

● ● ● AUDITING TRAVEL AND  
ENTERTAINMENT (T&E) EXPENSES  
USING IDEA



A CaseWare IDEA Research Report



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TABLE OF CONTENTS

Why Audit Internal Controls Over Travel and Entertainment (T&E) Expenses? ..... 1

What Do Auditors Need to Successfully Conduct an Audit of T&E Expenses? ..... 2

Step 1: Planning Phase ..... 3

Step 2: Testing Phase..... 6

Other Areas and Tests:

    Transportation Expenses ..... 8

    Lodging Expenses ..... 9

    Meals ..... 10

    Entertainment ..... 10

    Non-Allowable Expenses ..... 10

    Handling Travel Advances ..... 10

    Expense Authorization, Reimbursement and Reporting ..... 10

Step 3: Report Writing Phase ..... 11

Step 4: Open Issue Follow-up Phase ..... 12

Conclusion ..... 13

Appendix A: Benchmarking T&E Expenses Internal Controls Progress ..... 14

Appendix B: Business Credit Card Merchant Category Codes (MCC) ..... 15

Appendix C: Commercial Airfare Class of Service ..... 16

References..... 16

## WHY AUDIT INTERNAL CONTROLS OVER TRAVEL AND ENTERTAINMENT (T&E) EXPENSES?

Travel and entertainment (T&E) expenditures are often a significant business expense and may determine the difference between generating a profit or loss for the period. Requirements in the Sarbanes-Oxley Act of 2002 caused companies to review the adequacy of internal controls over all expenditures, including T&E expenses. What many companies discovered was that controls over T&E expenses were weak or ineffective. Frequently, T&E violators were executives or others considered above scrutiny because of the perceived significant value the employee added to the company. In other cases, T&E processing procedures were not automated sufficiently to do more than sampling of controls or testing of these expenditures, along with other accounts payable activities.

Organizations with total annual T&E administrative expenses that are second only to payroll<sup>1</sup> in operating expenses should realize the value of implementing and maintaining effective internal controls. Internal auditors can test those controls and will often find errors and fraud in reimbursement amounts during a review of T&E expenses. By conducting regular audits of T&E expenses, organizations can improve controls over employee costs and clearly establish a tone of compliance for all employees to follow.

# WHAT DO AUDITORS NEED TO SUCCESSFULLY CONDUCT AN AUDIT OF T&E EXPENSES?

Internal Auditing provides two types of services: consulting and assurance. Regardless of the type of review, internal auditors will be most successful if they have the following:

- Clear understanding of the business and T&E processes, including procedures for approving, recording and reimbursing T&E expenses
- Access to data and appropriate analysis tools
- T&E audit program customized to the specific environment and risks assessed

Consider the red flags that may be present in an organization as shown in Table 1.

..... **TABLE 1: T&E RED FLAGS** .....

- Turnover in overall management of the T&E expenses processing function
- Claims for items used for personal reasons (gas, groceries, hotels)
- Claims for travel and entertainment that never materialized (canceled airline tickets, seminars, conferences, conventions, tuition, professional dues)
- Claims for items that were never purchased (office supplies, gifts for clients)
- Collusion among employees who both bill separately for travel or mileage when they travel together
- Falsified or manipulated receipts
- Claims for meals or entertainment in excess of allowed per diem
- Additional tips, tolls, or parking in amounts greater than what was already claimed
- Flights in first class when more modest means were available
- Inflated mileage totals on personal car usage

Using IDEA – Data Analysis Software empowers and enables internal auditors to perform important planning and data mining activities to help detect certain internal control violations, errors and potential fraud.

Why does internal auditing need to be armed<sup>2</sup> with appropriate data analysis software tools like IDEA? Data analysis tools allow the auditor to interrogate large volumes of data easily, including the ability to run multiple queries to **look for** and extract **unknown** information. [For additional information, review CaseWare IDEA's research report entitled, "Data Analysis: The Cornerstone of Effective Internal Auditing."<sup>3</sup>]

## STEP I: PLANNING PHASE

The IIA Professional Practices Framework<sup>4</sup> requires internal auditors to develop and record a plan for each engagement (like T&E), including scope, objectives, timing and resource allocations. In the planning phase, internal auditing will finalize the objectives of the review and understand the means by which the T&E function controls its performance. Effective planning techniques take into account the following:

- results of prior audits
- auditor's assessment of the internal controls over T&E processes for approval, documentation, recording of expenses, reimbursement to employees
- preliminary determination of the availability of data in electronic formats
- depth of data for analysis

IDEA helps internal auditors plan by providing summary information for scoping purposes. The example below illustrates the user's ability to also calculate average amounts by creating an automatic new field (AMOUNT\_AVERAGE).

**Summarization**

Fields to summarize:

By:

Then by:

Then by:

Then by:

Then by:

Then by:

Then by:

Then by:

Criteria:

Use Quick Summarization

Create database

Include % in output database

Use fields from first occurrence

Use fields from last occurrence

File name:

Numeric fields to total:

EMPLNO

AMOUNT

AIRMILES

Statistics to include:

Count

Sum

Maximum

Minimum

Average

Variance

Standard deviation

Create result

Result name:

OK

Fields

Cancel

Help

	EMPLNO	NO_OF_RECS	AMOUNT_SUM	AMOUNT_AVERAGE
1	12205605	27	25,436.70	942.10
2	27019619	10	7,578.87	757.87
3	81480348	7	6,013.93	859.13
4	27084051	6	4,329.79	721.63
5	82152852	5	4,964.32	992.86
6	15169592	5	1,213.56	242.71
7	80811871	4	1,487.46	371.87
8	14631320	4	5,067.01	1,266.75
9	13427256	4	3,027.54	756.89
10	80678981	3	2,311.49	770.50

Depending on the availability of further details in electronic format, the auditor could also use IDEA's Pivot Table feature to prepare summaries of expense types by employee and extract the most frequently reimbursed employees or those who charge more travel expenses to “miscellaneous”.

IDEA can also be used to help engage clients in the review process. For instance, the auditor can begin the discussion by providing information found in preliminary research such as: “Did you know that employee 1220565 filed seven times the number of expense reports than others in his division filed?” This kind of question can pique management's concern and curiosity, and helps justify the time needed for a full review.

Companies handle the T&E process differently – from manually prepared expense reports treated as a vendor invoice, to a fully outsourced function complete with audit services. Regardless of how the function is handled, the lower the “stage” in the development, best practices would indicate the higher the risk and the greater the opportunity for improvement. (See Appendix A for a useful matrix of internal control areas and stages for consideration during the planning phase of a T&E audit.)

Internal auditing should work with management to improve expense monitoring and auditing activities, which will ultimately reduce the amount of manual work required. Organizations can perform more extensive reviews with fewer resources when data is readily available.

Some auditors will shorten the scope of a T&E engagement when preliminary work reveals the company lacks an entity level policy or, if one exists, employees are not adhering to the policy. Auditors may create a database of manually-prepared expense reports in order to perform data mining tests to help uncover patterns that expose the fraud or abuse.<sup>5</sup>

Auditors with data analysis skills are more likely to identify the root causes of why procedures are missing, deficient or defective. They are also in the best position to generate cost savings and recoveries, or identify fraudulent activities.

Below is an example of how an audit program can be customized to incorporate the use of IDEA for specific auditing needs:

<b>Manual Approach Compliance Test</b>	<b>Compliance Test Using Data Analysis</b>
Select a sample of ___ expense reports and review for compliance with policy, proper authorization and approval, and overall reasonableness of the expense.	Obtain a download of expense details for the period and perform the following:
<ul style="list-style-type: none"> <li>• Review purchases and verify services comply with SOPs</li> </ul>	1. Summarization by expense type by employee
<ul style="list-style-type: none"> <li>• Note that acceptable documentation is included to support the expense</li> </ul>	2. Extract and review charges for five employees with the most flights and those with the highest charges to miscellaneous
<ul style="list-style-type: none"> <li>• Non-reimbursable expenses were not included</li> </ul>	3. Run duplicate key detection on amounts by employee to identify duplicate expenses
<ul style="list-style-type: none"> <li>• Capital expenditures were not included</li> </ul>	4. Extract expense types that indicate non-reimbursable items or capital expenditures
Summarize exceptions and conclude on compliance	Follow up on any indications of intentional error or fraud
If exception rate is high, consider alternate procedures or extended sampling	Discuss with management recommendations for improvements in controls or efficiencies
Discuss with management recommendations for improvements in controls or efficiencies	Meet with management to determine which tests should be run on a regular basis by the department

Obtaining T&E expense reporting data is a key step for auditors and management. How is data collected and managed? Are areas of the organization already collecting key detail data and can internal audit obtain high quality reliable data?

Internal audit will need to obtain a good source of data for budgeting, trip planning, flights, hotels, meals, rental cars and meeting facilities. Good, reliable data will provide internal auditors to assess the process effectively and look for opportunities to leverage savings. Sources of Data: Employee Reporting Form; Pre-trip Booking; Travel Agency Booking; Credit Cards; Budgets; Travel Advances and Authorization Levels and Foreign Exchange Currency Rates.

An excellent source of data is the Merchant Category Code captured by business use credit card companies. If the business use card is used to purchase an airline ticket, the code will not only tell you that it is an airline company but will also tell you the name of the carrier, e.g., American Airlines. If the T&E expenses function and internal audit can access the booked expense items, then it is simply a compare to the report reimbursement request to validate items (see Appendix B).

IDEA's powerful abilities to match and join data from multiple sources, search for specific text and use date and time fields, can empower the auditor to design tests to uncover many kinds of T&E reimbursement abuses.

## STEP 2: TESTING PHASE

During the testing phase, internal auditors will identify, analyze, evaluate and record sufficient information to achieve the engagement's objectives. In the T&E engagement, tests over the accuracy and propriety of the expense report transactions, as well as integrity and reliability of the performance management information system, are key objectives. Various volume and service level agreements may require testing as well.

Assuming the engagement client was able to provide the audit team with two or three years of expense reimbursement data, the audit team will need to validate the performance metrics used and distributed by the T&E function. The following process makes use of typical performance metrics to provide effective and efficient audit evidence:

1. Using three years of expense report data, calculate the actual number and total dollar of expense reports for each of the past three years. Using IDEA, create a report that totals and averages expenses by type and year. The report can be used as a guide to identify situations where a traveling employee did not obtain a favorable rate.

<b>Category</b>	<b>2005</b>	<b>2006</b>	<b>2007 Y-T-D</b>
Total Travel	\$10 mil	\$9 mil	\$7.5 mil
% of Revenue	.53%	.60%	.50%
Reports Processed	20,120	19,965	16,450
<b>Domestic AVG:</b>			
Airfare	580	500	540
Hotel	145	155	175
Rental Car	52	50	59
<b>International AVG:</b>			
Airfare	\$1,682	\$1,555	\$1,702
Hotel	169	175	225
Rental Car	55	64	59

2. Compare actual to budget and general ledger and then export a table for inclusion in the background information of the audit report and provide an advance copy for discussion with the client.
3. Resolve any discrepancies before continuing with the data analysis processes.
4. Determine processing time (from date of employee submission until check issuance or direct deposit) for each of the three years to determine whether trend is quicker, slower or no change.
5. If the company has entered into an "end-to-end" contract for services, obtain a copy of the contract for the work papers and agree expense report volumes with those reported by the service provider.

- 6. List top XX employees by number of expense reports and by dollar reimbursed for the last three years, then rank by year. Investigate significant changes in travel patterns and look for late reporting in the current year.
- 7. Compare travel report reimbursements to employment status to confirm in service status. Capture the last travel report submittal date.
- 8. What is the pattern of air, hotel, rental car, meals and entertainment per job grade of the employee?

<b>Expense Category</b>	<b>Job Grade Below 20</b>	<b>Job Grade Above 20</b>
Airfare	40%	30%
Lodging/Hotel	26%	26%
Meals	10%	10%
Car Rental	6%	6%
Miscellaneous	6%	12%
Entertainment	5%	10%
Personal Car	4%	3%
Taxi	3%	3%
	100%	100%

- 9. List top locations traveled to by city and create potential city-pair comparison charts of airfare, rental car, hotel and 3 meals per day.
- 10. Determine whether employee reports expenses within two weeks (or other time period that is specified by corporate policy) of completion of trip.
- 11. Determine level of compliance with at least 14 day advance purchase of airfare and hotel if this is part of the company policy.
- 12. For company credit cards – if one is required, look for, “issued but not used”.
- 13. Identify preparer of the monthly company credit card reconciliation. Does the company pay the credit card company or do employees pay and request reimbursements? Look for the matching of booked flights to reported flights. Resolve all charges on credit card, but not on expense report, or on expense report, but not on credit card.
- 14. Look for excessive usage of the credit card without submission of expense reports.
- 15. Account for all credit cards issued.

16. Look for employees who:

- arrive one or two days early and/or stay an extra night
- stay in the same brand hotel
- stay in expensive hotels - more than allowed by company policy

17. Look for other employees who stayed at the same hotel.

18. Look for duplicate expenses using IDEA's Duplicate Key Detection option. Sort the resultant report in descending order by dollar amount. Internal Audit will want to investigate each of the items appearing on this report as possible duplicate submissions of the same expense items or employees traveling together.

The screenshot shows the IDEA - Duplicate Expenses.IMD application window. The title bar reads "IDEA - Duplicate Expenses.IMD". The menu bar includes "File", "Edit", "View", "Data", "Analysis", "Sampling", "Tools", "Window", and "Help". The toolbar contains various icons for file operations and data analysis. The main window displays a list of expense reports for "Expense reports April 25, 2005" under the "Duplicate Expenses.I..." report. The data is presented in a table with the following columns: DATE, EXPTYPE, AMOUNT, CURR, EXCHRATE, VENDOR, CITY, RNP, PAYMETHOD, and PAIDBY. The table contains 20 rows of data, including entries for Airfare, Hotel, Taxi, and Dinner expenses.

	DATE	EXPTYPE	AMOUNT	CURR	EXCHRATE	VENDOR	CITY	RNP	PAYMETHOD	PAIDBY
1	5/23/2005	Airfare	584.40	US		1 American Airlines	Washington D.C.	Reimbursable	MasterCard	Self
2	5/23/2005	Airfare	584.40	US		1 American Airlines	Washington D.C.	Reimbursable	MasterCard	Self
3	5/25/2005	Hotel	215.57	US		1 Argent	San Francisco	Reimbursable	MasterCard	Self
4	5/25/2005	Hotel	215.57	US		1 Argent	San Francisco	Reimbursable	MasterCard	Self
5	5/24/2005	Hotel	215.57	US		1 Argent	San Francisco	Reimbursable	MasterCard	Self
6	5/24/2005	Hotel	215.57	US		1 Argent	San Francisco	Reimbursable	MasterCard	Self
7	5/23/2005	Hotel	215.57	US		1 Argent	San Francisco	Reimbursable	MasterCard	Self
8	5/23/2005	Hotel	215.57	US		1 Argent	San Francisco	Reimbursable	MasterCard	Self
9	7/26/2005	Hotel	92.43	US		1 Guest Inn	Houston	Reimbursable	MasterCard	Self
10	7/26/2005	Hotel	92.43	US		1 Guest Inn	Houston	Reimbursable	MasterCard	Self
11	5/23/2005	Taxi	47.00	US		1 Yellow Cab	San Francisco	Reimbursable	Cash	Self
12	5/23/2005	Taxi	47.00	US		1 Yellow Cab	San Francisco	Reimbursable	Cash	Self
13	5/26/2005	Taxi	37.00	US		1 Yellow Cab	San Francisco	Reimbursable	Cash	Self
14	5/26/2005	Taxi	37.00	US		1 Yellow Cab	San Francisco	Reimbursable	Cash	Self
15	5/25/2005	Dinner	35.00	US		1 Local Restaurant	San Francisco	Reimbursable	Cash	Self
16	5/25/2005	Dinner	35.00	US		1 Local Restaurant	San Francisco	Reimbursable	Cash	Self
17	5/24/2005	Dinner	35.00	US		1 Local Restaurant	San Francisco	Reimbursable	Cash	Self
18	5/24/2005	Dinner	35.00	US		1 Local Restaurant	San Francisco	Reimbursable	Cash	Self
19	5/23/2005	Dinner	28.00	US		1 Hotel Restaurant	San Francisco	Reimbursable	MasterCard	Self
20	5/23/2005	Dinner	28.00	US		1 Hotel Restaurant	San Francisco	Reimbursable	MasterCard	Self

19. Testing expenses incurred while away from the home country can provide the auditor additional missed opportunities. Currency exchange rates can and do change daily, additional fees may be charged for cash currency exchanges and value added taxes (VAT) can be recovered after the fact. Generally, home country credit cards used in the country being visited, receive the best exchange rates. Conversion for cash can incur additional fees. VAT taxes can be as high as 20 percent but with the proper documentation can be recovered after the travel is completed. The company expense policy should be clear on the level of documentation required for these items.

The following areas will provide additional ideas about tests that can be developed using IDEA if the detailed information is available in the T&E reporting system.

### Transportation Expenses

1. The company policy may appear to be clear and complete by including wording such as: the standard ticket should be coach or tourist class; employees should seek the lowest direct price available; take advantage of low fares available by booking at least seven days in advance; employees may not pilot, or be a passenger in a private aircraft while on company business; and, no more than five employees can travel on the same aircraft.

The internal auditor should be alert for schemes that allow employees to get around these policies. Areas to look for include:

- Last minute ticketing at full coach to get bumped up to first class
- Partially unused tickets
- Multiple reimbursement claims for the same tickets
- Excessive loyalty to one airline
- Refusal to use company travel agent or credit card
- Confirm the airfare purchased is used by the individual traveling and not another party

In the USA, auditors should be alert for employees that prefer to travel by train as many times it is not the lowest cost for travel. A possible exception would be in the northeast regions of the United States. In other parts of the world, traveling by train may be more available and acceptable and many of the red flags for airfare travel listed above would also be applicable.

2. Taxi – Look for employees traveling together, but each reporting a similar cab receipt. Look for other employees that took a taxi from the same airport to the same hotel or location and compare the amounts. Also look at actual expenses versus reported expenses – does the expense appear normal and reasonable?
3. Rental Cars – Traveling employees should adhere to corporate rates, insurance policies, and GPS, cell phone and gas refueling policies. Other areas for consideration are as follows:
  - Compare employee rates for same car at the same car agency in the same location
  - Look for low mileage driven (under 20 miles per day), when a taxi would have been less expensive
  - Look for employees that always use the same rental car agency
4. Use of Personal Car – Gas expenses for business trips using personal or leased cars are being reimbursed, sometimes in excess of possible mileage performance.

### **Lodging Expenses**

- Purchase two weeks in advance of trip
- Lowest price hotel versus frequent travel hotel
- Look for employees that always travel together
- Legitimate business travel, not personal

Some employees consistently stay at the same hotel chain, which may indicate the employee is accumulating rewards via a loyalty program rather than staying for cost efficiency reasons. However, in some cases the client company may have negotiated rates or reserved rooms. Other considerations include:

- Look for reduced rates on weekend stays that were not utilized
- Review expense reports where employees stayed in the same hotel, same city and same month but with significantly different room rates.
- Suites with multiple employees requesting reimbursement for the same room
- Instances where employees did not request the company rate

## **Meals**

Begin with a benchmark review by city for three meal-per-day averages and look for employees that submit expenses beyond these benchmarks. For instance, if the limits are \$10 for breakfast, \$15 for lunch and \$25 for dinner, look for employees that charge near the \$50 per day rate. Also look for employees that consistently frequent one restaurant in the same city and employees dining together during the work week that charge meals while not traveling.

## **Entertainment**

Certain personnel consistently average entertaining expenses far beyond others in the company with the same classification. Some meals averaged more than a reasonable amount per person, e.g., more than \$200 per person. Other areas for consideration include:

- Alcohol when company policy prohibits consumption
- Low job grade charging for entertainment
- Large per person average expensed - look for expensive wine, etc.
- Frequently the guest of others without reporting, e.g., sporting events, theatre tickets, cruises, etc.

## **Non-Allowable Expenses**

1. Office equipment and supplies
2. Gifts or donations
3. Personal charges or expenses such as suitcases, attaché cases and flowers
4. Personal entertainment or expenses
5. Season tickets to sporting or theatrical events - tickets will be paid if used for appropriate entertainment
6. Memberships to clubs and recreational facilities not approved by the President and Chief Executive Officer
7. Traffic fines or damage to personal property while on company business
8. Expenses without receipts
9. Employees who have exceeded the allotted travel budget
10. Individual amounts in excess of \$500 or exceptional amounts charged in one day

## **Handling Travel Advances**

Obtain an electronic listing of all employees that have an outstanding travel advance. First determine that all employees are still active, then compare to the last date of travel and confirm the need for the advance is valid.

## **Expense Authorization, Reimbursement & Reporting**

Using the organization chart developed in the planning phase that indicates authorized approvers and dollar levels, conduct an analysis that looks for exceptions.

As with any audit, tests ensure integrity of the data being examined. The challenge is knowing what to look for and utilizing the right tools to make this process both efficient and effective. IDEA simplifies many of the manual tasks required to conduct a thorough audit and provides the necessary documentation for reporting findings, which is covered in the following section.

## STEP 3: REPORT WRITING PHASE

The Professional Practices Framework requires internal auditors to communicate the engagement results. Communications would include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.

The applicable IDEA analysis results can be easily included in the audit report. Internal auditors can closely align the testing results with the reporting requirements, resulting in a no surprises in the exit conference.

At the conclusion of the closing conference, internal auditors should invite the client to a final meeting to discuss the impact of using IDEA during the engagement. This should be an open discussion and presents an opportunity for internal auditing to hear a different perspective. Specific areas that should be discussed are:

- what data analysis processes should be added to management's ongoing performance and monitoring
- what internal audit should continue to do to assure management that past or new problems are not recurring (weekly, monthly or other continuous auditing)
- identified opportunities for departmental efficiencies (continuous improvement)

## STEP 4: OPEN ISSUE FOLLOW-UP PHASE

The chief audit executive should establish and maintain a system to monitor the disposition of results communicated to management. The monitoring level should be sufficient to inform management that corrective actions have been effectively implemented or that senior management has accepted the risk of not taking action.

IDEA includes a scripting feature (IDEAScript) which allows data analysis tests previously run to be copied and customized for future use on the next period's data.

## CONCLUSION

As employees become more sophisticated in using T&E for their personal gain, companies need to utilize available technologies to mitigate risk by identifying potential fraud. When used as an integrated part of an auditing program, data analysis tools offer effective results and require considerably less effort than manual processes.

Using data analysis also helps focus on potential violation areas, can quantify the impact and may be used to confirm corrective actions. Scripts developed during the audit can be easily used with scheduling software to generate continuous monitoring or auditing processes to reduce future incidents of fraud.

T&E expenditures require the same attention, testing and evaluation as other significant accounts payable activities. IDEA can strengthen the internal auditing process and help management detect abuses and implement monitoring procedures for more effective internal controls.

APPENDIX A:  
BENCHMARKING T&E EXPENSES INTERNAL  
CONTROLS PROGRESS

	<b>STAGE 1</b> Not-defined	<b>STAGE 2</b> Not-deployed	<b>STAGE 3</b> Deployed	<b>STAGE 4</b> Embraced	<b>STAGE 5</b> Continuous
<b>a. Management:</b>					
• Centralized	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Outsourced/Co-sourced	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Separation of Duties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Expense Approval levels	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>b. SOP covers:</b>					
• Board of Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Senior Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>c. Key Spending Metrics:</b>					
• Level 1 – Benchmarks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Level 2 – Spend Analytics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>d. Communications</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>e. Data Management:</b>					
• Pre-Trip Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Travel Advances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Credit Card Charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Travel Agency Charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Expense Report detail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Authorization Tables	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Budgets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Suspense/Issue Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>f. Monitoring</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>g. Auditing</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# APPENDIX B: BUSINESS CREDIT CARD MERCHANT CATEGORY CODES (MCC)

The MCC code is a four-digit, numeric identifier of merchant business types defined by VISA International. Other credit card companies have adopted this code system. If the company obtains these codes with the credit card details, the details can easily be joined with the table of codes to simplify identification of inconsistencies in expense reports.

MC_GROUP	MC_SERVICE_CATEGORY	MC_CODE	MC_SERVICE
1	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	742 VETERINARY SERVICES
2	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	763 AGRICULTURAL COOPERATIVES
3	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	780 LANDSCAPING AND HORTICULTURAL SERVICES
4	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	1520 GENERAL CONTRACTORS-RESIDENTIAL BUILDINGS
5	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	1711 HEATING PLUMBING AIR CONDITIONING CONTRACTORS
6	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	1731 ELECTRICAL CONTRACTORS
7	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	1740 MASONRY STONEMWORK TILE SET PLASTER INSULATION
8	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	1750 CARPENTRY CONTRACTORS
9	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	1761 ROOFING + SIDING SHEET METAL WORK CONTRACTORS
10	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	1771 CONCRETE WORK CONTRACTORS
11	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	1799 SPECIAL TRADE CONTRACTORS-NOT ELSEWHERE CLASSIFIED
12	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	2741 MISCELLANEOUS PUBLISHING AND PRINTING
13	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	2791 TYPESETTING PLATE MAKING + RELATED SERVICES
14	GROUP I- CONTRACTED SERVICES	ALL CONTRACTED SERVICES (0742-2842)	2842 SPECIALTY CLEANING POLISHING + SANITATION PREP.
15	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3000 UNITED AIRLINES
16	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3001 AMERICAN AIRLINES
17	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3002 PAN AMERICAN
18	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3004 TRANS WORLD AIRLINES
19	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3005 BRITISH AIRWAYS BRITISH AWY'S
20	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3006 JAPAN AIR LINES
21	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3007 AIR FRANCE
22	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3008 LUFTHANSA
23	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3009 AIR CANADA
24	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3010 ROYAL DUTCH AIRLINES (KLM)
25	GROUP II- TRAVEL & ENTERTAINMENT	ALL AIRLINES (3000-3299)	3011 AEROFLOT

**APPENDIX C:  
COMMERCIAL AIRFARE CLASS OF SERVICE**

<b>A</b> – Domestic First Class	<b>H</b> – Discount Coach	<b>Q</b> – Discount Coach
<b>AU</b> – Elite Upgrade	<b>I</b> – Discount Coach	<b>R</b> – Upgrade – Replaces F
<b>B</b> – Discount Coach	<b>J</b> – Business First	<b>S-X</b> – Discount Coach
<b>C</b> – International First Class	<b>K</b> – Economy Class, Discounted Coach	<b>Y</b> – Full Fare Coach
<b>D</b> – Discount First Class	<b>L</b> – Discount Coach	<b>YN</b> – Coach Reward
<b>E</b> – Reward	<b>M</b> – Elite Reward	<b>Z</b> – Discount Business First
<b>F</b> – First Class Reward Upgrade	<b>N, O</b> – Discount Coach	
<b>G</b> – Reward	<b>P</b> – Reward – First Class	

**References**

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- <sup>2</sup> Audimation Services, Inc. online article: "Arm Yourself with IDEA," April 2007
- <sup>3</sup> Data Analysis: The Cornerstone of Effective Internal Auditing, A CaseWare IDEA Research Report
- <sup>4</sup> The Professional Practices Framework includes: Code of Ethics; International Standards for the Professional Practice of Internal Auditing; and, Practice Advisories. Published by The IIA Research Foundation
- <sup>5</sup> Kessler, "Fashioning a Fraud," Journal of Accountancy October 2007



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