

OKLAHOMA DEPARTMENT OF TRANSPORTATION

STATE PURCHASE CARDS

FOR THE PERIOD JUNE 28, 2008
THROUGH JUNE 29, 2009

AGREED-UPON PROCEDURES REPORT



Oklahoma State Auditor
& Inspector

Oklahoma Department of Transportation

State Purchase Cards Agreed-upon Procedures Report

For the Period
June 28, 2008 through June 29, 2009

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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December 16, 2009

**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, reading "Steve Burrage", is positioned above the printed name.

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

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Mr. James H. Dunegan	District 2 - Vice-Chair
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Norman Hill.....	General Counsel
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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) transactions for the period June 28, 2008 through June 29, 2009 were 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. 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 systematically selected one-fourth of the Department's total cardholders quarterly for the period June 28, 2009 through June 29, 2009 and applied the agreed-upon procedures outlined below to all transactions for each cardholders selected that had ten or less transactions during that quarter, and 50 percent of the transactions, but not less than ten transactions, for each cardholder selected that had more than ten transactions during that quarter. 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.

During our selection process, we noted 12 cardholders who were cardholders prior to June 28, 2008 that had no transactions during the period June 28, 2008 through June 29, 2009. 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) effective January 15, 2008. The following procedures were performed:

1. Inspected the P/Card administrative files to determine whether or not a credit 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 credit limit had been established for each cardholder.

2. Inspected the P/Card administrative files and monthly billings 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.

3. Inspected transaction receipts and/or documentation supporting the monthly billings to determine whether or not the dollar amount of each transaction exceeded the single purchase limit of \$2,500 (*State of Oklahoma Purchase Card Procedures* section 6.1.5 *Card controls and limits*).

No transaction dollar amounts exceeded the single purchase limit of \$2,500.

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 (i.e. split purchasing) (*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 and the card purchase limit was not exceeded.

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:

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

There were no transactions for prohibited purchases, as defined above.

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 effective January 15, 2008:

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 173 cardholders did not provide adequate documentation supporting a total of seven transactions: four fee transactions for which the amount listed on the invoice did not agree with the monthly cardholder statement and three transactions for which the receipt did not include a description, unit price and quantity.
- Two of 173 cardholders did not provide an itemized receipt or other written statement explaining why all other methods of obtaining an itemized receipt were not available for two fee transactions.

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 to ensure that all charges and credits are detailed in an itemized receipt or credit from the vendor.

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."

- Ten of 173 cardholders allowed another employee to use his or her standard P/Card on 14 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. These orders were placed and received by an employee other than the cardholder. The cardholder did verify the purchase with the vendor and then made the charge on their P-card. Cardholders were reminded to document this information to avoid the appearance of having allowed another person to use their card.

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 6.8.1.1 *Cardholder responsibility* and 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 effective January 15, 2008:

The memo statement shall be reconciled by the cardholder. The memo statement shall be signed and dated by the cardholder verifying responsibility for purchases and proper reconciliation (signature stamps are not acceptable).

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).

- One of the 173 cardholders failed to sign and date one cardholder statement to verify responsibility for purchases and proper reconciliation.
- Ten of 173 cardholders had sixteen cardholder statements that were approved by six individuals who are not designated State Entity Approving Officials. Three of the individuals not designated State Entity Approving Officials who approved the cardholder statements have not received P/Card training.

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. One cardholder was on extended medical leave and unable to reconcile and sign the statement. This statement was reconciled and approved by the Division's Approving Official. In the absence of the Division Approving Official, one cardholder had the back-up Approving Official review and approve the cardholder's transactions. Two cardholders had their statements signed and approved by their supervisor. Three cardholders had their new division head approve the statement, and that division head has since completed p-card training. One other approver has since completed p-card training and has a signed agreement on file in the Purchasing Branch. All cardholders were reminded to supply the P-Card Administrator the names of their p-card approver and back-up approver. They were also reminded of the requirements for both the approver and back-up approver.

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*).

All receipts for the transactions inspected were signed and dated by the cardholder for goods or services received at the time of purchase.

For goods or services received subsequent to the time of purchase, inspected the receiving documents to determine whether or not they were annotated "Received", signed and dated by the receiving employee (*State of Oklahoma Purchase Card Procedures* section 6.6 *Receiving goods and services*).

According to section 6.6 *Receiving goods and services*, 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 effective January 15, 2008:

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.

- One of 173 cardholders had four transactions for goods or services received subsequent to the time of purchase for which the receiving employee did not sign and date the invoice or receipt;
- Three of 173 cardholders had 19 transactions for goods or services received subsequent to the time of purchase for which the receiving employee failed to annotate the receiving document "received."

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 all receipts must be signed and dated and annotated "received" if goods or services are received subsequent to the time of purchase.

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 effective January 15, 2008:

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.

- Three of 173 cardholders did not ensure sales tax was not charged or obtain a credit from the vendor for any sales tax charged on three transactions.

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 to notify vendor prior to making a charge of the Department's tax exempt status and to always verify that sales tax was not charged prior to signing the charge receipt. For phone orders and internet purchases the cardholder is unaware of the sales tax charge until the purchase is received. Cardholders have requested a credit for the sales tax and will monitor their accounts to insure that the sales tax is credited.

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 effective January 15, 2008:

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.

- One P/Card State Entity Approving Official has not successfully completed additional training within five years from the date of the last training session. This State Entity Approving Official reviewed and approved three cardholder statements after his P/Card training expired.

Views of Responsible Official(s)

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

Corrective Action Planned: The Department concurs with this finding. This approver was unable to attend training. He will no longer be an approver and those cards were assigned to another approver.

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*:

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.

- Two of 173 cardholders purchased items that were on Mandatory Statewide Contract 022 from unauthorized vendors on four of their transactions and no waivers or exemptions were provided.

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 and approving officials were notified of the finding, reminded to purchase from the mandatory contracts and advised that the accounts will be monitored and will be suspended if the cardholder does not comply with the *State of Oklahoma Purchase Card Procedures*.

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.

A handwritten signature in blue ink, appearing to read "Steve Burrage". The signature is fluid and cursive, with the first name "Steve" written in a larger, more prominent script than the last name "Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

December 08, 2009



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