



Audit Purchase Orders to Find PO Splitting

Finance/Audit

Overview

In most companies, employees with purchasing authority have a monetary limit on how much they can purchase without management authorization. For example, an IT manager may be able to purchase up to \$50,000 in software and equipment. Any amount over that would require director approval. In practice, this means that the IT manager requires director approval for any Purchase Order (PO) with a purchase amount over \$50,000. If a manager wants to purchase \$75,000, they could try to get around this by issuing two POs to the same vendor totaling \$75,000 but each being less than \$50,000. This is a violation of corporate compliance rules known as "PO Splitting."

Objective

Create a simple workflow to detect PO splitting. In this case we are looking for multiple POs to the same vendor within a three-day period. At this point we are not checking to see if the same buyer is issuing the POs. (It is possible that there is collusion between employees to hide the splitting so there would need to be further examination of the POs found by our analysis).

Processes

1. The input file has PO line-item detail. The first step is to remove inactive PO's, eliminate fields specific to the PO line, and retain only one record for each PO.
2. Then identify the vendors to whom multiple POs have been issued.
3. Determine if there are any vendors where the interval between their consecutive transaction dates is 3 days or less.
4. Output this list for further investigation.

Data Dictionary

Purchase Orders.xlsx

Column Name	Data Type	Description
POID	Double	Purchase Order ID
BuyerName	V_String	PO originator (buyer)
CloseDate	Date	PO close date
CompanyID	V_String	Company division ID
CreateDate	DateTime	Date PO created
InvoicedAmt	Double	Total cash amount invoiced to data
OrderedQuantity	Double	Quantity ordered (line item)
IsClosedForInvoiced	V_String	PO Status
IsClosedForReceiving	V_String	PO Status
PurchAmt	Double	Total cash amount of invoice
TranStatus	V_String	Transaction status (Open if field is empty)
SalestaxAmt	Double	Sales tax on entire PO
TranAmt	Double	Transaction amount
TranDate	Date	Transaction date
TranNo	V_String	Transaction number
TranType	V_String	= "Purchase Order (Standard)"
VendorID	Double	Vendor ID
PaymentTerm	V_String	Payment terms
DueDayOrMonth	Double	Due date
PmtTermsID	V_String	Payment terms code
VouchID	Double	Voucher ID (line item)
POLineKey	Double	Identifier for PO Line (line item)
POLineNo	Double	PO line number (line item)
IsReceivingRequested	Double	How to receive item (line item)
POLineStatus	V_String	PO Line Status (line item, but needed for initial cleansing– if any line is active, the PO is active)
TargetCompanyID	V_String	Varies by line item
UnitCost	Double	Unit cost (line item)
UnitMeasure	V_String	Unit measure (line item)