

The background of the page features a large, semi-transparent seal of the State of Oklahoma. The seal is circular with a yellow outer ring containing the text "GREAT SEAL OF THE STATE OF OKLAHOMA". The inner part of the seal is blue and white, depicting a central shield with a sunburst, a plow, and a sheaf of wheat, flanked by two figures holding hands. The shield is set against a background of stars.

STATE OF OKLAHOMA

Department of Central Services

Audit Unit

**Statewide
Purchase Card Continuous Monitoring**

*Report Released
August 30, 2007*

TABLE OF CONTENTS

OVERVIEW	1
FINDING #1	1
FINDING #2	2
FINDING #3	2
AUDIT UNIT SUMMARY	3
OVERALL RECOMMENDATIONS	4

This publication is issued by the Department of Central Services, as authorized by the Department of Central Services. Copies have not been printed but are available through the agency website. Two printout copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

~ **OVERVIEW** ~

We performed monitoring that included all state purchase card transactions for the period of November 9, 2006 through April 26, 2007 from all state agencies. During this continuous monitoring, we noted transactions that did not appear compliant with either the State of Oklahoma Purchase Card Procedures or Oklahoma State Law.

During our monitoring, we discovered transactions made by cardholders from several state agencies, in which two or more related purchases appeared to have been separated to allow each transaction to be below the single purchase transaction limit of \$2,500.00. These occurrences were for multiple types and variations of purchasing. Some of the cardholders and administrators appeared to be unclear as to the proper purchasing methods to be used for the type of purchases made.

~ **FINDING #1** ~

During our review we noted a cardholder made three purchases in the amount of \$2,308.50, \$1,509.12, and \$2,048.00 for a total amount of \$5,865.62 to a single vendor on the same day. These purchases were exempt from the Oklahoma Central Purchasing Act.

We recommended the agency not divide purchases to avoid the statutory purchase card single transaction limit of \$2,500. (The State of Oklahoma Purchase Card Procedures 6.2.3)

The Oklahoma Central Purchasing Act, 74 § 85.5.L. states:

The State Purchasing Director may authorize state agencies to utilize a state purchase card for acquisitions on statewide contracts issued by the State Purchasing Director with no limit on the amount of the transaction. For any other transaction with a state purchase card, the transaction shall not exceed Two Thousand Five Hundred Dollars (\$2,500.00) or greater.

OUTCOME: The definition of "Transaction" in the Oklahoma State Purchase Card Procedures 2.0 Definitions states in part, "means a single purchase...". Based upon this definition, it appears that when a purchase is divided then a transaction is divided. The agency responded they were not aware that an exempted contract from the Central Purchasing Act could not be purchased in this manner. The agency will no longer use the purchase card for purchases exceeding the \$2,500 purchase card limit but will instead utilize a purchase order for these recurring expenses.

FINDING RECOMMENDATION: We recommend the State Purchase Card Administrator review the definition of Transaction as defined in the procedures.

~ FINDING #2 ~

During our monitoring, we discovered transactions made by cardholders from several state agencies in which two or more related purchases appeared to have been separated to allow each transaction to be below the single purchase transaction limit of \$2,500.00. These occurrences were for similar types of items and may be viewed as split purchases.

- two separate transactions made at the same time on the same date to the same vendor totaling **\$4,755.00**.
- four instances of purchases on a regular monthly basis for many similar items. These similar items were acquired from the same vendor for a total purchase price of **\$9,965.90** within a six month period.

Oklahoma State Statute § 85.5 L. Powers and Duties of State Purchasing Director states, "The State Purchasing Director may authorize state agencies to utilize a state purchase card for acquisitions on statewide contracts issued by the State Purchasing Director with no limit on the amount of the transaction. For any other transaction with a state purchase card, the transaction shall not exceed Two Thousand Five Hundred Dollars (\$2,500.00)."

State of Oklahoma Purchase Card Procedures § 2.0 Definitions states, "split purchasing" means the dividing of a known quantity or failing to consolidate a known quantity of goods or services with the intent of and for the purpose of evading (1) the p/card statutory single transaction limit of \$2500.00. and/or (2) limit(s) established for an individual p/card and/or (3) a competitive bidding requirement.

OUTCOME: Agency's management stated they would remind all agency employees with purchase cards that no purchases with a combined total acquisition price of more than \$2,500 is to be purchased with the state purchase card. Also, recurring or regular item acquisitions would be assessed for an overall need and purchase based upon the appropriate procurement process for that dollar threshold.

~ FINDING #3 ~

During our monitoring, we discovered transactions made by a cardholder from a state agency that did not obtain or retain an itemized or detailed receipt to support the acquisitions made with the state purchase card. We noted two transactions totaling \$4,755.00 did not have detailed or itemized receipts. It could not be determined specifically what items were purchased or if the agency complied with other purchasing rules.

State of Oklahoma Purchase Card Procedures, Section 6.5 - Receipts for purchase states
in part:

Receipts shall be obtained for purchases. The receipt shall give an itemized and detailed description of the purchase. If a receipt is not furnished by the merchant (as may be the case with a phone or internet order), an order confirmation, confirmation number, or packing slip should be obtained....

OUTCOME: The cardholder responded that they thought the credit authorization slip signed at the time of purchase would be sufficient. After receiving the finding the agency has instructed all their purchase cardholders that the receipt alone is not sufficient to document the purchase card purchases. In addition, all cardholder transactions are to be audited monthly. Cardholders will be notified of problems noted and corrections needed. A log will be maintained listing the problems noted and, if not corrected, will result in suspension of the account and/or disciplinary action.

~ AUDIT UNIT SUMMARY ~

The auditors' understanding of the purchasing laws and regulations demonstrate the following:

- (1) dividing up an acquisition for purposes of evading competitive bidding requirements is a felony, even if the acquisition is purchased with the p-card;
- (2) dividing up a non-statewide contract acquisition for the purpose of avoiding the \$2,500.00 limit on the Standard purchase card is a violation of Title 74, Section 85.5(L), which is a misdemeanor according to Title 74, Section 85.15;
- (3) dividing up an acquisition on a statewide contract for purpose of evading the \$2,500.00 limit on a Standard purchase card violates the p-card procedures that are in place (which prohibit transactions over \$2,500.00 on the Standard purchase card for any reason);
- (4) dividing up an acquisition to avoid both competitive bidding and the \$2,500.00 limit on non-statewide contract acquisitions violates both split purchasing law [Title 74, Section 85.7(A) (2) (a)] and laws limiting non-statewide contract transactions to \$2,500.00 [Title 74, Section 85.5(L)]; and
- (5) failure to obtain and retain detailed and itemized receipts hinders the agency ability to be accountable for their purchases.

OVERALL RECOMMENDATIONS:

It is the Audit Unit's recommendation the State Purchase Card Administrator provide additional guidance and training to the agencies on the issue of dividing transactions to avoid the single purchase transaction limit.

All agency purchases over the \$2,500 dollar threshold should be made in accordance with Purchasing Rules and the Central Purchasing Act, and Title 74, Section 85.

All recurring and known product quantities should be evaluated and purchased based upon dollar threshold requirements of the Oklahoma Central Purchasing Rules.

Should any of these issues become a regular occurrence within any agency, the DCS Audit Unit will recommend an in-depth audit of the agency's purchase card procurement practices to ensure continued compliance with applicable laws and rules.