

Agreed-Upon Procedures Report

Department of Transportation State Purchase Cards

July 1, 2005 Through
October 31, 2006



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

Oklahoma Department of Transportation
State Purchase Cards Agreed-upon Procedures Report
For the Period
July 1, 2005 through October 31, 2006



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

March 15, 2007

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 "Jeff A. McMahan".

JEFF A. McMAHAN
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

Chairman: Mr. Dan B. Overland
Vice-Chairman: Mr. James H. Dunegan
Secretary: Vacant

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District 6: Mr. Bruce Benbrook
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Key Staff

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Deputy Director /
Chief Engineer: John Fuller
General Counsel: Norman Hill

ASSISTANT CHIEF ENGINEER / DIRECTORS:

Operations: Gary Evans
Pre-Construction: David Streb

ASSISTANT DIRECTORS:

Administration: Tim Gatz
Fiscal/Programs: Mike Patterson



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
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**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 July 1, 2005 through October 31, 2006 were consistent with *State 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 whether the purchase card holder's transactions:

1. Were supported by transaction logs, receipts, etc.

According to section 6.7.1, *Goods or services received at the time of purchase*, of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

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.

We noted 57 transactions where ODOT employees did not sign and/or date the receiving document. We also noted 100 transactions where ODOT employees did not annotate or write the word "received" on the receiving document. 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 were instructed to review and follow the State of Oklahoma Purchase Card Procedures.

According to section 6.4, *Transaction logs*, of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

Cardholder shall maintain a transaction log of all p-card purchases, returns, credits, and disputed transactions.

We noted that for our July 2005 testwork, a cardholder's statement showed \$139.23 twice – a charge and a credit. However, these transactions were not recorded on the p-card holder's transaction log even though the card holder had documentation to support these 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 were instructed to review and follow the *State of Oklahoma Purchase Card Procedures*.

2. Were reviewed and approved.

According to section 6.9.2, *Entity approving official(s) responsibility*, of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services,

State Entity Approving Official(s) shall review the regular p-card, Statewide Contract p-card, or Travel p-card holder's reconciled memo statement and supporting documentation for accuracy, completeness, appropriateness of the purchase and whether the transactions were conducted according to State statutes, rules, these procedures, and sound business practice. Any issue that cannot be resolved between the State Entity Approving Official and the cardholder shall be brought to the attention of the cardholder's immediate supervisor and the State Entity p-card administrator for resolution. To indicate concurrence with the reconciled statement, the State Entity Approving official shall sign and date the memo statement and forward the memo statement and supporting documentation for payment as required by entity p-card procedures.

During our testwork for the month of December we noted one occurrence where an approving official did not sign and date the memo statement for one cardholder to indicate concurrence with the reconciled statement. Additionally, the transaction log was not signed and dated until January 17, 2006, which was after the payment was made to JP Morgan. The same cardholder's January transactions were paid prior to an approving official signing and dating the transaction log and the memo statement. We recommend the Department exercise diligence to ensure that Entity Approving Official(s) sign and date necessary p-card documents/statements prior to payment and 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. Division staff has been instructed to follow the *State of Oklahoma Purchase Card Procedures*. The division P-Card coordinator has implemented new internal procedures to ensure compliance.

3. Were consistent with the Department's mission.

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

4. Did not exceed the established purchase limits.

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

5. Were only for approved Merchant Category Code Groups.

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

6. Were not for split purchases.

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

7. Were consistent with the following requirements of the *State Purchase Card Procedures*:

- i. Section 5.2, *Account Codes*
- ii. Section 6.1.3, *Employee p-card agreement*
- iii. Section 6.1.5, *Card Controls and Limits*
- iv. Section 6.2.3, *Other Prohibited Purchases*
- v. Section 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 not paying such tax. The sales tax identification number is provided on the face of each p-card.

We noted two transactions where ODOT employees paid state sales taxes on their purchases. We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the State of Oklahoma Purchase Card Procedures.

With respect to procedures 7.i through 7.iv, there were no findings.

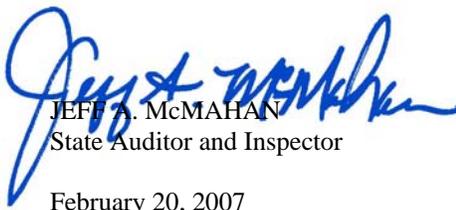
Views of Responsible Official(s)

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

Corrective Action Planned: The Department concurs with this recommendation. Cardholder has contacted the vendor and the state sales tax has been credited.

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.


JEFF A. McMAHAN
State Auditor and Inspector

February 20, 2007

Protecting Your Tax Dollars



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