

OKLAHOMA DEPARTMENT OF TRANSPORTATION

STATE PURCHASE CARDS

JUNE 28, 2007 THROUGH
JUNE 27, 2008

AGREED-UPON PROCEDURES REPORT



Oklahoma State Auditor
& Inspector

Oklahoma Department of Transportation

State Purchase Cards Agreed-upon Procedures Report

For the Period
June 28, 2007 through June 27, 2008

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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September 23, 2008

**To the Director of the Oklahoma Department of Transportation
and Commission Members**

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 that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, ESQ.
DEPUTY 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

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, 2007 through June 27, 2008 were consistent with *State of Oklahoma Purchase Card Procedures*. 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 selected Department P/Card holders and applied the procedures outlined below to their P/Card transactions. 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.

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). DCS issued revised *State of Oklahoma Purchase Card Procedures* effective January 15, 2008. Therefore, certain procedures were revised for transactions that occurred after that date. 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.

There were no findings as a result of applying the procedure.

2. Inspected copies of the transactions supporting the monthly billings to determine the dollar amount of each transaction did not exceed the single purchase limit of \$2,500.

There were no findings as a result of applying the procedure.

3. Inspected the P/Card administrative files and monthly billings to determine each purchase card had been assigned an approved Merchant Category Code Group.

There were no findings as a result of applying the procedure.

4. Inspected transaction receipts from the same vendor on the same date to determine whether the purchase was for the same item and whether in the aggregate, the card purchase limit was exceeded (i.e. split purchasing).

According to section 6.2.2 *Split Purchases* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services effective January 15, 2008:

Split Purchases are prohibited. Split Purchase means dividing a known quantity or failing to consolidate a known quantity of an acquisition for the purpose of evading a competitive bidding requirement.

Section 6.2.3 *Other prohibited purchases* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services, section 6.2.3.7 identifies as a prohibited transaction:

Any transaction or series of transactions, which exceed the limits established on an individual P/Card.

Section 2.0 Definitions defines “Single Purchase Limit” as:

Single Purchase Limit means the maximum spending (dollar) limit a cardholder is authorized to charge in a single transaction. Purchases shall not be split with the intent of and for the purpose of evading (1) the P/Card statutory single purchase limit of \$2,500.00; and/or (2) limit(s) established for an individual P/Card; and/or (3) a competitive bidding requirement.

- One of 175 cardholders purchased 48 tires in two consecutive transactions from the same vendor on the same day, which exceeded the single purchase limit of \$2,500;
- One of 175 cardholders split the purchase of CDs and DVDs from the same vendor on the same date into two transactions totaling more than \$2,500.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures* and the *State of Oklahoma Purchase Card Employee Agreement*.

Views of Responsible Official(s)

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

Corrective Action Planned:

- The Department concurs with this recommendation. The Approving Official was notified of the finding and the cardholder’s P/Card was suspended until he attends P/Card training at the Department of Central Services [tires];
 - The Department partially concurs with this finding. There was no intent to evade the single purchase limit of \$2,500. Both the cardholder and approving official affirm that the two purchases were not related. Each was for separate items for separate projects using different funding. These items were on mandatory statewide contract, however, and cardholder and approving official were reminded to always purchase from mandatory contracts [CDs and DVDs].
1. Inspected transaction receipts to determine transactions were **not** for prohibited purchases as stated in 6.2.3 *Other prohibited purchases* of the *State of Oklahoma Purchase Card Procedures*. These prohibited purchases include:
 - Travel including, but not limited to, transportation, entertainment, food and beverages, travel agencies, and lodging;
 - Cash, cash advances, automatic teller machines (ATM);
 - Any transaction or series of transactions, which exceed the limits established on the individual P/Card;
 - Motor fuel or fluids;
 - Gift certificates.

For transactions that occurred after January 15, 2008, inspected transaction receipts to determine transactions were **not** for prohibited purchases unless such use was approved by the State Purchasing Director as stated in 6.2.3 *Other prohibited purchases* of the *State of Oklahoma Purchase Card Procedures*. 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);
- Gift certificates. This does not apply to gift certificate purchases made pursuant to 74 O.S., § 4121 (Employee Recognition).

According to section 6.2.3 *Other prohibited purchases* and 6.2.3.11 *Postage and Post Office Box Rental* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services effective January 15, 2008, postage and post office box rental purchases are prohibited by 74 O.S. § 90.2, which states:

No money shall be expended by any agency, board, commission, department or institution of the state for postage stamps or post office box rent except on vouchers made payable to United States Post Office and the warrant or check shall be endorsed by the postmaster from where the purchase is made.

- One of 175 cardholders made a prohibited purchase of postage stamps in one transaction.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

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

Corrective Action Planned: The Department concurs with this recommendation. The Approving Official was notified of this finding and the P/Card for this cardholder canceled.

6. Inspected transaction logs to determine if they were supported by receipts and/or other supporting documentation and the cardholder and approving official reconciled the supporting documentation to the monthly memo statement, (6.4. *Transaction logs*, 6.5 *Receipts for purchase*, 6.9.1 *Cardholder responsibility* and 6.9.2 *Entity approving official(s) responsibility*).

For transactions that occurred after January 15, 2008, inspected memo statements to determine if transactions were supported by receipts and/or other supporting documentation (6.4 *Receipts for Purchase*).

According to section 6.5 *Receipts for purchase* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

Receipts shall be obtained for purchases. The receipt shall give an itemized and detailed description of the 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.

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.

- Five of 175 cardholders did not provide an itemized invoice of fees charged for 32 transactions. The fee amount was hand written on the invoice and not included in the amount invoiced for payment (Policy prior to January 15, 2008);
- One of 175 cardholders did not provide an itemized detail of an in-store credit amount of \$14.40. The amount was written on another itemized invoice credit of \$41.45 but no detail of the \$14.40 was included in the total credit amount of \$55.85;
- Two of 175 cardholders did not provide an itemized invoice or other written statement explaining why all other methods of obtaining an itemized receipt were not available for eight fee transactions (Policy effective January 15, 2008).

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

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

Corrective Action Planned: The Department concurs with this recommendation. 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 to determine if the use of the purchase card was limited to the employee whose name is embossed on the card; (6.10 *Card security* and 6.9 *Card security* (effective January 15, 2008)).

According section 6.10 *Card security* and 6.9 *Card security* (effective January 15, 2008) of the *State of Oklahoma Purchase Card Procedures*:

Use of the Standard P/Card and Statewide Contract 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.”

- Eighteen of 175 cardholders allowed another employee to use his/her State P/Card without authorization on 50 transactions.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures* or *State of Oklahoma Purchase Card Employee Agreement*.

Views of Responsible Official(s)

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

Corrective Action Planned: The Department partially concurs with this recommendation. These orders were placed and received by an employee other than the cardholder. The cardholder did call the vendor to verify the purchase and to give the vendor their P/card information. Cardholders were reminded to document this information to avoid the appearance of having allowed another person to use their card.

8. Inspected transaction logs to determine whether the log was reviewed and approved (signed and dated) by the cardholder (6.9.1 *Cardholder responsibility*). This procedure was not applicable after January 15, 2008.

There were no findings as a result of applying the procedure.

9. Inspected memo statements to determine whether they were reviewed and approved (signed and dated) by the cardholder, and reviewed and approved (signed and dated) by the approving official (6.9.1 *Cardholder responsibility* and 6.9.2 *Entity approving official(s) responsibility*).

For transactions that occurred after January 15, 2008, inspected memo statements to determine whether the statement was reviewed and approved (signed and dated) by the cardholder and the cardholder's designated State Entity Approving Official (6.8.1.1 *Cardholder responsibility* and 6.8.1.2 *State Entity Approving Official(s) responsibility*).

According to section 6.9.2 *Entity approving official(s) responsibility* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement.

According to section 6.8.1 *Standard P/Card*, 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 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).

- Five of 175 cardholders did not obtain an entity approving official signature and date for six transaction logs memo statements;
- Twenty of 175 cardholders did not obtain an entity approving official signature and date on the monthly memo statement for 31 months;
- One of 175 cardholders did not sign and date the memo statement for one month.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

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

Corrective Action Planned: The Department concurs with this recommendation. Cardholders and approving officials were notified of the finding. Cardholders were reminded to obtain signature and date of signature from their approving official prior to submitting their statement for payment. Cardholders were 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*.

10. Inspected receipts and/or other supporting documentation to determine if they were annotated "Received", signed and dated by the receiving employee, (6.7 *Receiving goods and services*).

For transactions that occurred after January 15, 2008, inspected receipts to determine if they were signed and dated by the cardholder.

For goods or services received subsequent to the time of purchase, reviewed the receiving document and determined if they were annotated "Received", signed and dated by the receiving employee (6.6 *Receiving goods and services*).

According to section 6.7.1 *Goods or services received at the time of purchase* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

The receipt for purchase can also serve as the receiving document. The receiving document should be annotated "Received" and signed and dated by the receiving employee. The combination purchase receipt/receiving document shall be attached to the transaction log.

According to section 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.

- Ten of 175 cardholders did not annotate "received" on 38 of their receiving documents;
- Seven of 175 cardholders did not date 18 of their receiving documents;
- Six of 175 cardholders did not sign 16 of their receiving documents.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

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

Corrective Action Planned: The Department concurs with this recommendation. The cardholders were reminded to follow the *State of Oklahoma Purchase Card Procedures* and the Department will continue to monitor to ensure compliance.

11. Inspected the receipt and/or supporting documentation to determine state sales tax was not charged during the transaction (6.6 *State sales tax* and 6.5 *State sales tax* (effective January 15, 2008)).

There were no findings as a result of applying the procedure.

12. Inspected transactions to determine if they were in compliance with other requirements documented in the *State of Oklahoma Purchase Card Procedures* and the *Oklahoma Central Purchasing Act* by confirming with the Department of Central Services that P/Card Administrators, back-up Administrators, Authorized Signers, Approving Officials, and Cardholders had successfully completed the P/Card Training conducted by the Department of Central Services prior to being issued purchase cards, (3.9 *Training*).

For transactions that occurred after January 15, 2008, confirmed with the Department of Central Services that the 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 purchase cards and additional training had been successfully completed if more than five years from date of the last training session had lapsed (3.9 *Training*).

There were no findings as a result of applying the procedure.

13. Inspected transactions to determine if they were in compliance with other requirements documented in the *State of Oklahoma Purchase Card Procedures* and the *Oklahoma Central Purchasing Act* by comparing the item(s) purchased to the listing of items available on mandatory statewide contracts to determine if merchant preference was used by the Department for certain merchants or types of contracts, i.e. statewide contracts, (6.2.5 *Merchant preference*).

According to section 6.2.5.3 *Mandatory statewide contract* 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 175 cardholders purchased an item that was on Mandatory Statewide Contract 124 from an unauthorized vendor on two of their transactions and no waivers or exemptions were provided.
- Eight of 175 cardholders purchased items that were on Mandatory Statewide Contract 022 from unauthorized vendors on 14 of their transactions and no waivers or exemptions were provided.

We recommend the Department exercise diligence to ensure that the cardholders consistently comply with all requirements of the *State of Oklahoma Purchase Card Procedures*.

Views of Responsible Official(s)

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

Corrective Action Planned: The Department concurs with this recommendation. 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*.

14. Inspected transactions to determine if they were in compliance with other requirements documented in the *State of Oklahoma Purchase Card Procedures* and the *Oklahoma Central Purchasing Act* by determining whether documents were retained in accordance with the Department's procedures (6.9.3 *Entity retention of statements*, and 6.8.4 *Entity retention of statements* (effective January 15, 2008)).

There were no findings as a result of applying the procedures.

15. Compared the nature of the purchase to the Department's mission for consistency.

There were no findings as a result of applying the procedures.

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.



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September 23, 2008



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