

AGREED-UPON PROCEDURES REPORT

OKLAHOMA DEPARTMENT OF TRANSPORTATION

STATE PURCHASE CARDS AGREED-UPON PROCEDURES

For the period July 1, 2015 through June 30, 2016



*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, 2015 through June 30, 2016



Oklahoma State Auditor & Inspector

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

June 21, 2017

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, 2015 through June 30, 2016. 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.

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.

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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 in evaluating whether purchase card (P-Card) use for State Fiscal Year (SFY) 2016, July 1, 2015 through June 30, 2016, 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*. This agreed-upon procedures engagement was conducted in accordance with U.S. generally accepted auditing 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 applied the procedures listed below.

Annual procedures, for 60 randomly selected cardholders during the engagement period:

1. Confirmed with the Office of Management and Enterprise Services (OMES) the 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 (*3.8 Training / changed to 2.8 effective 1-1-16*).

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

2. Inspected administrative files to determine State Entity P-Card Administrators and designated back-ups, State Entity 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 (*3.10 Employee Status / changed to 2.10 effective 1-1-16*).

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.

3. Inspected the P-Card administrative files to determine 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 (*3.9 Purchase Card Employee Agreement / changed to 2.9 effective 1-1-16*).

Two of 60 (3.33%) P-Card Program Participants selected did not have a signed State of Oklahoma Purchase Card Employee Agreement on file.

Views of Responsible Official(s)

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

Response: The Department concurs with this finding. Purchasing has contacted each employee so that a signed agreement is in place and will review files for completeness.

4. Inspected 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 6.1.5 *P-Card controls and limits (changed to 5.1.5 effective 1-1-16)*. Categories include:
 - A card limit (dollar amount per cycle);
 - Single purchase limit (dollar amount per transaction); and
 - Merchant Category Code Group (MCCG).

A card limit, single purchase limit and Merchant Category Code had been established for each cardholder selected.

Quarterly procedures:

5. Inspected the Cardholder Profile Data and Detail report [for all transactions] obtained from BOA Works system to determine if any cardholder's transactions from the same vendor on the same date exceeded the single purchase limit. (6.2.6 *Using the P-Card / changed to 5.2.6 effective 1-1-16; Definitions – "Single Purchase Limit" and "Split Purchase"*).

Of all cardholder transactions in SFY 2016:

Four cardholder transactions were single invoices split into multiple payments and exceeded the single purchase/transaction limit.

Two cardholder transactions were from the same vendor on the same date and 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 four transactions noted above]:

- The cardholder made three trips to Red Wing with employees and thought he was not split purchasing or evading his limits because he paid for the different trips separately. While he is no longer a cardholder, he is an approver. He has been counseled to not allow his cardholders to do this.
- 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 limit should have been requested. The employee in question was a new cardholder and has been counselled.
- 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 limit should have been requested. The cardholder and approver were counselled. A new cardholder is being identified by the Division and the existing cardholder is retiring 5/31/2017.
- 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 limit should have been requested. The cardholder and approver were counselled. A new cardholder is being identified by the Division and the existing cardholder is retiring 5/31/2017.

[In response to the two transactions noted above]:

- The cardholder placed orders based on tire size which does give the appearance of evading her single transaction limit. The cardholder has been counseled to place complete orders as one.
- The cardholder placed separate orders for different pieces of equipment and should have paid with an equipment specific comdata cards. The cardholder has been counseled to only separate for each piece of equipment if comdata is utilized. Otherwise, the

order needs to be placed in full and paid with P-Card. If his limit would be exceeded, his Division CPO or Central Office CPO should make payment.

We randomly selected 60 P-Card payment transactions from each quarter of the engagement period (240 total transactions) and applied the procedures listed below:

6. Inspected 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; 6.3 Prohibited Items / changed to 5.3 effective 1-1-16*). These prohibited purchases include:
 - a. Entertainment
 - b. Split purchases
 - c. Per diem food and beverages as authorized by the State Travel Reimbursement Act, Oklahoma State Travel Policy, and any other statute pertaining thereto
 - d. Cash, cash advances, automatic teller machines (ATM) transactions
 - e. Goods or services for personal use
 - f. Items not for official state business (effective 1-1-16)
 - g. Any transaction or series of transactions, which exceed the limits established on the individual P-Card
 - h. Motor fuel for personal vehicles or state owned equipment and vehicles
 - i. 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)
 - j. Automatic Drafts
 - k. 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.

One (1) of 240 (.42%) cardholder transaction receipts provided in the support was created by the cardholder. Without an original receipt, we were unable to apply the procedure to determine the transaction was not for a prohibited purchase.

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. The cardholder in question is no longer an employee. The purchase was made at Wal-Mart. A duplicate receipt was requested but was not provided by the employee. One of the two items should have been purchased from SW818. The other item could have been purchased at Wal-Mart as the item was for official state business and not for personal use.

7. Inspected 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 (*6.5.3 Mandatory statewide contracts / changed to 5.5.3 effective 1-1-16*).

One of 240 (.42%) cardholder transaction receipts provided in the support was created by the cardholder. Without an original receipt, we were unable to apply the procedure to determine 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 and provides the following additional information. The cardholder in question is no longer an employee. The purchase was made at Wal-Mart. A duplicate receipt was requested but was not provided by the employee. One of the two items should have been purchased from SW818. The other item could have been purchased at Wal-Mart as the item was for official state business and not for personal use.

8. Inspected 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 (6.9 *Receipts for Purchase / changed to 5.8 effective 1-1-16*).

One of 240 (.42%) cardholder transaction receipts provided in the support was created by the cardholder. Without an original receipt, 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: (1) merchant name; (2) date of purchase; (3) description; (4) unit price and quantity; and (5) transaction total.

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. The cardholder in question is no longer an employee. The purchase was made at Wal-Mart. A duplicate receipt was requested but was not provided by the employee. One of the two items should have been purchased from SW818. The other item could have been purchased at Wal-Mart as the item was for official state business and not for personal use.

9. Inspected 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, inspected 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 (6.10 *State Sales Tax / changed to 5.10 effective 1-1-16*).

One of 240 (.42%) cardholder transaction receipts provided in the support was created by the cardholder. Without an original receipt, we were unable to apply the procedure to determine if State sales tax or taxes from Oklahoma municipalities were charged during the transaction.

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. The cardholder in question is no longer an employee. The purchase was made at Wal-Mart. A duplicate receipt was requested but was not provided by the employee. One of the two items should have been purchased from SW818. The other item could have been purchased at Wal-Mart as the item was for official state business and not for personal use.

10. Inspected 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 (6.14 *Responsibilities of P-Cardholder, State Entity Approving official, and Entity P-Card Administrator / changed to 5.14 effective 1-1-16*).

P-Card statements were reconciled and approved by the P-Card holder's designated State Entity Approving Official.

11. Inspected 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 6.15 *State Entity Retention of Statements / changed to 5.14.3 State Entity P-Card Administrator effective 1-1-16*.

One of 240 (.42%) cardholder transaction receipts provided in the support was created by the cardholder. Reconciled statements and supporting documents were retained and made available upon request for review and audit purposes; however, the original receipt was not available.

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. The cardholder in question is no longer an employee. The purchase was made at Wal-Mart. A duplicate receipt was requested but was not provided by the employee. One of the two items should have been purchased from SW818. The other item could have been purchased at Wal-Mart as the item was for official state business and not for personal use.

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 Purchase Card transactions for the Department. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to assist management of the Department in evaluating whether purchase card (P-Card) use for State Fiscal Year (SFY) 2016, July 1, 2015 through June 30, 2016, was consistent with *State of Oklahoma Purchase Card Procedures* issued by the Office of Management and Enterprise Services (OMES). Accordingly, this communication is not suitable 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.

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

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

June 21, 2017



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