

**OKLAHOMA  
DEPARTMENT OF  
TRANSPORTATION  
STATE PURCHASE  
CARDS**

**FOR THE PERIOD JUNE 30, 2009  
THROUGH JUNE 28, 2010**

**AGREED-UPON PROCEDURES REPORT**



Oklahoma State Auditor  
& Inspector

**Oklahoma Department of Transportation**  
**State Purchase Cards Agreed-upon Procedures Report**  
**For the Period**  
**June 30, 2009 through June 28, 2010**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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October 14, 2010

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

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 "Steve Burrage".

STEVE BURRAGE, CPA  
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**

Mr. Dan B. Overland ..... District 3 - Chair  
Mr. James H. Dunegan ..... District 2 - Vice-Chair  
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Gary Ridley ..... Secretary of Transportation/Director  
John Fuller ..... Deputy Director  
Gary Evans ..... Chief Engineer  
Norman Hill ..... General Counsel  
Casey Shell ..... Director of Operations  
David Streb ..... Director of Engineering  
Tim Gatz ..... Director of Capital Programs and Information Management  
Mike Patterson ..... Director of Finance and Administration

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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 (Department), solely to assist you in evaluating whether purchase card (P/Card) use for the period June 30, 2009 through June 28, 2010 was consistent with *State of Oklahoma Purchase Card Procedures*, which can be viewed on the Oklahoma Department of Central Services website at [http://www.ok.gov/DCS/Central\\_Purchasing/P\\_Card\\_Information/P\\_Card\\_Procedures/index.html](http://www.ok.gov/DCS/Central_Purchasing/P_Card_Information/P_Card_Procedures/index.html). 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.

For the engagement period, we systematically selected one-fourth of the Department's total cardholders quarterly for the period June 30, 2009 through June 28, 2010. For each quarter, we applied the procedures listed below to all transactions for each cardholder selected that had ten or less transactions. For each cardholder selected that had more than ten transactions during that quarter, we applied the procedures listed below to 50 percent of the transactions, but not less than ten transactions. Our selection of employees was designed so that each cardholder was selected at least once. However, in certain instances this may not have been possible for employees who terminated their employment with the Department during the course of our engagement.

During our selection process, we noted 18 cardholders who were cardholders prior to June 30, 2009 that had no transactions during the period June 30, 2009 through June 28, 2010. Management should be aware that these open and unused P/Cards could be susceptible to misuse, fraud and/or abuse.

Our procedures were to determine if P/Card transactions were consistent with the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services (DCS) and were based on the latest version in effect at the time of our engagement. The following procedures, which apply only to the Department's State Purchase Card (are not applicable to the Department's Travel Purchase Card and/or Statewide Contract Purchase Card), were performed:

1. Inspected the P/Card administrative files to determine whether or not a card limit (dollar amount per cycle) had been established for each cardholder (*State of Oklahoma Purchase Card Procedures* section 6.1.3 *Purchase Card Employee Agreement*; section 6.1.5 *Card controls and limits*).

A card limit had been established for each cardholder.

2. Inspected the P/Card administrative files to determine whether or not a single purchase limit (dollar amount per transaction) had been established for each cardholder (*State of Oklahoma Purchase Card Procedures* section 6.1.3 *Purchase Card Employee Agreement*; section 6.1.5 *Card controls and limits*).

A single purchase limit had been established for each cardholder.

3. Inspected the P/Card administrative files to determine whether or not each purchase card had been assigned an approved Merchant Category Code Group (*State of Oklahoma Purchase Card Procedures* section 6.1.5 *Card controls and limits*).

Each purchase card had been assigned an approved Merchant Category Code Group.

4. Inspected transaction receipts and/or documentation from the same vendor on the same date to determine whether the purchase was for the same item and if, in the aggregate, the card purchase limit was exceeded (*State of Oklahoma Purchase Card Procedures* section 6.2.2 *Split purchases* and 2.0 *Definitions* – “*Single Purchase Limit*” and “*Split Purchase*”).

No transactions with the same vendor on the same date were for the same item.

5. Inspected transaction receipts and/or documentation to determine transactions were **not** for prohibited purchases, unless such use was approved by the State Purchasing Director (*State of Oklahoma Purchase Card Procedures* section 6.2.3 *Other prohibited purchases*). These prohibited purchases include:

- o Transportation (vehicle rental is not prohibited when using Statewide Contract 771);
  - o Entertainment;
  - o Per diem food and beverages;
  - o Cash, cash advances, automatic teller machines (ATM);
  - o Purchase of any goods or services for personal use;
  - o Any transaction or series of transactions, which exceed the limits established on the individual P/Card;
  - o Motor fuel;
  - o Automotive general maintenance, ancillary items, and emergency repairs pursuant to Statewide Contract (SW101) for Automated Fleet Fuel Management System;
  - o Automatic Drafts;
  - o Postage and Post Office Box Rental (statutorily prohibited 74 O.S.§90.2); and
  - o Gift certificates. This does not apply to gift certificate purchases made pursuant to 74 O.S., § 4121 (Employee Recognition).
- Three of 170 cardholders had 6 automatic draft payment transactions that were not approved by the State Purchasing Director.

#### **Views of Responsible Official(s)**

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

**Corrective Action Planned:** The Department concurs with this finding. Cardholders were reminded that automatic drafts are prohibited with the p-card. One cardholder retired and the division CPO was advised and the automatic drafts were stopped.

6. Inspected transaction documentation to determine whether or not transactions were supported by receipts and/or other supporting documentation (*State of Oklahoma Purchase Card Procedures* section 6.4 *Receipts for Purchase*).

According to section 6.4 *Receipts for Purchase*, 6.4.1 *Receipts not furnished by Merchant* and 6.4.2 *Itemized Receipt Unobtainable* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

Receipts shall be obtained for **all** purchases regardless of the order method. The receipt shall give an itemized and detailed description of the purchase and must include at a minimum: (1) vendor; (2) date of purchase; (3) description; (4) unit price and quantity; and (5) transaction total. A detailed and itemized carbon copy is acceptable.

If a receipt is not furnished by the merchant (as may be the case with a phone or internet order), an order confirmation or packing slip shall be obtained and shall contain an itemized and detailed description of the purchase.

If the receipt is not a detailed and itemized receipt, the cardholder shall: request the vendor attach a written itemization of the charges to the receipt showing at a minimum: (1) vendor name; (2) transaction or purchase date; (3) description of each item purchased, including unit price and quantity; and (4) transaction total. The written itemization shall be signed by the vendor or its authorized designee. Or, in the event all attempts to obtain an itemized receipt from the vendor have failed, attach a written itemization of the charges to the receipt showing at a minimum: (1) vendor name; (2) transaction or purchase date; (3) description of each item purchased, including unit price and quantity; (4) transaction total and (5) statement explaining why all other methods of obtaining an itemized receipt were not available. The written itemization shall be signed by the cardholder's Approving Official or designated back-up.

- Three of 170 cardholders did not provide an itemized invoice or other written statement explaining why all other methods of obtaining an itemized receipt were not available for 14 fee transactions.
- Twenty-two of 170 cardholders had 35 transactions that were not supported by receipts and/or other supporting documentation.

**Views of Responsible Official(s)**

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

**Corrective Action Planned:** The Department concurs with this finding. Cardholders were reminded of the requirement to submit a detailed itemized receipt for all purchases and missing receipts were requested.

7. Inspected transaction receipts and/or documentation to determine whether or not P/Card use was limited to the employee whose name is embossed on the card (*State of Oklahoma Purchase Card Procedures* section 6.9 *Card Security*).

According to section 6.9 *Card security* of the *State of Oklahoma Purchase Card Procedures*:

Use of the Standard P/Card is limited to the person whose name is embossed on the card. The card shall not be loaned to another person.

Additionally, the cardholder affirms, by signature, the following as stated on 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."

- Twenty-six of 170 cardholders allowed another employee to use his or her standard P/Card on 66 transactions.

**Views of Responsible Official(s)**

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

**Corrective Action Planned:** The Department partially concurs with this finding. Two cardholders did allow another employee to use his or her p-card. They were counseled and advised of disciplinary action should this happen again. All other cardholders either made a direct purchase or contacted the vendor with their p-card account information and to authorize the purchase or order placed by another employee. One cardholder failed to sign and date the receipt but had her manager initial the receipt to approve the purchase. None of the other cardholders allowed another employee to use their p-card.

### **Auditor Response**

Supporting receipts and/or documentation for the p-card transactions inspected give the appearance that someone other than the cardholder either used the p-card directly with the vendor or placed a phone or online order using the p-card information.

8. Inspected memo statements and supporting transaction documentation to determine whether or not the P/Card statement was reconciled and approved (signed and dated) by the cardholder, and reviewed and approved (signed and dated) by the cardholder's designated State Entity Approving Official (*State of Oklahoma Purchase Card Procedures* section 6.8.1 *Cardholder and State Entity Approving Official Responsibilities by P/Card Type, Standard P/Card*).

According to section 6.8.1.2 *State 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 Standard P/Cardholder's reconciled memo statement and transaction 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. To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement (signature stamps are not acceptable).

- Four of 170 cardholders had 5 P/Card statements which were not reviewed and approved (signed and dated) by the cardholder's designated State Entity Approving Official.

### **Views of Responsible Official(s)**

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

**Corrective Action Planned:** The Department concurs with this finding. Cardholder was reminded to review their receipts at the time of purchase before signing and to always document the request for credit of improper charges. The *State of Oklahoma Purchase Card Procedures* were reviewed with the cardholders and cardholders were reminded to follow the procedures for reconciling obtaining approval for all P-Card statements.

9. Inspected transaction receipts and/or documentation to determine whether or not receipts were signed and dated by the cardholder for goods or services received at the time of purchase (*State of Oklahoma Purchase Card Procedures* section 6.6 *Receiving Goods and Services*).

Inspected receiving documents to determine whether or not receiving documents were annotated "Received", signed and dated by the receiving employee for goods or services received subsequent to the time of purchase (6.6 *Receiving goods and services*).

According to section 6.6.1 *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 shall serve as the receiving document. The receipt must contain the cardholder's signature and date. A carbon copy of the receipt containing the cardholder signature and date meets this requirement. (Annotating the document "Received" is NOT required.) The receiving document shall be retained by the cardholder for the monthly reconciliation process.

According to section 6.6.2 *Goods or services received subsequent to the time of purchase* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

The document accompanying the goods or services (such as a packing slip or service order) serves as the receiving document. The receiving document shall be annotated "Received" (or its abbreviation) and shall be signed and dated by the receiving employee.



- Eight of 170 cardholders had 12 transactions for goods or services received at the time of purchase for which the cardholder did not sign the receipt.
- Twenty-seven of 170 cardholders had 70 transactions for goods or services received at the time of purchase for which the cardholder did not date the receipt.
- Eighteen of 170 cardholders had 43 transactions for goods or services received subsequent to the time of purchase for which the receiving employee failed to annotate the receiving document "Received".
- Seven of 170 cardholders had 14 transactions for goods or services received subsequent to the time of purchase for which the receiving employee failed to sign the receiving document.
- Nine of 170 cardholders had 16 transactions for goods or services received subsequent to the time of purchase for which the receiving employee failed to date the receiving document.
- Thirteen of 170 cardholders had 20 transactions for goods or services received subsequent to the time of purchase for which the receiving employee failed to date the receiving document on the receiving date.

**Views of Responsible Official(s)**

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

**Corrective Action Planned:** The Department partially concurs with this finding. The State of Oklahoma Purchase Card Procedures were reviewed with the cardholders and cardholders were reminded to follow the procedures for all purchases.

10. Inspected transaction receipts and/or documentation to determine whether or not state sales tax was charged during the transaction. If sales tax was charged, inspected transaction receipts and/or documentation to determine whether or not the cardholder obtained a credit from the vendor for the amount of sales tax charged (*State of Oklahoma Purchase Card Procedures* section 6.5 *State Sales Tax*).

According to section 6.5 *State Sales Tax* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

State Entity purchases are exempt from the State of Oklahoma sales tax. Cardholders should exercise care to ensure they are not being charged nor paying such tax. Cardholder shall obtain a credit from the vendor for any sales tax charged.

- Five of 170 cardholders had 6 transactions where sales tax was charged and a credit was not obtained from the vendor.

**Views of Responsible Official(s)**

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

**Corrective Action Planned:** The Department concurs with this finding. The State of Oklahoma Purchase Card Procedures were reviewed with the cardholders and cardholders were reminded to follow the procedures for all purchases. Cardholders were reminded to advise vendors of the tax exempt status at the time of purchase and to insure that tax is not charged.

11. Confirmed with the Department of Central Service that the P/Card Administrators and designated back-ups, Authorized Signers, State Entity Approving Officials and designated back-ups, and Cardholders have successfully completed the P/Card Training conducted by the Department of Central Services prior to being issued P/Cards and additional training had been successfully completed if more than five years from date of the last training session had lapsed (*State of Oklahoma Purchase Card Procedures* section 3.9 *Training*).

According to section 3.9 *Training* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

State Entity P/Card Administrators and designated back-ups, Authorized Signers, State Entity Approving Officials and designated back-ups, and Cardholders must successfully complete the training prescribed by the State Purchasing Director prior to assuming their duties and prior to being issued P/Cards.

Training is required every five (5) years from date of last training session. State entities are encouraged to send employees to training more often. It is the responsibility of the State Entity P/Card Administrator to ensure employees are re-trained in accordance with DCS requirements.

- Two of 170 cardholders did not successfully complete additional training when more than five years from date of the last training session had lapsed, and purchases were made with the P/Card during the period when training had lapsed.
- Three of 170 cardholders without transactions did not successfully complete additional training when more than five years from date of the last training session had lapsed, and no purchases were made with the P/Card during the period when training had lapsed.

**Views of Responsible Official(s)**

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

**Corrective Action Planned:** The Department does not concur with this finding. Since the State of Oklahoma is implementing a new P-Card contract and program, Lisa Martin, State P-Card Administrator has authorized agencies to delay the required additional training until the new program is in place.

**Auditor Response**

SA&I contacted Lisa Martin, State P/Card Administrator, to inquire about when the re-training requirement was waived. Lisa stated the re-training requirement was not officially waived until July 1, 2010. The re-training for all five cardholders lapsed prior to July 1, 2010.

12. Inspected transactions receipts and/or documentation to determine whether or not merchant preference was used by the Department for certain merchants or types of contracts, i.e. statewide contracts (*State of Oklahoma Purchase Card Procedures* section 6.2.5 *Merchant preferences*).

According to section 6.2.5.3 *Mandatory statewide contracts* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

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 170 cardholders purchased items that were on mandatory Statewide Contract 022 from an unauthorized vendor on 8 of their transactions and no waiver or exemption was obtained from the State Purchasing Director.
- One of 170 cardholders purchased items that were on mandatory Statewide Contract 104 from an unauthorized vendor on 1 transaction and no waiver or exemption was obtained from the State Purchasing Director.
- One of 170 cardholders purchased items that were on mandatory Statewide Contract 320 from an unauthorized vendor on 1 transaction and no waiver or exemption was obtained from the State Purchasing Director.

**Views of Responsible Official(s)**

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

**Corrective Action Planned:** The Department partially concurs with this finding. Only seven of the cardholders purchased items that were available on a mandatory statewide contract. One cardholder purchased a hole punch and a calendar refill that were not on a mandatory statewide contract. She was reminded to price all office supplies through the office supply portal first. One cardholder purchased file folders which were not available through a mandatory statewide contract at the time. The file folders are now available through a mandatory statewide contract. Cardholders were reminded of the requirement to purchase from mandatory state use contract vendors as well as of the requirement to procure at the lowest cost to the Department on office supplies not available through a mandatory statewide contract.

**Auditor Response**

The Department was correct in stating neither the hole punch nor the calendar refill purchased were available on a mandatory statewide contract. However, both items were available at a lower cost to the Department through a state use vendor.

The Department stated the file folders purchased outside of mandatory Statewide Contract 022 were not available at the time of purchase, but are now available and procured through the mandatory statewide contract. SA&I contacted the vendor for the mandatory statewide contract and verified the file folders were available at the time of the p-card purchase, but were subsequently removed from mandatory Statewide Contract 022 on February 17, 2010 per Addendum # 19 and are no longer available for purchase through mandatory Statewide Contract 022.

13. Inspected P/Card administrative files to determine whether or not documents were retained in accordance with the Department's procedures (*State of Oklahoma Purchase Card Procedures* section 6.8.4 *Entity retention of statements*).

Documents in the P/Card administrative files were retained in accordance with the Department's procedures.

14. Inspected transactions receipts and/or documentation and compared the nature of the purchase to the Department's mission for consistency.

The nature of the purchases was consistent with the Department's mission.

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.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

October 11, 2010



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