

AGREED-UPON PROCEDURES

OKLAHOMA DEPARTMENT OF TRANSPORTATION STATE PURCHASE CARDS

For the period July 1, 2016 through June 30, 2017



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

Oklahoma Department of Transportation

State Purchase Cards Agreed-Upon Procedures Report

For the Period
July 1, 2016 through June 30, 2017



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

July 23, 2018

To the Executive Director of the Oklahoma Department of Transportation

This is the agreed-upon procedures report of the Oklahoma Department of Transportation for the period July 1, 2016 through June 30, 2017. The goal of the Oklahoma State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

This report is 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.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & 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

J. David BurrageDistrict 2 – Chairman
Bradley W. BurgessDistrict 7 – Vice-Chairman
Todd Huckabay District 5 - Secretary
John Fidler District 1 - Member
Dan B. OverlandDistrict 3 – Member
Greg Love District 4 - Member
Bobby J. Alexander..... District 6 - Member
Peter J. Regan..... District 8 - Member

Key Staff

Mike Patterson Executive Director
Russell Hulin..... Deputy Director/Director of Finance and Administration
Casey Shell..... Chief Engineer
Darren Saliba Director of Operations
Tim Tegeler..... Director of Engineering
Dawn Sullivan.....Director of Capital Programs



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Executive Director of the Oklahoma Department of Transportation

We have performed the procedures enumerated below, which were agreed to by management of the Oklahoma Department of Transportation (the Department), solely to assist management of the Department (the specified parties) in evaluating whether purchase card (P-Card) use for State Fiscal Year (SFY) 2017, July 1, 2016 through June 30, 2017, was consistent with *State of Oklahoma Purchase Card Procedures* issued by the Office of Management and Enterprise Services (OMES). Management of the Department is responsible for ensuring the Department's P-Card use is consistent with *State of Oklahoma Purchase Card Procedures*. 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.

For the engagement period, the applied procedures and associated findings are as follows:

Annual procedures, for 60 randomly selected cardholders with active accounts at the end of the period:

- Confirm with the Office of Management and Enterprise Services (OMES) the Oklahoma Department of Transportation P-Card Program Participants have successfully completed the training prescribed by the OMES as authorized by the State Purchasing Director prior to assuming their duties and prior to being issued any type of P-Card and that frequent or ongoing training was conducted or determined by each agency P-Card Administrator for the duration of program participation. *(2.8 Training / changed to 4.1 Initial Training)* Effective 2-15-17, refresher training is required at least once every two years (24 months) for all cardholders, approvers, and agency p-card administrators, but can occur more frequently at the discretion or need of the entity. *(4.2 Refresher Training effective 2-15-17).*

Selected P-Card Program Participants have successfully completed the training prescribed by the OMES as authorized by the State Purchasing Director prior to assuming their duties and prior to being issued any type of P-Card.

- Inspect the P-Card administrative files to determine Oklahoma Department of Transportation P-Card Program Participants have signed the State of Oklahoma Purchase Card Employee Agreement form prior to assuming their duties and being issued P-Cards *(2.9 Purchase Card Employee Agreement / changed to 3.5 State Purchase Card Employee Agreement effective 2-15-17).*

One of 60 (1.67%) P-Card Program Participants selected did not have a signed State of Oklahoma Purchase Card Employee Agreement form prior to assuming their duties and being issued a P-Card. This is a repeat finding for the same employee from the prior year. The P-Card Program Participant signed the P-Card Agreement; however, it was signed and dated after the P-Card Participant assumed his duties and was not effective during the period being tested.

Views of Responsible Official(s)

Contact Person: Jennifer Mason, Purchasing Division Manager, P-Card Administrator

Response: The Department concurs with this finding and has obtained an agreement for this employee. We are in the process of reviewing all P-Card participant files to ensure all necessary paperwork is included. This review should be completed by August 31, 2018.

- Inspect administrative files to determine the Oklahoma Department of Transportation P-Card Administrators and designated back-ups, Approving Officials and designated back-ups, and P-Cardholders are full time or permanent part time (not temporary or contract) employees of the State Entity (*2.10 Employee Status / changed to 3.3 effective 2-15-17*).

Selected Entity P-Card Administrators and designated back-ups, State Entity Approving Officials and designated back-ups, and P-Cardholders were full time or permanent part time (not temporary or contract) employees.

- Inspect the Cardholder Profile Data report obtained from Bank of America (BOA) Works system to determine mandatory limits were established for the mandatory categories as specified in *5.1.5 P-Card Controls and Limits (changed to 3.2.2 effective 2-15-17)*. Categories include:
 - A card limit (dollar amount per cycle);
 - Single purchase limit (dollar amount per transaction); and
 - Merchant Category Code Group (MCCG).

Selected P-Card Program Participants have an established card limits, single purchase limits and Merchant Category Codes.

Quarterly procedures:

Inspect the Cardholder Profile Data and Transaction Detail report obtained from BOA Works system to determine if any cardholder’s transactions from the same vendor on the same date exceed the single purchase limit. (*5.2.6 Using the P-Card / changed to 7.1 General Purchasing Information effective 2-15-17; Definitions – “Single Purchase Limit” and “Split Purchase”*).

Of all cardholder transactions in SFY 2017:

- Two cardholders’ transactions were for a single invoice split into multiple payments and, in aggregate, exceeded the single purchase/ transaction limit.
- Four cardholders’ transactions were from the same vendor on the same date and exceeded the single purchase limit.
- One cardholder's transaction exceeded the single purchase limit.

Views of Responsible Official(s)

Contact Person: Jennifer Mason, Purchasing Division Manager, P-Card Administrator

Response: The Department concurs with this finding and provides the following additional information to clarify the purchases:

[In response to the transactions pertaining to single invoices noted above]:

- The cardholder should have been invoiced one amount by ODEQ. However, she was charged incorrectly, a lesser amount, and then an amount that made up the difference. Both amounts were under her single transaction limit. Had she been invoiced one total amount she would have requested and been given an increased spend amount.
- The cardholder was questioned about this purchase the month following the payment. [Cardholder responded, “The orders were placed separately for two different jobs at the sign shop, however, because of the holidays and such they combined the orders and I believe delivered them the same day.”]

[In response to the purchases from the same vendor on the same date noted above]:

- The cardholder placed two sequential orders and is no longer part of the pcard program.
- Two cardholders placed multiple orders with a statewide contract supplier and made individual payments. The cardholder has been counseled on the appearance of a split purchase.
- The purchase was for clothing for bridge inspections. We have counseled the employee about requesting an increase to his single transaction limit for any future purchases.

[In response to the transaction exceeding the single purchase limit noted above]:

- The cardholder did not approve an amount that exceeded \$5,000 and her single transaction limit was \$5,000. The department believes the supplier forced the transaction which pushed it through even though it exceeded the limit. When the cardholder noticed the amount was in excess of what was approved, she requested and received a credit. Any future forced transactions will be reported to BOA.

We randomly selected 60 P-Card transactions from each quarter of the engagement period (240 total transactions) and the applied procedures and associated findings are as follows:

- Inspect transaction receipts and/or documentation to determine transactions were not for prohibited purchases, unless such use was approved by the State Purchasing Director (*1.5 Conditions of Participation; 5.3 Prohibited Purchases / changed to 7.5 Prohibited P- Card Purchases effective 2-15-17*). These prohibited purchases include:
 - Entertainment
 - Split purchases
 - Per diem food and beverages as authorized by the STRA [State Travel Reimbursement Act] and any other statute pertaining thereto (*effective 2-15-17*)
 - Cash, cash advances, automatic teller machines (ATM) transactions
 - Goods or services for personal use
 - Items not for official state business
 - Any transaction or series of transactions, which exceed the limits established an individual P-Card (this is not inclusive of maximum limits imposed by statute; *effective 2-15-17*)
 - Motor fuel for personal vehicles or state owned equipment and vehicles
 - Automotive general maintenance, ancillary items, and emergency repairs pursuant to Statewide Contract #101 (SW101) for Automated Fleet Fuel Management System (Maintenance, repairs, or parts for equipment is not prohibited)
 - Automatic Drafts (*effective 1-1-16/ changed to 7.4 Automatic Drafts effective 2-15-17*)
 - Gifts or gift certificates; this does not apply to gift certificate purchases made for employee performance recognition pursuant to 74 O.S. § 4121. Gift Certificates are a taxable, reportable item for the recipient.
 - Frequent traveler membership fees (*effective 2-15-17*)
 - Parking tickets or other traffic tickets (*effective 2-15-17*)
 - Late check-out lodging charges (*effective 2-15-17*)
 - Airline seat preference or upgrade charges (*effective 2-15-17*)
 - Bell hop fees and tips (*effective 2-15-17*)
 - Coat Check fees (*effective 2-15-17*)

Selected transactions were not for prohibited purchases, unless such use was approved by the State Purchasing Director.

- Inspect transaction receipts and/or documentation to determine, if applicable, the Department made purchases from mandatory statewide contracts regardless of the purchase price, unless the State Purchasing Director issued a waiver to the State Entity (*5.5.3 Mandatory Statewide Contracts / changed to 7.2 State Purchasing Hierarchy effective 2-15-17*).

Selected transactions were made from mandatory statewide contracts regardless of the purchase price, unless the State Purchasing Director issued a waiver to the State Entity.

- Inspect transaction receipts and/or documentation to determine transactions were supported by an itemized and detailed description of the purchase that includes, at a minimum: (1) Merchant Name; (2) date of purchase; (3) description; (4) unit price and quantity; and (5) transaction total (5.8 *Receipts for Purchase / changed to 10.1 Receipts and Supporting Documentation for all Purchases effective 2-15-17*).

Selected transactions were supported by an itemized and detailed description of the purchase that includes, at a minimum: (1) Merchant Name; (2) date of purchase; (3) description; (4) unit price and quantity; and (5) transaction total.

- Inspect transaction receipts and/or documentation to determine state sales tax or taxes from Oklahoma municipalities was not charged during the transaction. If tax was charged, inspect transaction receipts and/or documentation to determine whether or not the cardholder obtained a credit from the vendor for the amount of taxes charged or the purchase was made out-of-state and not exempt from that state's tax (5.10 *State Sales/ Lodging Taxes / changed to 7.10 effective 2-15-17*).

Selected transactions were not charged state sales tax or taxes from Oklahoma municipalities, or if a tax was charged, the cardholder obtained a credit from the vendor for the amount of taxes charged or the purchase was made out-of-state and not exempt from that state's tax.

- Inspect related memo statements and supporting transaction documentation to determine the P-Card statement was reconciled and approved (signed and dated) by the P-Cardholder and reviewed and approved (signed and dated) by the P-Cardholder's designated State Entity Approving Official or designated State Entity Back-Up Approving Official (5.14 *Responsibilities of P-Cardholder, State Entity Approving Official, and Entity P-Card Administrator / changed to 6 Operations and Responsibilities effective 2-15-17*).

One (1) of 240 (.42%) related P-Card statements was not reconciled and approved (signed and dated) by the P-Cardholder and was not reviewed and approved (signed and dated) by the P-Cardholder's designated State Entity Approving Official or designated State Entity Back-Up Approving Official.

Views of Responsible Official(s)

Contact Person: Jennifer Mason, Purchasing Division Manager, P-Card Administrator

Response: The Department concurs with this finding. A signed copy was obtained and provided to the State Auditor's office. Additionally, Procurement employees will meet to discuss P-Card review procedures.

- Inspect transaction receipts and/or documentation to determine reconciled statements and supporting documents were retained and made available upon request for review and audit purposes in accordance with 5.14.3 *State Entity P-Card Administrator / changed to 12.2 Cycle Reconciliation effective 2-15-17*.

Selected transaction statements and supporting documents were retained and made available upon request for review and audit purposes. However, as noted above, one of 240 related P-Card statements was not reconciled and approved (signed and dated) by the P-Cardholder and was not reviewed and approved (signed and dated) by the P-Cardholder's designated State Entity Approving Official or designated State Entity Back-Up Approving Official.

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. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the Department's purchase card (P-Card) use for State Fiscal Year (SFY) 2017, July 1, 2016 through June 30, 2017, was consistent with *State of Oklahoma Purchase Card Procedures* issued by the Office of Management and Enterprise Services (OMES). Accordingly, we do not express such an opinion or conclusion. 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 to assist management of the Department in evaluating whether purchase card (P-Card) use for State Fiscal Year (SFY) 2017, July 1, 2016 through June 30, 2017, was consistent with *State of Oklahoma Purchase Card Procedures* issued by the Office of Management and Enterprise Services (OMES), and is not intended to be, and should not be used by anyone other than the specified parties. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

July 23, 2018



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV