnel and level of training) and *results of operations* (such as reports of operations, results of statistical tests and counts) to determine the mathematical accuracy, legality, propriety, efficiency and effectiveness of operations. It is a process of determining whether all transactions are properly recorded in the accounts and appropriately reported to management and the governing body, and whether the office is operating to the best advantage.

Auditing the purchasing office--whether done by the local government auditor, an outside CPA firm, or the purchasing office itself--can help ensure that five (5) necessary goals are met. These five (5) goals are listed below.

1. **The purchasing office must comply with applicable state and federal laws.**
Texas purchasing laws are complex and can be made more so by provisions added by local governments in the form of ordinances or orders. A comprehensive review (audit) is about the only way to ensure that the office is complying with all of them; but if not, the audit can propose corrective remedies.

2. **The reported operations of the office should reflect its actual operations.**
Are procedures in place that ensure all transactions are properly recorded? Are the accounting systems engineered to produce reports to management which properly reflect what *actually* happened during those transactions? Are there safeguards to ensure that the recording of transactions cannot be bypassed without triggering an error notice of some sort? An audit will give answers to these questions, and if the answer is "no", corrections can then be made.

3. **The purchasing office should comply with the government's policies and procedures.**
A thorough review and study should be made of the government's stated policies and all procedures, whether written or oral. Then a comparison with actual operations will reveal whether the purchasing office is in compliance with those policies and procedures. Any discrepancies can then be rectified.

4. **The office is operating in the most effective and efficient manner.**
While an office might "pass muster" on the audit of compliance with laws and with policies and procedures, it still may have problems. A performance audit can reveal if its operations are efficient and effective, meaning that they are smooth, without wasted effort and accomplish what was intended. If the operations are neither efficient nor effective, corrective steps should be taken.

5. **Purchasing is done without favoritism or kickbacks.**
Are there procedures in place to ensure that purchasing is done in an ethical manner, and do those procedures actually work? Audit steps can reveal whether your office has adequate protections in place, and if not, suggest methods providing that protection.

If these five (5) goals are being achieved, you can be sure the government is being well served by its purchasing office. Auditing techniques are essential to learn what is really happening in your office and will allow you to "keep your house in order".