

OKLAHOMA DEPARTMENT OF TRANSPORTATION

STATE PURCHASE CARDS

NOVEMBER 1, 2006 THROUGH
JUNE 30, 2007

AGREED-UPON PROCEDURES REPORT



Jeff A. McMahan

Oklahoma State Auditor
& Inspector

Oklahoma Department of Transportation

State Purchase Cards Agreed-upon Procedures Report

For the Period

November 1, 2006 through June 30, 2007



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

April 25, 2008

**To the Director of the Oklahoma Department of Transportation
and Commission Members**

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Department of Transportation. The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation to the agency's staff for the assistance and cooperation extended to our office during the course of our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Michelle R. Day".

Michelle R. Day, Esq.
Deputy State Auditor and Inspector

Mission Statement

The mission of the Oklahoma Department of Transportation is to provide a safe, economical, and effective transportation network for the people, commerce and communities of Oklahoma.

Commission Members

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by management of the Oklahoma Department of Transportation, solely to assist you in evaluating whether purchase card transactions for the period November 1, 2006 through June 30, 2007 were consistent with *State of Oklahoma Purchase Card Procedures*. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

During the engagement period, we selected Department purchase card holders and applied the procedures outlined below to their purchase card transactions. Our selection of employees was designed so that each card holder was selected at least once. However, in certain instances this may not have been possible for employees who terminated their employment with ODOT during the course of our engagement.

Our procedures were to determine if purchase card transactions were consistent with the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services. The following procedures were performed:

1. Examined the p/card administrative files to determine a credit limit (dollar amount per cycle) has been established for each cardholder.

There were no findings as a result of applying the procedure.

2. Examined copies of the transactions supporting the monthly billings to determine the dollar amount of each transaction did not exceed the single purchase limit of \$2,500.

There were no findings as a result of applying the procedure.

3. Examined the p/card administrative files and monthly billings to determine each purchase card has been assigned an approved Merchant Category Code Group.

There were no findings as a result of applying the procedure.

4. Examined transaction receipts from the same vendor on the same date to determine whether the purchase was for the same item and whether in the aggregate, the card purchase limit was exceeded (i.e. split purchasing).

There were no findings as a result of applying the procedure.

5. Examined transaction receipts to determine transactions were **not** for prohibited purchases as stated in 6.2.3. *Other prohibited purchases of the State of Oklahoma Purchase Card Procedures*. These prohibited purchases include:

- Travel including, but not limited to, transportation, entertainment, food and beverages, travel agencies, and lodging.
- Cash, cash advances, automatic teller machines (ATM).
- Any transaction or series of transactions, which exceed the limits established on the individual purchase card.
- Motor fuel or fluids.
- Gift certificates.

There were no findings as a result of applying the procedure.

6. Inspected transaction logs to determine if they were supported by receipts and/or other supporting documentation and the cardholder and approving official reconciled the supporting documentation to the monthly memo statement, (6.4. *Transaction logs*, 6.5. *Receipts for purchase*, 6.9.1. *Cardholder responsibility*, and 6.9.2. *Entity approving official(s) responsibility*).

According to section 6.9.1. *Cardholder responsibility* of the *State of Oklahoma Purchase Card Procedures*:

Regular p/card, Statewide Contract p/card, and Travel p/card holders shall obtain an electronically generated memo statement upon closing of the bank's monthly billing cycle from the Pathway Net System. The memo statement shall be reconciled by the cardholder and submitted to the cardholder's designated State Entity Approving Official. In reconciling the statement, cardholders should use appropriate documents (i.e., transaction log, purchase receipts, receiving documents, credit receipts) to verify that purchases and returns are accurately listed on the memo statement.

The cardholder shall also sign and date the memo statement verifying that the transaction log and memo statement have been reconciled.

All cardholders (including Entity P/card Administrators and Approving Officials for other cardholders) must have their reconciliation approved by an approving official at least one level above their position.

- One of 181 cardholders had someone else review the transaction log and reconcile the supporting documentation to the monthly memo statement for one month of transactions.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

Contact Person: Karen Wallis, Purchasing Branch Manager, P-Card Administrator

Corrective Action Planned: The Department concurs with this recommendation. The cardholders were reminded to follow the State of Oklahoma Purchase Card Procedures and the Department will continue to monitor to insure compliance.

7. Examined transaction receipts to determine if the use of the purchase card was limited to the employee whose name is embossed on the card; (6.10. *Card security*).

According to section 6.10. *Card security* of the *State of Oklahoma Purchase Card Procedures*:

Use of the p/card and Statewide Contract p/card is limited to the person whose name is embossed on the card. The card shall not be loaned to another person.

Additionally; according to line item number 13 on the *State of Oklahoma Purchase Card Employee Agreement*:

I understand that absolutely no one other than myself is permitted to use the p/card(s) assigned to me.

- Three of 181 cardholders allowed another employee to use their p/card for three transactions.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures* or *State of Oklahoma Purchase Card Employee Agreement*.

Views of Responsible Official(s)

Contact Person: Karen Wallis, Purchasing Branch Manager, P-Card Administrator

Corrective Action Planned: The Department partially concurs with this recommendation. These orders were placed and received by an employee other than the cardholder. The cardholder did call the vendor to verify the purchase and to give the vendor their P-card information. Cardholders were reminded to document this information to avoid the appearance of having allowed another person to use their card.

8. Examined transaction logs to determine whether the log was reviewed and approved (signed and dated) by the cardholder (6.9.1. *Cardholder responsibility*).

According to section 6.9.1. *Cardholder responsibility* of the *State of Oklahoma Purchase Card Procedures*:

After confirming the transactions on the memo statement, the cardholder shall sign and date the transaction log, indicating that the cardholder did make the purchases.

Additionally, according to ODOT's stated policy concerning transaction logs and memo statements: If the cardholder did not have any transactions for a particular month on their p/card, then the cardholder is to print out a transaction log and sign and date the log. There is no need to print out a memo statement because if there are no transactions the memo statement is blank from the pathway net system.

- Two of 181 cardholders did not sign or date the transaction logs for two months of transactions;
- One of 181 cardholders had someone else sign the transaction log for one month of transactions;
- Three of the 181 cardholders did not date the transaction log for three months of transactions; and
- One of 181 cardholders did not complete a transaction log for one month of transactions.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

Contact Person: Karen Wallis, Purchasing Branch Manager, P-Card Administrator

Corrective Action Planned: The Department concurs with this recommendation. The cardholders were reminded to follow the State of Oklahoma Purchase Card Procedures and the Department will continue to monitor to insure compliance.

9. Examined memo statements to determine whether they were reviewed and approved (signed and dated) by the cardholder, and reviewed and approved (signed and dated) by the approving official (6.9.1. *Cardholder responsibility* and 6.9.2. *Entity approving official(s) responsibility*).

According to section 6.9.1. *Cardholder responsibility* of the *State of Oklahoma Purchase Card Procedures*:

The cardholder shall also sign and date the memo statement verifying that the transaction log and memo statement have been reconciled.

- Two of 181 cardholders did not sign or date the memo statement for two months of transactions;
- One of 181 cardholders has someone else sign the memo statement for one month of transactions; and
- Three of 181 cardholders did not have the approving official sign or date their memo statement for three months of transactions.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

Contact Person: Karen Wallis, Purchasing Branch Manager, P-Card Administrator

Corrective Action Planned: The Department concurs with this recommendation. The cardholders were reminded to follow the State of Oklahoma Purchase Card Procedures and the Department will continue to monitor to insure compliance.

10. Examined receipts and/or other supporting documentation to determine if they were annotated “Received”, signed, and dated by the receiving employee, (6.7. *Receiving goods and services*).

According to section 6.7.1. *Goods or services received at the time of purchase* of the *State of Oklahoma Purchase Card Procedures*:

The receipt for purchase can also serve as the receiving document. The receiving document should be annotated “Received” and signed and dated by the receiving employee. The combination purchase receipt/receiving document shall be attached to the transaction log.

- Twenty-nine of 181 cardholders did not annotate “received” on 89 receiving documents;
- Twelve of 181 did not date 25 of their receiving documents; and
- Eight of 181 cardholders did not sign 14 of their receiving documents.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

Contact Person: Karen Wallis, Purchasing Branch Manager, P-Card Administrator

Corrective Action Planned: The Department concurs with this recommendation. The cardholders were reminded to follow the State of Oklahoma Purchase Card Procedures and the Department will continue to monitor to ensure compliance.

11. Examined the receipt and/or supporting documentation to determine if state sales tax was not charged during the transaction, (6.6. *State sales tax*).

According to section 6.6. *State Sales Tax* of the *State of Oklahoma Purchase Card Procedures*:

State entity purchases are exempt from the State of Oklahoma sales tax. Cardholders should exercise care to ensure that they are not being charged nor paying such tax. The sales tax identification number is provided on the face of each p/card.

- Nine of 181 cardholders paid state sales tax on 11 transactions.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

Contact Person: Karen Wallis, Purchasing Branch Manager, P-Card Administrator

Corrective Action Planned: The Department concurs with this recommendation. Cardholders were reminded to notify vendor prior to making a charge of Departments tax exempt status and to always verify that sales tax was not charged prior to signing the charge receipt. For phone orders and internet purchases the cardholder is unaware of the sales tax charge until purchase is received. Cardholders request a credit for the sales tax at that time and monitor their accounts to insure that the sales tax is credited.

- 12a. Examined transactions to determine if they were in compliance with other requirements documented in the *State of Oklahoma Purchase Card Procedures* and the *Oklahoma Central Purchasing Act* by verifying with the Department of Central Services that Purchase Card Administrators, back-up Administrators, Authorized Signers, Approving Officials, and Cardholders have successfully completed the Purchase Card Training conducted by the Department of Central Services prior to being issued purchase cards, (3.9. *Training*).

There were no findings as a result of applying the procedure.

- 12b. Examined transactions to determine if they were in compliance with other requirements documented in the *State of Oklahoma Purchase Card Procedures* and the *Oklahoma Central Purchasing Act* by inspecting transactions to determine if merchant preference was used by the Department for certain merchants or types of contracts, i.e. statewide contracts, (6.2.5. *Merchant preference*).

According to section 6.2.5.2. *Merchant preferences – Oklahoma Corrections Industries (OCI)* of the *State of Oklahoma Purchase Card Procedures*:

State entities shall make purchases from OCI pursuant to 57 O.S., § 549.1, if the vendor is deemed lowest and best.

- One of 181 cardholders purchased an item from another vendor that could have been purchased from OCI and did not specify the reason on one transaction.

According to section 6.2.5.3. *Mandatory statewide contract* of the *State of Oklahoma Purchase Card Procedures*:

State entities shall make purchases from mandatory statewide contracts regardless of the purchase price unless the State Purchasing Director has issued a waiver to the entity.

- Seven of 181 cardholders purchased an item that was on mandatory Statewide contract 022 from an unauthorized vendor and failed to obtain authorization from the Department of Central Services buyer on 24 transactions; and
- One of 181 cardholders purchased an item that was on mandatory Statewide Contract 138 from unauthorized vendors on two transactions.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

Contact Person: Karen Wallis, Purchasing Branch Manager, P-Card Administrator

Corrective Action Planned: The Department concurs with these recommendations. Cardholders and approving officials were notified of the finding, reminded to purchase from the mandatory contracts and advised that the accounts will be monitored and will be suspended if cardholder does not comply with State of Oklahoma Purchase Card Procedures.

- 12c. Examined transactions to determine if they were in compliance with other requirements documented in the *State of Oklahoma Purchase Card Procedures* and the *Oklahoma Central Purchasing Act* by determining whether documents were retained in accordance with the Department's procedures (6.9.3. *Entity retention of statements*).

There were no findings as a result of applying the procedures.

13. Compared the nature of the purchase to the Department's mission for consistency.

There were no findings as a result of applying the procedures.

We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the Purchase Card transactions for the Department. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Oklahoma Department of Transportation and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



Michelle R. Day, Esq.
Deputy State Auditor and Inspector

April 16, 2008



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