

# AGREED-UPON PROCEDURES REPORT

## OKLAHOMA DEPARTMENT OF TRANSPORTATION STATE PURCHASE CARDS

For the period July 1, 2011 through June 30, 2012



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, 2011 through June 30, 2012**



# Oklahoma State Auditor & Inspector

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May 14, 2013

## **To the 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, 2011 through June 30, 2012. The goal of the 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".

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 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 (Department), solely to assist management in evaluating whether purchase card (P/Card) use for the period July 1, 2011 through June 30, 2012 was consistent with *State of Oklahoma Purchase Card Procedures*, which can be viewed on the Oklahoma Department of Central Services (DCS) website. Effective August 24, 2012, the Department of Central Services consolidated with the Office of Management and Enterprise Services, formerly the Office of State Finance (OSF). 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 July 1, 2011 through June 30, 2012. 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 17 cardholders who were cardholders prior to July 1, 2011 that had no transactions during the period July 1, 2011 through June 30, 2012. 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 were performed:

1. Confirmed with the Department of Central Services to determine the State Entity P/Card Administrators and designated back-ups, Authorized Signers, State Entity Approving Officials and designated back-ups, and Cardholders had 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 five or more years from date of the last training session had lapsed (3.8 *Training*).

State Entity P/Card Administrators and designated back-ups, Authorized Signers, State Entity Approving Officials and designated back-ups, and Cardholders had successfully completed the P/Card Training.

2. Inspected the P/Card administrative files to determine Entity P/Card Administrators and designated back-ups, Authorized Signers, State Entity Approving Officials and designated back-ups, and Cardholders had signed the State of Oklahoma Purchase Card Employee Agreement form prior to being issued P/Cards (3.9 *Purchase Card Employee Agreement*).

Entity P/Card Administrators and designated back-ups, Authorized Signers, State Entity Approving Officials and designated back-ups, and Cardholders had signed the State of Oklahoma Purchase Card Employee Agreement.

3. Inspected administrative files to determine Entity P/Card Administrators and designated back-ups, Authorized Signers, State Entity Approving Officials and designated back-ups, and Cardholders were full time or permanent part time (not temporary or contract) employees (3.10 *Employee Status*).

Entity P/Card Administrators and designated back-ups, Authorized Signers, State Entity Approving Officials and designated back-ups, and Cardholders were full time or permanent part time (not temporary or contract) employees.

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 *Card controls and limits*. Categories include:
  - o A card limit (dollar amount per cycle);
  - o Single purchase limit (dollar amount per transaction); and
  - o Merchant Category Code Group (MCCG).

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

5. Inspected the Cardholder Profile Data report obtained from BOA Works system to determine if any transactions from the same vendor on the same date were for the same item and if, in the aggregate, the single purchase limit was exceeded. (6.2.3 *Split purchases* and 2. *Definitions – “Single Purchase Limit”* and *“Split Purchase”*).

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

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 (6.2.4 *Other prohibited purchases*). These prohibited purchases include:
  - o Transportation - Use of a P/Card to acquire transportation is strictly limited to (1) vehicle rental purchased through the Statewide Contract for Vehicle Rental (SW771); and, (2) airfare, when purchased in accordance with 74 O.S. § 85.45k., DCS Central Purchasing

Administrative Rules and these P/Card Procedures. Use of a P/Card for all other forms of transportation is prohibited;

- Entertainment;
- Per diem food and beverages as authorized by the State Travel Reimbursement Act, OSF State Travel Procedures, and any other statute pertaining thereto;
- Cash, cash advances, automatic teller machines (ATM) transactions;
- Purchase of any goods or services for personal use;
- Purchase of any goods or services not for official State 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 (Maintenance, repairs, or parts for equipment is not prohibited);
- Automatic Drafts; and
- Gift certificates. This does not apply to gift certificate purchases made pursuant to 74 O.S. § 4121 (Employee Recognition).

No transactions were for prohibited purchases.

7. Inspected transaction receipts and/or documentation to determine merchant preference was used by the Department for certain merchants or types of contracts, i.e. statewide contracts (6.2.6 *Merchant preferences*).

According to *State of Oklahoma Purchase Card Procedures 6.2.6.1 – State Use Committee* issued by the Oklahoma Department of Central Services:

State Entities shall make P/Card purchases from merchants on the State Use Committee procurement schedule. State Use Committee statewide contracts are mandatory for use. State entities shall reference the State Use Committee procurement schedule to ensure P/Card purchases are pursuant to 74 O.S. § 3007.

According to *State of Oklahoma Purchase Card Procedures 6.2.6.3 – Mandatory statewide contracts* issued by the Oklahoma 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 State Entity.

According to *State of Oklahoma Purchase Card Procedures 6.2.6.4 – Additional information* issued by the Oklahoma Department of Central Services, “Additional information on the above preferences may be obtained from a State Entity Certified Procurement Officer and are found in the Oklahoma Purchasing Division codified rules (580:15-6-5). According to the *Oklahoma Department of Central Services Central Purchasing Administrative Rules OAC 580:15-6-5. Methods State Agencies Use to Make Acquisitions*:

State agencies shall make acquisitions using a method of acquisition in this section.

- (1) **Statewide Contracts.** The State Purchasing Director shall designate statewide contracts as mandatory or nonmandatory.

(A) **Mandatory statewide contract.** The State Purchasing Director may designate a statewide contract for mandatory use. State agencies shall make acquisitions from mandatory statewide contracts regardless of the acquisition purchase price. A state agency may submit a written request to the State Purchasing Director to waive requirements for a state agency's use of a mandatory statewide contract for acquisitions. The State Purchasing Director shall grant exceptions prior to a state agency making the acquisition from another supplier.

(B) **Nonmandatory statewide contracts.** State agencies may use nonmandatory statewide contracts when an agency determines it is in the best interest of the state.

- Seventeen Cardholders purchased items that were on mandatory statewide contracts (017, 022, 064, 067, 171, 699, 817, 818, and 917) from an unauthorized vendor on a total of 26 transactions, and there was no documentation that a waiver had been issued by the State Purchasing Director.
- Thirty of the 211 Cardholders did not use merchant preference on a total of 52 transactions. The item(s) purchased were available through a non-mandatory statewide contract at a lower cost to the Department.

**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 make purchases from mandatory statewide contracts unless a waiver is granted.

8. Inspected transaction receipts and/or documentation to determine transactions were supported by an itemized and detailed description of the purchase that included, at a minimum: (1) vendor; (2) date of purchase; (3) description; (4) unit price and quantity; and (5) transaction total (6.4 *Receipts for Purchase*).

According to *State of Oklahoma Purchase Card Procedures: 6.4 – Receipts for Purchase and 6.4.2 – Itemized Receipt Unobtainable* issued by the Oklahoma 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 the receipt is not a detailed and itemized receipt, the P/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 P/Cardholder's Approving Official or designated back-up.



- Fourteen of the 211 Cardholders had a total of 21 transactions that were not supported by an itemized and detailed description of the purchase that includes, at a minimum (1) vendor; (2) date of purchase; (3) description; (4) unit price and quantity; and (5) transaction total.

**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 cardholders were reminded to follow the State of Oklahoma Purchase Card Procedures and to obtain an itemized and detailed receipt for each purchase.

9. Inspected transaction receipts and/or documentation to determine state sales tax was not charged during the transaction. If sales tax was charged, we 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 (6.5 *State Sales Tax*).

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

State Entity purchases are exempt from the State of Oklahoma sales tax. P/Cardholders should use care to ensure they are not being charged nor paying such tax. P/Cardholder shall obtain a credit from the vendor for any sales tax charged. The sales tax identification number is provided on the face of each P/Card. A copy of the Oklahoma Tax Commission letter citing state sales tax exemption is located on the DCS website.

State Entity purchases made out of state are not exempt from that state’s sales tax; however, it is possible some states may not charge state sales tax on a transaction depending on reciprocal statutes, tax laws, etc.

- Five of the 211 Cardholders had a total of five transactions for which state sales tax was charged during the transaction and a credit was not obtained from the vendor for the amount of sales tax charged.

**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 has since retired and a credit for the sales tax was not obtained. One Cardholder received a credit for the sales tax the following month and another cardholder’s purchase was from an out of state vendor. On the remaining charges a credit has been requested for the sales tax. Cardholders were reminded that the state does not pay sales tax.

**Auditor Response**

SA&I reviewed all transactions subsequent to the end of the period (June 30, 2012) and noted one of the five transactions charged sales tax had been credited back.

10. Inspected memo statements and supporting transaction documentation to determine 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 (6.8.1 *P/Cardholder responsibilities*; 6.8.2 *State Entity Approving Official(s) responsibilities*).

According to *State of Oklahoma Purchase Card Procedures: 6.8.1 – P/Cardholder responsibilities* issued by the Oklahoma Department of Central Services:

The statement shall be reconciled by the P/Cardholder. In reconciling the statement, P/Cardholders shall use transaction documents to verify purchases and returns are accurately listed on the statement.

The statement shall be signed and dated by the P/Cardholder verifying responsibility for purchases and proper reconciliation (signature stamps are not acceptable).

Once signed and dated, the reconciled statement and transaction documentation must be submitted to the P/Cardholder's designated State Entity Approving Official or designated State Entity Back-Up Approving Official. All P/Cardholders (including State Entity P/Card Administrators and State Entity Approving Officials for other P/Cardholders) must have their reconciliation approved by an approving official who is at least one level above their position and current on their P/Card training.

According to *State of Oklahoma Purchase Card Procedures: 6.8.2 – State Entity Approving Official(s) responsibilities* issued by the Oklahoma Department of Central Services:

State Entity Approving Official(s) shall review the Standard P/Cardholder's reconciled 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.)

- Three of the 211 Cardholders had a total of three P/Card statements which were not reconciled and approved (signed and dated) by the Cardholder.
- Six of the 211 Cardholders had a total of six 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. Cardholders were reminded to reconcile each statement and have each reviewed and approved by their agency 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 6.8.3 *State Entity retention of statements*.

According to *State of Oklahoma Purchase Card Procedures: 6.8.3 – State Entity retention of statements* issued by the Oklahoma Department of Central Services:

State Entity P/Card procedures shall designate where the State Entity shall securely retain reconciled statements and supporting documents and to make available, upon request, by OSF and/or DCS for review and audit purposes. State Entities are designated the official State Entity of record for said documents by the State Archives and Records Commission.

- Seven of the 211 Cardholders tested had a total of 22 transactions for which documents were not retained.

**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.

12. Inspected transaction receipts and/or documentation to determine P/Card use was limited to the employee whose name was embossed on the card (6.9 *Card Security*).

According to *State of Oklahoma Purchase Card Procedures: 6.9 – Card Security* issued by the Oklahoma Department of Central Services:

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

Additionally, the Cardholder affirms, by signature, the following as stated on line number 1 on the *State of Oklahoma Purchase Card Employee Agreement*:

“I accept full responsibility for the safekeeping of all P/Cards assigned to me, and I understand that absolutely no one, other than myself, is permitted to use the P/Card(s) assigned to me.”

- Twenty-three of the 211 Cardholders allowed another employee to use his or her standard P/Card on a total of 40 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. One cardholder did allow his assistant to use his card. The other cardholders gave the vendors their P/Card information. We have reviewed the State of Oklahoma Purchase Card Procedures with the Cardholder and reminded him to follow the procedures for all purchases.

**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.

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 management.

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 specific party. 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 "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

May 14, 2013



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