

STATE OF OKLAHOMA

Department of Central Services

Audit Unit

Continuous Monitoring: Purchase Card
Transactions

for the period June 11, 2008 to September 30, 2008

Report Released

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State of Oklahoma
Continuous Monitoring: Purchase Card Transactions
For the Period June 11, 2008 to September 30, 2008

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OVERVIEW

We performed a review of individual and statewide purchase card transactions of those agencies that use the Pathway Net system. Our review period was June 11, 2008 to September 30, 2008. There were a total of 29,627 individual and statewide contract card transactions totaling \$14,825,337.49 for the period reviewed. By purchase card type, the number of transactions and total dollar spend was:

<u>CARD TYPE</u>	<u># OF TRANSACTIONS</u>	<u>TOTAL DOLLAR SPEND</u>
Individual	26,329	\$ 6,457,681.53
SW Contract	<u>3,343</u>	<u>8,367,655.96</u>
	<u>29,627</u>	<u>\$14,825,337.49</u>

Of the 29,627 transactions, 170 individual and 3 statewide contract card transactions were reviewed.

During our review, we noted purchase card transactions that did not appear to be compliant with the State of Oklahoma Purchase Card Procedures or Oklahoma State Law.

OVERALL SUMMARY

During our review of purchase card transactions for the period June 11, 2008 to September 30, 2008, we noted the following:

- Individual purchase card was used to purchase the rental of a Post Office Box.
- Items on the mandatory State Use Procurement Schedule were purchased from outside vendors.
- The individual purchase card was used to purchase travel.

Each of these items has been brought to the attention of the purchase card program management of the involved agencies. These agencies have taken action that we believe address issues noted.

CONTINUOUS MONITORING FINDING DETAIL

Findings and outcomes are reported based on significance.

PROHIBITED PURCHASE: POSTAGE OR RENTAL OF POST OFFICE BOXES

REQUIREMENT: State of Oklahoma Purchase Card Procedures (1/16/2008) § 6.2.3 Other Prohibited Purchases states in part, "The Standard P/Card, Statewide Contract P/Card, and Travel P/Card shall NOT be used for... (6.2.3.11) "Postage and Post Office Box Rental"..."

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One individual purchase card transaction was used to make the annual payment on a post office box rental. Total dollar spend for this transaction was \$180.00.

OUTCOME: The Agency's Purchase Card Administrator acknowledges that the cardholder used the purchase card to make a payment to the United State Post Office for the rental of a post office box. The Purchase Card Administrator has notified the cardholder and the supervisor that the payment of post office box rental is prohibited under all circumstances. Cardholders and approving officials will be instructed to pay close attention to purchase card procedures before the use of the purchase card.

MANDATORY STATE USE PROCUREMENT SCHEDULE

REQUIREMENT: State of Oklahoma Purchase Card Procedures § 6.2.5.1 State Use Committee states in part, "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..."

Two agencies purchased office supplies from non-State Use vendors.

OUTCOME: Agency #1 is aware of this issue. Per the statements of the Agency's Director of Administration:

"The staff was experiencing problems with the items that were available on the contract and rather than report the problem and get it resolved, chose to order better merchandise."

The Agency's procurement staff has been informed that mandatory contracts are mandatory and regardless of the workload, supply orders from other staff need to be thoroughly scrutinized to ensure compliance with the mandatory contracts. For any problems experienced with items that are required to be purchased, problems are to be reported to the appropriate DCS official for resolution.

For Agency #2, the Agency's Purchase Card Administrator stated the cardholder did search the mandatory State Use Procurement Schedule for the item in question by model number and was unable to locate the item. Upon issuing of the finding, the Agency conducted another search of the State Use Procurement Schedule and discovered a comparable item in a single pack instead of the purchased double pack. The Purchase Card Administrator stated that the search of items in the mandatory State Use Schedule prior to make any purchases would be expanded.

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TRAVEL: LODGING TRANSACTIONS

REQUIREMENT: State of Oklahoma Purchase Card Procedures § 6.1.5.3. – Travel P/Card states in part, “The Travel P/Card shall be used for the purchase of airfare and lodging only...”

REQUIREMENT: State of Oklahoma Purchase Card Procedures § 6.4 – Receipts for Purchases states in part, “Receipts shall be obtained for all purchases regardless of the order method...”

REQUIREMENT: State of Oklahoma Purchase Card Procedures § 6.8.3.1 – Travel Cardholder’s Responsibility states in part, “The Travel P/Cardholder (Entity Travel Coordinator) shall obtain written approval (handwritten, letter, email, form, etc.) from their State Entity Approving Official of designated back-up prior to make a purchase of airfare or lodging...”

A cardholder used their standard purchase card for the purchase of lodging. The cardholder also did not obtain a receipt for the transaction. Total charge for lodging was \$112.24.

OUTCOME: The Agency’s Interim Chief of Procurement stated that the cardholder discovered the error prior to notification by DCS Audit. The Agency was in the process of correcting the oversight. The mistake during the Agency’s preparation for the emergency response related to Hurricane Gustav.

The cardholder has made several attempts to receive a credit on the standard purchase card and have the vendor apply the charges to the travel card. The vendor indicated charges would be applied in November 2008. The cardholder conducted a follow up with the vendor during December 2008. The cardholder supplied the card information to vendor again. The vendor informed her that the charges would be applied during the December 2008 cycle. The cardholder has contacted the vendor for a third time to ensure changes to the card accounts will be applied during the January 2009 cycle.

In regards to not obtaining a receipt for the transaction, the cardholder communicated to the traveler the importance of securing original documentation as support. The cardholder also requested that the vendor fax or mail a copy of the receipt to the Agency. Neither the traveler nor the vendor submitted an original receipt to the Agency as requested by the cardholder. The cardholder made attempts to receive a valid receipt and was successful in receiving a receipt on December 17, 2008.

AUDIT OBSERVATION: *Upon review of the transactions for the December 2008 and January 2009 cycles, the refund to the cardholder’s individual purchase card and the proper charge to the travel card have not taken place as of the date of the release of this report.*

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NOTED ITEMS

Items noted during review process. Items were previously addressed by Agency.

During our review of purchase card transactions, we noted the following items:

FRAUDULENT CHARGES

We selected an international transaction fee charged to a cardholder's standard purchase card account for review. Prior to the request of DCS Audit Unit, the cardholder noted an unauthorized international transaction fee and e-commerce charge through reviewing their memo statement. Details of the fraudulent charges are noted below:

08.03.2008	\$2,482.29
08.03.2008	<u>\$ 24.82</u>
	<u>\$2,507.11</u>

Within the same time frame, the cardholder received a call from a vendor (who provides tattooing equipment) asking if the cardholder had actually ordered items from the vendor. Cardholder informed the vendor that the charges were unauthorized charges. Details of the fraudulent charges are noted below:

08.04.2008	\$1,515.19
08.04.2008	\$ 500.00
08.04.2008	<u>\$ 500.00</u>
	<u>\$2,515.19</u>

The cardholder contacted the bank and completed a Lost or Stolen Card Notification form per the instruction of the Agency's Purchasing Director. The form detailed the unauthorized use of the purchase card by specifically identifying the unauthorized charges to the cardholder's purchase card. The completed form and the purchase card were submitted to the Agency's Purchasing Director. The card was cut in half and the account was subsequently closed. Renewal card was issued to the cardholder.

The bank initiated an investigation and all fraudulent charges were subsequently removed from the cardholder's account.

EXCEED SINGLE PURCHASE LIMIT

A cardholder used their individual purchase card to purchase computers from Dell. Total of purchase exceeded the single purchase limit of \$2,500. The cardholder's single purchase limit was reduced by the Purchase Card Administrator after inquiry from DCS Audit Unit regarding the transaction.