



OKLAHOMA DEPARTMENT OF TRANSPORTATION STATE PURCHASE CARDS

Agreed-Upon Procedures

For the period July 1, 2017 through June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

Oklahoma Department of Transportation

State Purchase Cards Agreed-Upon Procedures Report

For the Period
July 1, 2017 through June 30, 2018



Cindy Byrd, CPA | State Auditor & Inspector

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August 26, 2019

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, 2017 through June 30, 2018. 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 "Cindy Byrd".

CINDY BYRD, CPA
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
(As of June 30, 2018)

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

Commission Members
(As of August 26, 2019)

V. Gene McKownAt-Large – Chairman
Bob Peterson District 8 – Vice Chairman
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Bob CoburnDistrict 1 – Member
James L. GrimsleyDistrict 2 – Member
Don Freymiller.....District 4 – Member
David DysonDistrict 5 – Member
Bobby J. Alexander.....District 6 – Member
Steve J. LaForge.....District 7 – Member

Key Staff
(As of June 30, 2018)

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

Key Staff
(As of August 26, 2019)

Tim Gatz Executive Director
Dawn Sullivan..... Deputy Director
Brian Taylor..... Chief Engineer
Darren Saliba Director of Operations
Tim Tegeler..... Director of Engineering
Rick Johnson..... Director of Capital Programs
Chelley Hilmes..... Director of Finance and Administration

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) 2018, July 1, 2017 through June 30, 2018, was compliant 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 compliant 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) or the Department, as applicable, that all 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/or prior to being issued any type of p-card. (4.1 *Initial Training*) 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 and 2/1/18*)

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 p-card program participants have signed the State Purchase Card Employee Agreement form prior to assuming their duties and/or being issued P-Cards. (3.5 *State Purchase Card Employee Agreement effective 2/15/17 and 2/1/18*)

Three of 60 (5%) 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.

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 agreements under the current OMES format for all active cardholders. In this case, one of the cardholders referenced has retired.

- Inspect administrative files to determine state entity p-card administrators and designated back-ups, entity approving officials and designated back-ups, p-card holders, or proxy reconcilers are full time or permanent part time (not temporary or contract) employees of an entity. (3.3 *Employee Status effective 2/15/17 and 2/1/18*).



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 3.2.2 *P-Card Controls and Limits effective 2/15/17 and 2/1/18*. 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 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. (7.1 *General Purchasing Information effective 2/15/17 and 2/1/18; Definitions – "Single Purchase Limit" and "Split Purchase"*).

Of all cardholder transactions in SFY 2018:

- One cardholder's transaction on a single invoice was split into multiple payments and, in aggregate, exceeded the single purchase/transaction limit.
- Three cardholders' transactions were from the same vendor on the same date and exceeded the single purchase limit.
- One cardholder's transactions were from the same vendor on the same day for identical items on back to back dated sales orders exceeding 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 invoice noted above]:

- The cardholder did utilize one invoice to make two payments for a purchase that would have otherwise been over the current transaction limit. An increased cycle limit was requested, but a single transaction limit increase should also have been requested. P-Card Administrators will verify that both the Single Transaction Limit and Cycle Limits are met when making profile changes.

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

- Both purchases were made from Statewide Contracts. The purchases for Winfield Solutions were for two different ODOT locations and it was necessary to be ordered separately for shipping. The cardholder inquired if invoices should be forwarded to the Procurement Division for payment and was advised to make the payments since the individual invoice amounts did not exceed the cardholder's single transaction limit.
- For the TAPCO purchase, the cardholder has been counselled to forward purchases that exceed the cardholder's single transaction limit to the Division CPO.
- The purchases from O'Reilly Auto Parts were orders placed on different days and were paid the same day, but each individual invoice was under the cardholder's single transaction limit. The O'Reilly's store utilized by Division V has requested purchases not exceed \$5,000.

[In response to the transactions from the same vendor on the same day for identical items on back to back dated sales orders above]:

- Both purchases were made from Statewide Contracts. The purchases from Asphalt Producers were for

two different ODOT locations, were separated for delivery purposes and the individual invoices were paid the same day. Both transactions were under the cardholder's single transaction limit.

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, 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 (*7.2 State Purchasing Hierarchy effective 2/15/17 and 2/1/18*).

For one (1) of 240 (.42%) transactions selected, the item detail in the invoice provided in the support was covered by the credit card receipt. Without the detail we were unable to apply the procedure to determine whether the Department made the purchase from mandatory statewide contracts regardless of the purchase price, unless the State Purchasing Director issued a waiver to the State Entity.

Views of Responsible Official(s)

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

Response: The Department concurs with this finding. The employee contacted the Statewide Contract supplier and was told the item was not available. Since the purchase was needed immediately, the cardholder proceeded with purchasing from another supplier. The cardholder has been counselled with regards to obtaining an exception and will notify Procurement Division when a rush purchase may be needed.

- Inspect transaction receipts and/or documentation to determine transactions were not for prohibited purchases, unless such use was approved by the State Purchasing Director (*7.5 Prohibited P- Card Purchases effective 2/15/17 and 2/1/18*). 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;
 - 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);
 - 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);
 - Gift cards or gift certificates; this does not apply to gift certificate purchases made for employee performance recognition pursuant to 74 O.S. § 4121. Gift cards/certificates are a taxable, reportable item for the recipient;
 - Frequent traveler membership fees;
 - Parking tickets or other traffic tickets;
 - Late check-out lodging charges;
 - Airline seat preference or upgrade charges;
 - Bell hop fees and tips;
 - Coat Check fees

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 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 or a tribal entity and not exempt from that state's/tribal taxes (*7.10 State Sales/ Lodging Taxes effective 2/15/17 and 2/1/18*).

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 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 (*10.1 Receipts and Supporting Documentation for all Purchases effective 2/15/17 and 2/1/18*).

For one (1) of 240 (.42%) transactions selected, on the invoice copy provided as support, the credit card receipt covered the item description on the invoice. Without the invoice details, we were unable to apply the procedure to determine the transaction was supported by an itemized and detailed description of the purchase that included, at a minimum: (3) description.

Views of Responsible Official(s)

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

Response: The Department concurs with this finding. The employee and buyers have been counselled about proper receipts. Additionally, an Internal Procurement Memorandum has been created to address receipt requirements.

- 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 *12.2 Cycle Reconciliation (effective 2/15/17 and 2/1/18)*.

Reconciled P-Card statements and supporting documents related to selected transactions were retained and made available upon request for review and audit purposes in accordance with *12.2 Cycle Reconciliation*.

- Inspect related statements and supporting transaction documentation to determine the p-card statement was reconciled and approved (signed and dated) by the p-card cardholder and reviewed and approved (signed and dated) by the p-card holder's designated approving official or designated back-up approving official (*6 Operations and Responsibilities effective 2/15/17 and 2/1/18*).

P-Card statements related to selected transactions and supporting transaction documentation were reconciled and approved (signed and dated) by the p-card cardholder and reviewed and approved (signed and dated) by the p-card holder's designated approving official or designated 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) 2018, July 1, 2017 through June 30, 2018, was compliant 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 P-Card use for SFY 2018, was compliant with *State of Oklahoma Purchase Card Procedures* issued by the OMES. Accordingly, this communication is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

August 26, 2019

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



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