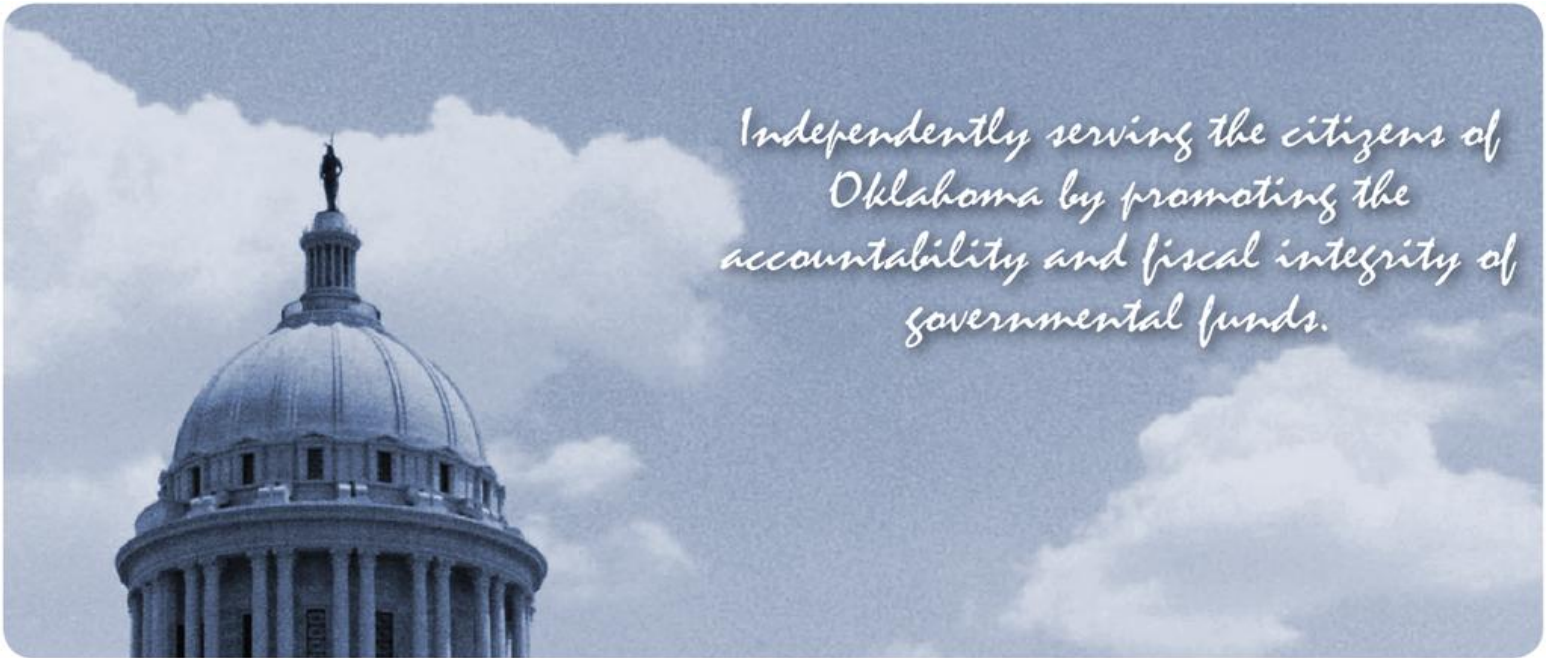


AGREED-UPON PROCEDURES REPORT

OKLAHOMA DEPARTMENT OF TRANSPORTATION STATE PURCHASE CARDS

For the period July 1, 2014 through June 30, 2015



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, 2014 through June 30, 2015



Oklahoma State Auditor & Inspector

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

August 22, 2016

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, 2014 through June 30, 2015. 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, flowing style.

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.

Commission Members

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Russell Hulin..... Director of Finance and Administration
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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) 2015, July 1, 2014 through June 30, 2015, 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 State Entity 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 a P-Card and additional training has been successfully completed if two years from the date of the last training session has lapsed (3.8 *Training*).

Five (5) of 60 (8.34%) P-Card Program Participants had training lapse before or during SFY 2015 and training was not updated until after the close of SFY 2015.

One (1) of 60 (1.67%) P-Card Program Participants had training lapse before SFY 2015 and training was not updated by the completion of testwork.

Views of Responsible Official(s)

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

Response: The Department concurs with this finding and was allowed an exemption from State Purchase Card procedures for training requirements until such time as procedures were updated. Purchasing has been committed to providing varied training opportunities to current participants and all training has been saved to the Purchasing restricted drive to the Training folder, by fiscal year.

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 (3.10 *Employee Status*).

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 signed the State of Oklahoma Purchase Card Employee Agreement form prior to assuming their duties and being issued P-Cards (6.1.3 *Purchase Card Employee Agreement*).

Six (6) of 60 (10%) P-Card Program Participants 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 and is correcting missing agreements. All will be placed in the folders with any date discrepancies noted.

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*. 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.

Quarterly procedures:

5. Inspected the Cardholder Profile Data and Detail report [for all quarters] 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. (6.2.4 *Using the P-Card* and 2. *Definitions – "Single Purchase Limit" and "Split Purchase"*).

One (1) cardholder transaction was a single invoice split into multiple payments, and exceeded the single purchase/transaction limit.

Four (4) 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 one transaction 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 limit should have been requested. The employee in question no longer has a pcard. His BOA account will remain active thru the June cycle so all transactions can be signed off.

[In response to one of the four transactions noted above] the cardholder made payments for two separate orders placed by another employee. The orders were placed on the same day but had another purchase between them. The cardholder in question has a recently decreased spend limit and 100% of transactions are being reviewed.

[In response to one of the four transactions noted above] the conversation about an increase occurred via phone and no email or notes to file was generated. Purchasing will properly document changes on future profile modifications.

[In response to one of the four transactions noted above] The cardholder made purchases for two different Division projects – one for the Division Headquarters and another paying for a previously placed order for the Construction Residency. In doing so, it appears she exceeded her

transaction limit. The cardholder has been told if she will go over her limit, she can request an increase in her card limit, with support of her approver.

[In response to one of the four transactions noted above] An order was placed by the Division for all items. The supplier bills the items individually. The cardholder did not request an increase in her limit since each amount did not exceed her transaction limit.

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*). These prohibited purchases include:
 - a. Entertainment
 - b. Split purchases
 - c. Per diem food and beverages as authorized by the State Travel Reimbursement Act, OMES State Travel Procedures (effective prior to December 8, 2014), Oklahoma State Travel Policy (effective as of December 8, 2014), and any other statute pertaining thereto
 - d. Cash, cash advances, automatic teller machines (ATM) transactions
 - e. Goods or services for personal use
 - f. Purchase of any goods or services not for official State use (effective prior to December 8, 2014)
 - g. Any transaction or series of transactions, which exceed the limits established on the individual P-Card
 - h. Motor fuel
 - 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. 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.

No transactions were for prohibited purchases.

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*).

Purchases were made from mandatory statewide contracts, unless the State Purchasing Director issued a waiver.

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*).

No transactions were unsupported by an itemized detailed description of the purchase.

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*).

One (1) of 240 (.42%) cardholder transactions paid state sales tax to vendor and there was no indication in BOA that the in-state purchase had a credit from the vendor for the amount of taxes charged.

Views of Responsible Official(s)

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

Response: The Department concurs with this finding. A credit was requested to the Supplier but follow up was not completed. Purchasing Division will set calendar reminders to follow up on credits so that a dispute may occur prior to the 30 day dispute deadline.

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*).

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*.

Reconciled statements and supporting documents were retained and made available upon request.

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.

This report is intended solely for the information and use of management of the Oklahoma Department of Transportation and is not intended to be and should not be used by anyone other than the specified parties. 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.



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

August 22, 2016



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