



STATEWIDE AUDIT  
PUBLIC CONSTRUCTION CONTRACTS  
FOR THE PERIOD OF OCTOBER 27, 2007 TO JULY 7, 2009

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State of Oklahoma

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Department of Central Services

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Audit Unit

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Report Released December 14, 2010

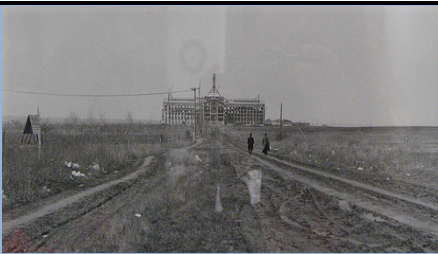


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**AUDIT PERFORMED BY**

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[AUDIT CONCLUSION](#)

Based on our audit, we have determined that state agencies for the State of Oklahoma have significantly complied with the objective audited. The objective of the audit was to determine if public construction contracts (excluding professional services) were submitted to the Construction and Properties (CAP) Division, if so required.

Some deficiencies were noted during the audit. These deficiencies were related to public construction contracts in the dollar threshold of \$2,500.01 to \$49,999.99. These contracts were not processed through or awarded by Construction and Properties Division. Each state agency has provided corrective action plans, which we believe will ensure the state agencies, will comply, in all material respects, with the aforementioned requirements. Agency corrective action plans include:

- [Department of Public Safety](#): Created internal forms and checklists that ensures Construction and Property acquisitions are properly identified, authorized, and submitted to Construction and Properties for processing.
- [Department of Mental Health & Substance Abuse Services](#): Communicated with all Certified Procurement Officers through e-mail with a copy of Construction and Properties rules along with a copy of the communication from Construction and Properties and Central Purchasing form DCS-CAP-P006.
- [Law Enforcement Education and Training](#): Held meetings to review the requirements of Title 61 and sent Certified Procurement Officers to "Doing Business with CAP" seminar.



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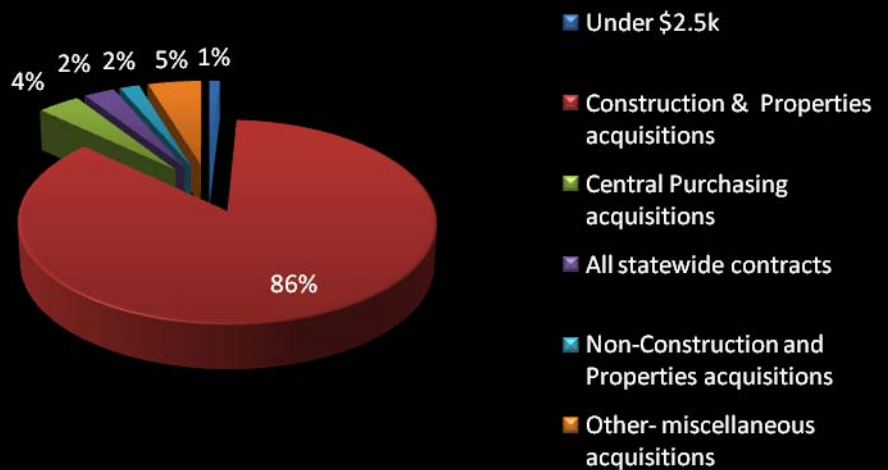
## AUDIT OVERVIEW

The Department of Central Services, Auditing Unit has completed a statewide Construction and Properties audit. Our audit was to determine if agencies statewide have complied with the objective of the audit for the period of October 27, 2007 to July 7, 2009.

For the period October 27, 2007 to July 07, 2009, state agencies of the State of Oklahoma issued 6,272 contracts for renovation, maintenance, and improvements for buildings, land, and equipment. These contracts totaled \$326,139,426.11. From this population, data extractions were performed to identify those contracts that were under the purview of the Construction and Properties Division and should have been issued by the Construction and Properties Division. Data extractions by category:



### Extractions by Category



This publication is issued by John S. Richard, Director of 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.

<u>Category</u>	<u>By Dollars</u>	<u>By Unit</u>
Under \$2.5k	\$ 3,002,955.54	3,910
Construction & Properties acquisitions	\$ 279,629,316.72	551
Central Purchasing acquisitions	\$ 12,337,990.40	407
All statewide contracts	\$ 8,891,728.55	413
Non-Construction and Properties acquisitions	\$ 5,690,673.26	621
Other- miscellaneous acquisitions	\$ 15,403,343.85	269
	<b>\$ 324,956,008.32</b>	<b>6,171</b>



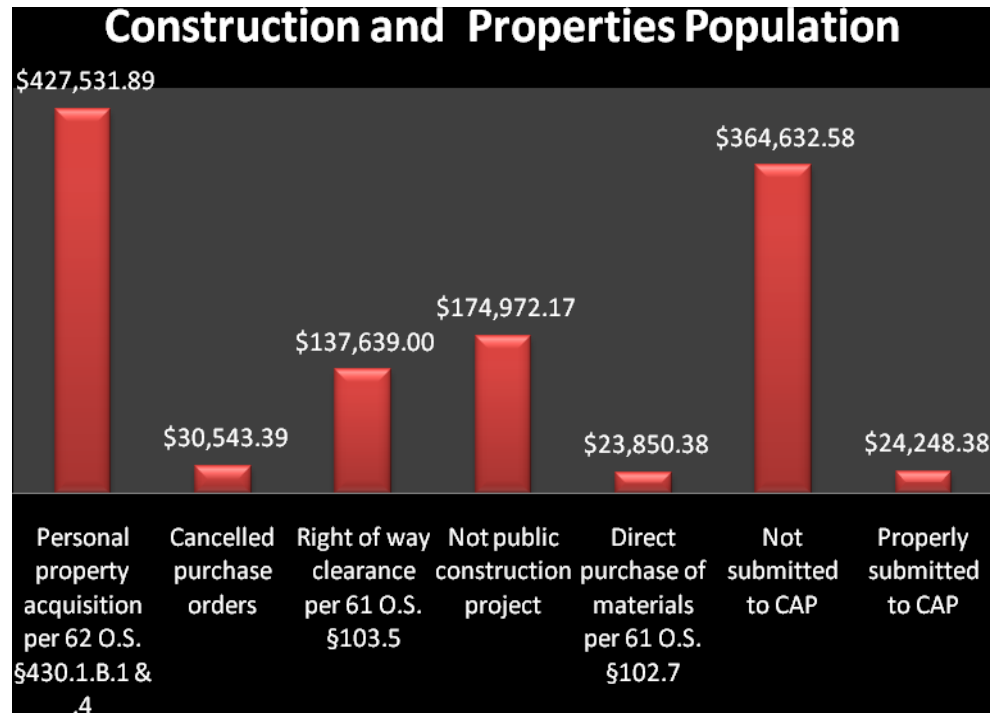
# STATEWIDE AUDIT PUBLIC CONSTRUCTION CONTRACTS FOR THE PERIOD OF OCTOBER 27, 2007 TO JULY 7, 2009

*This audit was performed pursuant to Title 61 Public Buildings and Public Works in accordance with generally accepted Government Auditing Standards.*



Contracts \$2,500 and under were excluded as agencies are granted authority to enter into contractual agreements at this dollar threshold. Acquisitions completed by Construction and Properties were also excluded. Contracts for these acquisitions were properly executed. Open-market acquisitions completed by Construction and Properties comprised of 418 contracts in a total dollar amount of \$6,513,969.38 in the \$2,500.01 to \$49,999.99 dollar threshold and 133 contracts in a total dollar amount of \$273,115,347.34 in the \$50,000 and greater dollar threshold.

After completing the drill-down analysis of the statewide data extraction, we were left with the remaining uncleared transactions through review of the information obtained electronically. We performed detailed test on the remaining transactions to determine if they should have been submitted and processed through State Construction and Properties. After completing our detailed testwork these transactions are categories below:



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<u>Category</u>	<u>By Dollars</u>	<u>By Units</u>
Personal property acquisition per 62 O.S. §430.1.B.1 & .4	\$ 427,531.89	6
Cancelled purchase orders	\$ 30,543.39	5
Right of way clearance per 61 O.S. §103.5	\$ 137,639.00	8
Not public construction project	\$ 174,972.17	24
Direct purchase of materials per 61 O.S. §102.7	\$ 23,850.38	5
Not submitted to CAP (\$2,500.01 to \$49,999.99)	\$ 364,632.58	49
Properly submitted to CAP (\$2,500.01 to \$49,999.99)	\$ 24,248.38	4
<b>Totals</b>	<b>\$ 1,183,417.79</b>	<b>101</b>

*Summary of Results*

Of the 101 acquisitions identified as being potentially under the purview of the Construction and Properties Division, 48% of the contract acquisitions totaling \$794,536.83 were not applicable to Title 61- Public Buildings and Public Works after performing our detailed review. Resultant applicable population of 53 contract acquisitions in a total dollar amount of \$388,880.96.

Reported findings related to the 53 (49 + 4 = 53) public construction contracts examined:

- For open-market acquisitions, 16 agencies did not submit all purchase requisitions to Construction and Properties for issuance of construction contracts. There were 38 contracts in the total dollar amount of \$256,149.58.
  - Twelve agencies concurred with the findings and three agencies partially concurred with the findings.
  - One agency received an exemption, up to \$10,000, from Construction and Properties.
- For emergency acquisitions, 3 agencies did not submit all requisitions for emergencies to Construction and Properties for issuance of contract. There were 11 contracts in a total dollar amount of \$108,483.00.
  - Two agencies concurred with the findings and one agency did not concur with the finding.



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*Opportunities for Improved Processes*

This statewide audit afforded the opportunity to review trends in state procurement and to communicate with numerous state agencies. It was through the testwork performed and the verbal or written communications with agencies that the following suggestions arose.

- Instituting non-mandatory public construction statewide contracts would prove beneficial to the overall state procurement process. There were several high volume areas that could be targeted for either maintenance or routine construction contracts. These areas are heating/air, tile or carpet, plumbing, painting, elevator maintenance and electrical. Consideration should be given to satellite locations that are limited in accessing these routine maintenance and construction services. In addition these contracts should consider the time sensitive nature that these acquisitions often encounter by streamlining processes so an agency can simply perform a release of a statewide contract. These statewide contracts would result in savings due to the decreased time required in processing individual acquisitions as well as the savings produced through leveraged procurement.
- Developing a policy that is similar to Central Purchasing for purchases under \$5,000, options to renew contracts, and a streamline procurement process for sole source purchases. This will demonstrate consistency in state purchasing.
- Increasing communications between state agencies and Construction and Properties Division to clearly identify what types of purchases are under Title 61. Construction and Properties and Central Purchasing have released a document to help clarify types of purchases that would be under Title 61 or Title 74. This document can be found on the Construction and Properties website under documents DCS-CAP-P006.
- Offering a dedicated customer service line that is listed on the website and provide training electronically to reach locations that are outside of the metro area. This will reach more employees of state agencies and identify where state agencies can go to for help.





## DETAILED FINDINGS

### *OPEN MARKET ACQUISITIONS*

*(The following is the criteria, condition, cause, effect, and recommendation for all of the Open Market Acquisition findings.)*

**Criteria:** Oklahoma Statue Title 61 Public Buildings and Public Works § 222-2 Definition of Construction Contract, states:

“Construction Contract” means a written contract or subcontract awarded by an owner or contracting entity for the purpose of making any public improvements or constructing any public building or making repairs to or performing the maintenance on the same...

Oklahoma Statue Title 61 Public Buildings and Public Works §208-c Approval, negotiation and award of contracts - Costs exceeding estimated and available funding – Negotiations states:

The Division shall award and administer construction contracts for state agencies pursuant to the provisions of the Public Competitive Bidding Act of 1974.

**Condition:** We identified contracts that were for a public construction or public improvement projects. The documentation for these acquisitions should have been submitted to Construction and Properties (CAP) for review and award of the winning bid as required by Title 61.

**Cause:** Breakdown of communication between CAP and Agency.

**Effect or Potential Effect:** We recognized no immediate effect at this time.

**Recommendation:** We recommend the Agency develop, implement and communicate to all Certified Procurement Officers, facility managers, or others in a position to authorize construction projects a process that ensures all public construction or public improvement projects are submitted to Construction and Properties were required.



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**FINDING 09-585-01 – DEPARTMENT OF PUBLIC SAFETY**

Purchase Order #5859011315 below is a multi-year renewable contract resulting in a potential total amount of \$40,548.00.

PO Number	Date	Vendor	Amount	Description
5859010932	10/31/2008	Atlantic Fabrica- tion & Design	\$ 13,087.57	Heating and air conditioning services
5859009162	12/5/2007	Pettis House of Carpet	\$ 12,786.00	Carpets and rugs, installed: cotton, synthetic, wool, etc.
5859010928	10/31/2008	Atlantic Fabrica- tion & Design	\$ 8,000.00	Heating and air conditioning services
5859011315	2/17/2009	Mullin Plumbing Inc	\$ 5,300.00	Plumbing - grease trap cleaning
5859011063	12/9/2008	Harrison Orr Air Condition INC	\$ 3,250.00	Heating and air conditioning services
5859011588	4/13/2009	The Carpet Store Inc	\$ 3,133.00	Carpets and rugs, installed: cotton, synthetic, wool, etc.
5859009415	2/4/2008	Builders Supply Inc	\$ 3,086.00	Building maintenance and repair services
		Totals	<u>\$ 48,642.57</u>	

***Management's Response - Concur***

**Date:** November 24, 2010

**Respondent:** Primary Certified Procurement Officer

**Response:** Department of Public Safety (DPS) created and adopted procedures in August 2010. It was our initial intent to it make available agency wide. We determined a major problem with some building emergencies, was that at the time of emergency this form was too involved and cumbersome. The end result was that some people that needed to be notified were overlooked (sometimes procurement). Therefore the "Standard Procedures" is used as a department guide for Procurement staff. If necessary, parts are copied for the Troop Commander of Major over the zone in which the affected troop is assigned. The Procurement staff also has a check list for the Certified Procurement Officers (CPO's) to use at their discretion to help in assuring all requirements are met.

The Assistant Commissioner, Comptroller, Primary CPO and the IT director determined that an easy process that automatically notified specified persons and Divisions was needed. This would take that stress off a Troop Commander at a stressful time. The resulting form is accessed through the DPS intranet site. Parts are drop down selections and we think is easy to use. Those of us involved in compliance, payment and oversight take our cue from the email notice to begin the processes we are responsible for.



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Concerning a non-emergency repair or purchase under Construction and Properties supervision, DPS Procurement is following the appropriate guidelines. If an acquisition is questionable as to whether it falls under Title 61 or Title 74, an email is sent to Construction and Properties (CAP) for advice and clarification. DPS has not used Title 74 as a basis for issuing a Purchase Order for emergency repairs in well over a year.

Please note per your comment above "Purchase Order #5859011315 above is a multi-year renewable contract resulting in a potential total amount of \$40,548.00 has been reissued and replaced by Construction and Properties under 5859013916 on October 4, 2010.

Please also note 5859010932 Atlantic Fabrication has cancelled by DPS and rebid by DCS CAP and new Purchase Order 5859014056 to Streets, Inc has been issued by CAP on November 16, 2010.

**Anticipated Completion Date:** Already Completed

**Corrective Action Planned:** Steps all ready taken cited above. DPS would appreciate comments or suggestions to the modification in processes that we have implemented.

[RETURN TO AUDIT CONCLUSION](#)

**FINDING 09-160-01 – DEPARTMENT OF COMMERCE**

PO Number	Date	Vendor	Amount	Description
1609006864	5/12/2008	Ric Williams Painting INC	\$ 25,000.00	paint the 2nd floor tan line only
1609006334	11/30/2007	Ric Williams Painting INC	\$ 7,835.00	Exterior Painting of Commerce Building
1609006559	2/8/2008	Metro Electrical Contractors INC	\$ 7,535.25	General Electrical Services - install wiring
1609006413	12/27/2007	First Maintenance Company Inc	\$ 4,800.00	Tree removal & disposal due to December Ice Storm
1609007187	7/24/2008	Kensell Mechanical Service	\$ 3,688.40	Boiler/Air Conditioner Maintenance; July 2008 thru June 2009
		Totals	<u>\$ 48,858.65</u>	

***Management's Response - Concur***

**Date:** November 22, 2010

**Respondent:** Procurement Director

**Response:** We concur with the findings, though we performed the above purchase orders in a manner that we historically understood to be legal. It was only during this audit and the questions asked by the auditors that we determined our interpretation of Title 61 was not the same as the auditors.

**Anticipated Completion Date:** Already Completed in 2009





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**Corrective Action Plan:** Upon finding that our interpretation was not the same as the auditors, we immediately questioned auditors, CAP and reviewed Title 61 with agency legal counsel to determine what our correct procedure must be. At that time we proceeded to obtain quotes following CAP guidelines for all acquisitions under \$25,000, sending all documentation to CAP for review and award. All acquisitions over \$25,000 are sent to CAP to perform the solicitation. One of our CPO's is designated the CAP subject matter expert and handles all acquisitions in this category. Our designated CPO has established a close working relationship with the employees of CAP to ensure that we comply with all rules and regulations.

**FINDING 09-410-01 – COMMISSIONERS OF THE LAND OFFICE**

PO Number	Date	Vendor	Amount	Description
4109002050	6/2/2009	MONTE GRAY	\$ 3,564.00	Contractors, soil conservation----Clean, rebuild and sod mulch silted and eroded areas of waterways. Repair broken terrace ends. Dike creek bank to keep water off cropland. Lease # 817143, S/2 SEC 33-6N-16WIM, KIOWA COUNTY
4109002058	6/2/2009	WEHUNT CONTRACT HAULING INC	\$ 2,650.00	Contractors, soil conservation---To repair pond dam and spillway. Lease # 100392, N/2 16-28N-3EIM, KAY COUNTY. Includes tree removal from dam.
		Totals	<u>\$ 6,214.00</u>	

**Date:** December 8, 2010

**Respondent:** Director of Communication

**Response:** We have received verification from the Contract Division of DCS that effective January of this year we are authorized to contract for certain land improvements that are less than \$10,000. Previously the Land Office had operated under a verbal agreement that such contracts were allowed because DCS did not have the expertise in construction and costs associated with conservation projects. We were not aware until contacted that the previous verbal agreement was no longer acceptable and acted immediately after questions were raised to document the agreement.

**Anticipated Completion Date:** Completed



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**FINDING 09-292-01 – DEPARTMENT OF ENVIRONMENT QUALITY**

PO Number	Date	Vendor	Amount	Description
2929008498	3/10/2008	Carrier Corporation	\$ 5,314.00	Service call - HVAC
2929008329	2/11/2008	Carrier Corporation	\$ 3,398.73	Heating and air conditioning services
2929010487	2/17/2009	Carrier - Oklahoma	<u>\$ 2,750.00</u>	Heating and air conditioning services
		Totals	<u>\$ 11,462.73</u>	

***Management's Response-Partially Concur***

**Date:** November 23, 2010

**Respondent:** Primary Certified Procurement Officer

**Response:** Purchase Order # 2929008498 Dated 3/10/08 - DEQ has an existing general maintenance contract (P.O.#2929012835) with Carrier Corporation for our HVAC processed through DCS, Construction & Properties which covers routine general maintenance on the system but does not cover emergency issues. When the sump pump went out on the system and needed to be replaced, it was necessary to call our existing vendor to take care of the problem. We would not have been able to have any other vendor work on the system with Carrier being our contracted HVAC vendor. The process is normally to attain three bids when the dollar amount is below our threshold and send the paperwork to CAP for processing. Since this work had to be done by our existing contractor, I didn't think it was necessary to send the paperwork over for processing.

Purchase Order #2929008329 dated 2/11/08 and Purchase Order# 2929010487 dated 2/17/09 fall under the same type circumstance as Purchase Order # 2929008498.

**Anticipated Completion Date:** Immediately.

**Corrective Action Planned:** DEQ will set up a non-binding contract with our existing HVAC contractor to cover any small emergency situations.



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**FINDING 09-800-01 – CAREER AND TECHNOLOGY SERVICES**

PO Number	Date	Vendor	Amount	Description
8009005461	2/8/2008	Wilson Building Maintenance	\$ 4,903.60	Tile restoration-restroom floors & entry area of the central building first.

***Management’s Response-Partially Concur***

**Date:** November 23, 2010

**Respondent:** Primary Certified Procurement Officer

**Response:** This type of agreement, in our opinion, falls into a very grey area of contract law as prescribed in Titles 61 and 74. This was a contract to strip, clean and re-seal tile floors. Per Construction & Properties verbal recommendation, a contract such as this would be considered a maintenance contract that can be issued internally.

**Anticipated Completion Date:** December 1, 2010

**Corrective Action Planned:** Will directly communicate to all CPO’s and facility manager in the agency, the importance of ensuring the appropriate award process. Also, in the future, all recommendations from DCS will be requested to be put in writing.

**FINDING 09-090-01 – OFFICE OF STATE FINANCE**

PO Number	Date	Vendor	Amount	Description
0909003167	10/10/2008	United Engines LLC	\$ 6,700.00	Generators, stationary type (not automotive)

***Management’s Response-Partially Concur***

**Date:** November 29, 2010

**Respondent:** Certified Procurement Officer

**Response:** OSF did not believe that acquiring maintenance services for equipment acquired in accordance with state statute needed to go through CAP.



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**FINDING 09-452-01 – MENTAL HEALTH & SUBSTANCE ABUSE SERVICES**

PO Number	Date	Vendor	Amount	Description
4529023309	1/23/2008	Pippin Brothers Incorporated	\$ 4,987.00	Furnish/Install 1 4 ton roof heat/air unit garage
4529024978	5/28/2008	Lafevers Carpet Inc	\$ 3,748.55	Carpets and rugs, installed: cotton, synthetic, wool, etc.
4529024926	05/22/2008	Clouse Glass & Mirror	\$ 5,603.00	Repair/replace existing fire doors, closures and hinges
		Totals	\$ 14,338.55	

***Management's Response - Concur***

**Date:** December 2, 2010

**Respondent:** Chief Procurement Officer

**Response:** There is some confusion among staff in terms of the Central Purchasing Threshold and the Construction and Properties Threshold for purchases made directly from a supplier using the appropriate payment method.

**Anticipated Completion Date:** Immediately. An attachment of CAP rules is being sent to agency CPOs which will also include a copy of PIM 10-03 (clarifications and guidelines for emergency declarations for state agencies) and 61 O.S. §103.

**Corrective Action Plan:** All agency CPOs will be informed by e-mail of the CAP threshold. Agency CPOs will review and implement the procedures identified in the above identified documentation to begin immediately.

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**FINDING 09-415-01 – LAW ENFORCEMENT EDUCATION AND TRAINING**

PO Number	Date	Vendor	Amount	Description
4159002486	6/16/2009	Briggs Construction	\$ 24,739.00	Miscellaneous services - Remove trees for better view

***Management's Response - Concur***

**Date:** November 29, 2010

**Respondent:** Comptroller

**Response:** At the time of acquisition, we did not realize tree removal fell within the construction and





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properties requirements of Title 61. As a result of the audit we have reviewed Title 61 further and agree with the auditor's assessment.

**Anticipated Completion Date:** 06-30-2011

**Corrective Action Plan:** Since the audit, Law Enforcement Education and Training's (CLEET) CPO and backup CPO's have held meetings where they reviewed and discussed the requirements of Title 61. The goal of these meetings is to ensure all Construction and Properties acquisitions will meet the requirements of Title 61. In addition, CLEET's primary CPO has attended "Doing Business with CAP" seminars on November 4, 2009, May 19, 2010, and August 28, 2010. We intend to send the backup CPO's to similar training in the near future.

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**FINDING 09-740-01 – STATE TREASURER OFFICE**

PO Number	Date	Vendor	Amount	Description
7409001567	5/22/2009	Allen's Floor Systems Inc	\$ 12,307.00	New carpet & cover base installed in Accounting, Georgiana's office & her conference room

***Management's Response - Concur***

**Date:** November 30, 2010

**Respondent:** Director of Agency Services

**Response:** The Oklahoma State Treasurer's (OST) office initiated this expenditure with Capitol DCS staff when the project included was much larger in scope. It is agreed by OST management that communication issues were the cause of this finding.

How OST Proceeded with the Project- Initially, OST desired to remodel the entire workspace of the office: re-carpet, remove wall covering, replace ceiling tiles, clean and polish wood surfaces, paint and repair. OST worked with Construction and Properties on this total remodel project and received a proposal from an architectural firm to plan the project. The cost of drafting the plan alone was \$3,878.

OST considered this total project plan and determined it too expensive and we would limit the project to only carpeting a portion of the office. The procurement officer contacted DHS, requesting a bid for carpeting the offices on the south side of the 2<sup>nd</sup> floor capitol hallway (less than half the total office space). DHS declined to bid as they were booked with other projects; and it was determined that we would bid the project according to our internal purchasing procedures. We mailed the ITB to ten vendors and selected the lowest and best bid at a total cost of \$12,307.00.

**Anticipated Completion Date:** December 1, 2010



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**Corrective Action Plan:** Administration will make it clear to the procurement officer that ANY remodeling/construction/maintenance efforts that require permanent changes to the office space (including but not limited to paint, carpet, lighting, ceiling, repair, construction and demolition) will be processed through Construction and Properties bid process no matter the amount. Department of Human Services is an alternative if they are available. This will not include the purchase or relocation of office or modular furniture.

**FINDING 09-805-01 – DEPARTMENT OF REHABILITATION SERVICES**

PO Number	Date	Vendor	Amount	Description
8059008840	6/27/2008	Carrier - Oklahoma	\$ 3,600.00	Air conditioners: commercial, parts & accessories not individually itemized

**Management's Response - Concur**

**Date:** December 2, 2010

**Respondent:** Primary Certified Procurement Officer

**Response:** The recommendation is already in place. The confusion was the CAP minimum dollar amount was raised to \$5,000 when the Central Purchasing dollar limit was raised to \$5,000. The correct bidding process was followed up to the point of the Purchase Order being issued; however, the error occurred when Department of Rehabilitation Services (DRS) issued the Purchase Order instead of CAP issuing the PO because at the time DRS misunderstood that the \$5,000 limit applied only to Central Purchasing.

**Anticipated Completion Date:** Already Completed in 2009.

**Corrective Action Plan:** All DRS CPOs understand that CAP and Central Purchasing have different levels of dollar authority.

**FINDING 09-025-01 – OKLAHOMA MILITARY DEPARTMENT**

PO Number	Date	Vendor	Amount	Description
0259002619	8/6/2008	Firetrol Protection Systems	\$10,000.00	Fire alarm systems, power sirens, and controls
0259002392	5/2/2008	Panco Inc	\$ 3,776.00	Heating and air conditioning services
0259002612	8/4/2008	Siemens Building Technologies	\$ 2,950.00	Repair of alarm systems (for the hearing impaired)
		Totals	\$ 16,726.00	

**Management's Response - Concur**



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**Date:** December 2, 2010  
**Respondent:** Primary Certified Procurement Officer  
**Response:** We concur.

**FINDING 09-629-01 – SCHOOL OF SCIENCE AND MATH**

PO Number	Date	Vendor	Amount	Description
6299001599	7/3/2008	Otis Elevator Company	\$ 7,000.00	Repair and maintenance of elevators and dumbwaiter
6299001881	7/7/2009	Otis Elevator Company	\$ 7,000.00	Repair and maintenance of elevators and dumbwaiter
6299001419	12/14/2007	Otis Elevator Company	\$ 4,100.00	Repair and maintenance of elevators and dumbwaiter
		Totals	\$ 18,100.00	

***Management's Response - Concur***

**Date:** November 22, 2010  
**Respondent:** Primary Certified Procurement Officer  
**Response:** We concur.  
**Anticipated Completion Date:** July 1, 2011

**Corrective Action Plan:** The appropriate purchasing personnel have been made aware of this requirement. After the completion of the current contract, future services related to public construction or public improvement projects will be submitted to Construction and Properties when required.

**FINDING 09-266-01 – OKLAHOMA EDUCATION TELEVISION AUTHORITY**

PO Number	Date	Vendor	Amount	Description
2669000851	9/15/2008	Hinz Refrigeration	\$ 6,438.66	Service AC Units at Cheyenne
2669000707	12/5/2007	United Engines LLC	\$ 6,291.55	Repair of Generator at the Keta DT Transmitter Site
		Total	\$ 12,730.21	

***Management's Response - Concur***



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**Date:** November 29, 2010

**Respondent:** Finance Deputy Director

**Response:** We agree with the findings and a reminder email will be sent to all managers reminding them that all repairs, improvements or constructing of public buildings over \$2,500 limit and paid for with state funds must be approved and awarded through Construction and Properties.

**Anticipated Completion Date:** November 29, 2010

**Corrective Action Plan:** A reminder will be sent out to all Business Managers and Center Administrators to remind them that all Construction purchases that include labor over \$2500 should be sent through Construction and Properties.

**FINDING 09-650-01 – DEPARTMENT OF VETERAN AFFAIRS**

PO Number	Date	Vendor	Amount	Description
6509012839	4/22/2008	Arbuckle Floor- ing	\$ 3,744.25	Tiling: floors and walls
6509014914	5/20/2009	Arbor Tech Tree Surgery	\$ 3,650.00	Remove 17 trees and 23 stumps per contract
		Totals	\$ 7,394.25	

***Management's Response - Concur***

**Date:** December 6, 2010

**Respondent:** Agency Certified Procurement Officer

**Response:** Purchases should have been sent to DCS/Construction and Properties.

**Anticipated Completion Date:** December 6, 2010

**Corrective Action Plan:** A reminder will be sent out to all Business Managers and Center Administrators to remind them that all Construction purchases that include labor over \$2500 should be sent through Construction and Properties.





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**FINDING 09-477-01 – NARCOTICS AND DANGEROUS DRUG CONTROL**

PO Number	Date	Vendor	Amount	Description
4779001486	3/19/2008	FENCE PRO OF OKLAHOMA INC	\$ 4,496.90	mesh 75% coverage on existing fence. Includes Installation

***Management's Response - Concur***

**Date:** December 3, 2010

**Respondent:** Primary Certified Procurement Officer

**Response:** This transaction was conducted by a CPO no longer with the agency. Since the time of this transaction, many improvements have been made to the procurement process (to include construction acquisitions) within the agency.

**Anticipated Completion Date:** Completed

**Corrective Action Plan:** Since this transaction occurred, the agency has hired 2 new CPOs and updated internal procurement procedures. The updated procedures include information on construction acquisitions and training has been conducted to agency personnel.

**FINDING 09-055-01 – OKLAHOMA ARTS COUNCIL**

PO Number	Date	Vendor	Amount	Description
0559000125	6/2/2008	Allen's Floor Systems Inc	\$ 9,481.12	Carpet and Installation -Includes furniture removal/reinstallation
0559000151	5/14/2009	Allen's Floor Systems Inc	\$ 5,455.00	Carpet and Installation in G-80 - Includes furniture removal/reinstallation
		Total	<u>\$ 14,936.12</u>	

***Management's Response - Concur***

**Date:** December 9, 2010

**Respondent:** Director of Finance

**Response:** There is a new CPO for our agency and the two PO's issued in 2008 and 2009 were done by the predecessor. Oklahoma Arts Council cannot speak to what communication there was if any between the previous CPO and DCS regarding these purchase orders as the new CPO was not with the agency.

**Anticipated Completion Date:** Immediate



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**Corrective Action Plan:** Per the recommendation, it has been communicated to the agency CPO - that any and all construction projects should and will be submitted to Construction and Properties when and as required to be in compliance with the Oklahoma Statutes.

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**EMERGENCY ACQUISITIONS**

*(The following is the criteria, condition, cause, effect, and recommendation for all of the Emergency Acquisition findings.)*

**Criteria:** Oklahoma Statue Title 61 Public Buildings and Public Works § 222-2 Definition of Construction Contract, states:

“Construction Contract” means a written contract or subcontract awarded by an owner or contracting entity for the purpose of making any public improvements or constructing any public building or making repairs to or performing the maintenance on the same...

Oklahoma Statue Title 61 Public Buildings and Public Works §208-c Approval, negotiation and award of contracts - Costs exceeding estimated and available funding – Negotiations states:

The Division shall award and administer construction contracts for state agencies pursuant to the provisions of the Public Competitive Bidding Act of 1974.

**Condition:** We identified several emergency contracts that were for public construction or public improvement projects. The documentation for these emergency purchases should have been submitted to Construction and Properties (CAP) for review and award as required by Title 61.

**Cause:** Breakdown of communication between CAP and Agency.

**Effect or Potential Effect:** We recognized no immediate effect at this time.

**Recommendation:** We recommend the Agency develop, implement and communicate to all Certified Procurement Officers, facility managers, or others in a position to authorize construction projects a process that ensures all public construction or public improvement projects are submitted to Construction and Properties, were required.

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**FINDING 09-585-02 – DEPARTMENT OF PUBLIC SAFETY**

PO Number	Date	Vendor	Amount	Description
5859009179	12/7/2007	Comfort Guard INC	\$ 4,830.00	Air conditioners and parts
5859010973	11/12/2008	Otis Elevator	\$36,475.00	Repair and maintenance of elevators and dumbwaiter
5859011129	12/31/2008	K & D Elite Services	\$ 9,900.00	Plumbing
5859011992	6/25/2009	Harrison Orr Air Conditioning INC	\$ 9,965.00	Air conditioning, heating, and ventilating: equipment, parts and accessories (see related items in class 740)
5859010831	10/10/2008	Carrier Corporation	\$ 4,168.59	Air conditioning, heating, and ventilation equipment
5859011092	12/18/2008	Air Conditioning Service Inc	\$ 9,742.00	Air conditioning, heating, and ventilating: equipment, parts and accessories
5859011075	12/15/2008	Davis Mechanical	\$ 4,000.00	Building maintenance and repair services
5859009871	4/28/2008	Comfort Guard Inc	\$ 3,876.14	Heating and air conditioning services
5859009489	2/21/2008	Guymon Heat & Air Conditioning Inc	\$ 4,267.15	Air conditioning, heating, and ventilation equipment
		Total	<u>\$87,223.88</u>	

***Management's Response - Concur***

**Date:** November 24, 2010

**Respondent:** Primary Certified Procurement Officer

**Response:** Department of Public Safety (DPS) created and adopted procedures in August 2010. It was our initial intent to it make available agency wide. We determined a major problem with some building emergencies, was that at the time of emergency this form was too involved and cumbersome. The end result was that some people that needed to be notified were overlooked (sometimes procurement). Therefore the "Standard Procedures" is used as a department guide for Procurement staff. If necessary, parts are copied for the Troop Commander of Major over the zone in which the affected troop is assigned. The Procurement staff also has a check list for the Certified Procurement Officers (CPO's) to use at their discretion to help in assuring all requirements are met.

The Assistant Commissioner, Comptroller, Primary CPO and the IT director determined that an easy process that automatically notified specified persons and Divisions was needed. This would take that stress off a Troop Commander at a stressful time. The resulting form is accessed through the DPS intranet site. Parts are drop down selections and we think is easy to use. Those of us involved in compliance, payment and oversight take our cue from the email notice to begin the processes we are responsible for.



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Concerning a non-emergency repair or purchase under Construction and Properties supervision, DPS Procurement is following the appropriate guidelines. If an acquisition is questionable as to whether it falls under Title 61 or Title 74, an email is sent to Construction and Properties (CAP) for advice and clarification. DPS has not used Title 74 as a basis for issuing a Purchase Order for emergency repairs in well over a year.

**Anticipated Completion Date:** Already Completed

**Corrective Action Planned:** Steps all ready taken cited above. DPS would appreciate comments or suggestions to the modification in processes that we have implemented.

**FINDING 09-308-02 – OKLAHOMA STATE BUREAU OF INVESTIGATIONS**

PO Number	Date	Vendor	Amount	Description
3089004364	12/20/2007	Sawdust Construction	\$ 12,931.00	Building maintenance and repair services

***Management's Response – Non-Concur***

**Date:** November 29, 2010

**Respondent:** Primary Certified Procurement Officer

**Response:** This was a mold issue that caused the agency to evacuate staff and close the lab facility. DCS Construction and Properties were notified and an emergency was declared. See attached letter from OSBI Director and minutes from OSBI Commission meeting. The OSBI was unaware that the PO was required to be issued by DCS CAP and received no directive from DCS CAP to that affect.

**Anticipated Completion Date:** All future Purchase Orders under DCS CAP jurisdiction.

**Corrective Action Plan:** In the future all Purchase Orders under DCS CAP jurisdiction, whether to an emergency or not will be submitted for award by DCS CAP.

**FINDING 09-131-01 – DEPARTMENT OF CORRECTIONS**

PO Number	Date	Vendor	Amount	Description
1319039006	5/18/2009	Evans Electric Motor Centers Inc	\$ 8,328.12	Repair equipment, electronic: cleaning, desoldering, soldering, etc.

***Management's Response – Concur***

**Date:** November 29, 2010



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**Respondent:** Administrator of Contracts and Acquisitions

**Response:** The Department of Corrections (DOC) concurs with the finding of the DCS Audit Unit. The purchase in question was conducted as an emergency acquisition pursuant to Title 61 and although all other required steps and documentation were completed correctly during this process, DOC failed to send the paperwork to DCS CAP for issuance of the purchase order. It appears that this was a result of a breakdown in communication on my part once the emergency was declared and after the buyer received the paperwork to finalize the process. There was a misunderstanding of the requirement to send the paperwork to DCS CAP for issuance of the purchase order. A joint document titled *Emergency Guidelines for Agencies* was developed by DCS CAP and DCS Purchasing and shared with agencies on July 7, 2010. This document was issued several months after this acquisition was conducted, but provided much needed guidance and clarification to agencies about the different types of emergencies and their required processes.

**Anticipated Completion Date:** December 6, 2010

**Corrective Action Plan:** A review of the guidance document and required processes will be completed with DOC Buyers.





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APPENDIX

**DIRECTOR'S TRANSMITTAL LETTER**

JOHN S. RICHARD  
Director



BRAD HENRY  
Governor

STATE OF OKLAHOMA  
DEPARTMENT OF CENTRAL SERVICES

December 14, 2010

**TO THE STATE AGENCIES OF OKLAHOMA**

With this letter, we transmit the report of Statewide Public Construction Contracts for the audit period October 27, 2007 thru July 7, 2009.

We performed our audit in accordance with professional auditing standards to ensure that programs and contracts administered by the Department of Central Services are conducted in accordance with laws and regulations and used in an ethical, effective and efficient manner while limiting exposure to fraud, waste, mismanagement, or abuse.

The accompanying report presents our findings and recommendations, as well as management's responses and corrective action plans. This report is available to the public on the Department of Central Services website, [www.dcs.ok.gov](http://www.dcs.ok.gov).

Sincerely,

John S. Richard  
Director of the Department of Central Services

*"Committed to Quality"*

Administration, Will Rogers Office Building (2401 N. Lincoln) Suite 206 / P.O. Box 53218 · Oklahoma City, OK 73152-3218  
Telephone 405/521-2121, Fax 405/521-6403, [www.dcs.state.ok.us](http://www.dcs.state.ok.us)



## METHODOLOGY

A private query was created by the Audit Manager for use with PeopleSoft to extract the following account codes for the audit period October 27, 2007 to July 7, 2009:

- 533110- Maintenance and Repair of Buildings and Grounds- Outside Vendor
- 533120- Maintenance and Repair of Equipment and Machinery
- 545110- Land Improvements
- 546120- Buildings and Other Structures- Construction and Renovation
- 546220- Major maintenance and Repair of Equipment

These accounts were selected because these accounts are most commonly identified as Construction and Properties acquisitions. Purchase orders were sorted into categories to exclude purchase orders that did not fall under Title 61- Public Buildings and Public Works. Any purchase orders not processed by Construction and Properties but having an account code for public construction were tested 100%.

