

# STATE OF OKLAHOMA OFFICE OF STATE FINANCE

## DEPARTMENT OF CENTRAL SERVICES

### AUDIT UNIT

#### REPORT RELEASED MARCH 12, 2012

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#### AUDIT PERFORMED BY

JoRay McCoy, Chief Auditor  
 Megan Hannabass, Senior Auditor

#### AUDIT CONCLUSION

Based on our audit of the Oklahoma Conservation Commission's purchase card program, we determined the Conservation Commission materially complied with the following audit objectives:

- Determine if the Agency has implemented internal controls and if the agency's controls are operating effectively in relation to the purchase card program, and
- Determine if the Agency's purchase card program is in compliance with the Oklahoma State Purchase Card Procedures and approved internal purchasing procedures as they relate to the acquisition process through the use of purchase cards.

#### AUDIT FINDING SUMMARY

**FINDING 12-645-01** The Oklahoma Conservation Commission has cardholders that do not have access to the Bank of America Works System; therefore, the Agency's Purchase Card Administrator is performing cardholder tasks as required by State of Oklahoma Purchase Card Procedures § 6.8.1, P/Cardholder Responsibilities. Thus, duties within the Agency's purchase card program are not adequately segregated.

**FINDING 12-645-02** The Agency has not consistently authorized and approved cardholder statements. Forty percent of the cardholder statements were not signed and dated by the cardholder and twenty percent were not signed and dated by the cardholder's approving official.

**FINDING 12-645-03** The Agency's receiving employee did not sign and date the receiving document for 70% of the purchase card transactions reviewed.

*(The most significant audit findings are detailed in the report. Detailed information for findings 12-645-04 and 12-645-05 have been provided to the Agency's Management.)*

**FINDING 12-645-04** The Agency made one information technology and telecommunications purchase with a purchase card during the that audit period that was subject to prior approval from OSF and execution of OSF Form 115 as

The Department of Central Services', Audit Unit completed an audit of the Oklahoma Conservation Commission, referred to as the "Agency" within the audit report. Our audit was to determine if the Agency's purchase card program for the period December 15, 2010 to November 30, 2011 complied with the audit objectives.



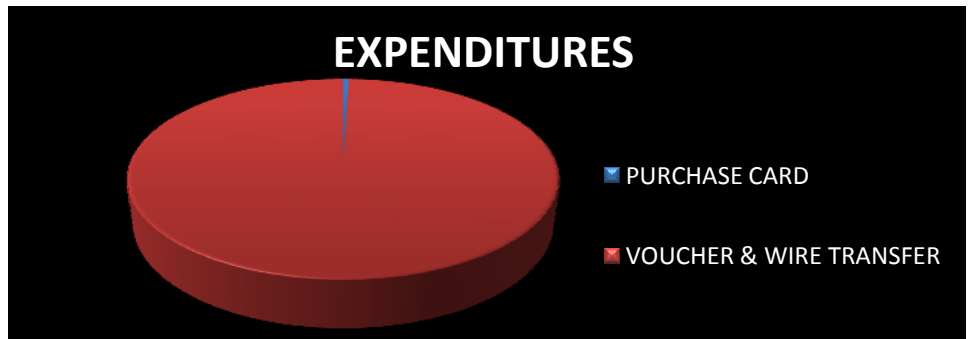
This publication is issued by the Department of Central Services, as authorized by the Department of Central Services. Printed copies have not been produced. Electronic copies are available through the Oklahoma Department of Central Services website ([www.ok.gov/DCS](http://www.ok.gov/DCS)). Two printed copies were deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

required by 62 O.S. §34.12 and §34.21. The agency did not complete an OSF Form 115 and gain approval for the purchase from OSF.

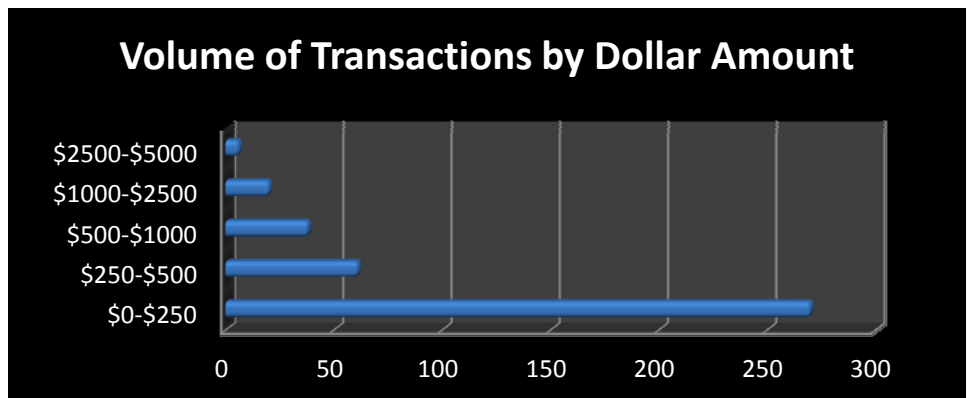
**FINDING 12-645-05** The Agency has not updated their internal purchasing procedures since February of 1999. Oklahoma Purchase Card Procedures § 1.5 Conditions of Participation, requires state agencies to submit their revised internal purchasing procedures to the DCS Central Purchasing Division within 6 months of completing the P/Card Program implementation process. The Agency did not comply with this requirement.

**AUDIT OVERVIEW**

The following chart depicts the Agency's expenditures by purchase card and voucher or wire transfer payment methods for the audit period.



The Agency set their card transaction limits at \$5,000. Therefore, the Agency primarily utilizes their purchase card program to purchase office or business supplies and airfare. The agency had 410 purchase card transactions during the audit period.



This audit was performed pursuant to 74 O.S. § 85.5.E. and the State of Oklahoma Purchase Card Procedures in accordance with Generally Accepted Government Auditing Standards.



## DETAILED FINDINGS

### FINDING: 12-645-01 – Segregation of Duties

**Criteria:** State of Oklahoma Purchase Card Procedures § 6.8.1 **P/Cardholder responsibility** states in part:

- The P/Cardholder shall update the note field on the Issuing Bank's transaction system for each transaction made;
  - from a Statewide Contract with a brief description of the goods or services purchased, including the Statewide Contract number;
  - for a regulated utility, indicating it was a regulated utility; and,
  - for airline or lodging purchases [See Section 6.8.1.1].
- The P/Cardholder shall generate, from the Issuing Bank's transaction system, an electronic statement after closing of the Bank's monthly billing cycle.

**Condition:** The Agency has three cardholders. Two purchase cardholders do not have access to the Bank of America Works system and a third cardholder has access to the system but still does not print their own monthly cardholder statements. The Agency's cardholders are not updating the note field in the Works system, when required, or generating their own electronic statements after the Bank's monthly billing cycle or viewing transactions as they are processed to ensure that transactions posting to their account are valid.

The Agency's Purchase Card Administrator updates the notes field, signs off on transactions, prints monthly cardholder statements, issues cards, and sets card limits. Some of these duties should be segregated within the Agency's purchase card program. The Purchase Card Administrator should not be completing the notes field, signing off on transactions or printing the monthly statements for the cardholders. These duties should be performed by the cardholder.

**Cause:** The Agency did not acknowledge section 6.8.1 of the State of Oklahoma Purchase Card Procedures, and therefore, was not aware that completing the notes field in the Works system and printing the monthly cardholder statements was the responsibility of the cardholder.

**Effect or Potential Effect:** An unauthorized transaction could be made and go undetected by the cardholder who is primarily responsible for their transactions.

**Recommendation:** We recommend that the Agency provide training on the Bank of America Works System to all cardholders, grant all cardholders access to

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the Bank of America Works system and require that cardholders access the system to enter their own notes, sign off on transactions, print their cardholder statements to be reconciled and authorized on by the cardholder.

The reconciled monthly statements should then be reviewed and approved by the cardholder's Approving Official. The Purchase Card Administrator should ensure that the reconciled amounts on the monthly cardholder statements agree to those in the works system before proceeding with payment of the Agency's card bill.

**Management's Response**

**Date:** February 29, 2012

**Respondent:** Purchase Card Administrator

**Response:** Partially Concur - Agency's Purchase Card Administrator does not update notes field, sign off on transactions in Works. Agency Purchase Card Administrator does print monthly statements, issues cards and sets card limits. One agency cardholder has been assigned to sign off on transactions and update the descriptions field in Works. The Agency believed that having one person assigned to print monthly statements and one person to sign off on transactions and enter information in the description field in Works would provide for greater efficiency. State contract information has been entered into the state contract field. The agency does not see a notes field in the Works system. There is a comments field that has been used by the one Agency cardholder for data related to project tasks.

**Corrective Action Plan**

**Contact Person:** Purchase Card Administrator

**Anticipated Completion Date:** May 1, 2012

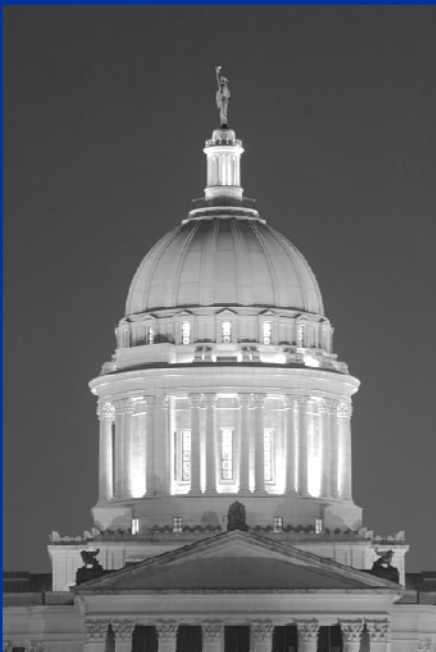
**Corrective Action Planned:** Training will be provided to all cardholders and access will be provided to the Works system. Cardholders will be required to enter their own information in the comments field, sign off on transactions, and print their own statements. Agency will determine if notes and comments field are the same field.

**FINDING: 12-645-02 – Sign and Date Monthly Statements**

**Criteria:** State of Oklahoma Purchase Card Procedures § 6.8.1 **P/Cardholder responsibility** states in part:

- 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

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(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.

State of Oklahoma Purchase Card Procedures §6.8.2.3 **State Entity Approving Official(s) responsibilities** states in part:

To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement. (Signature stamps are not acceptable.)

**Condition:** We tested 25 cardholder statements that correlated with our random transaction samples. While performing testwork we noted the following:

- 10 of 25 (40% error rate) of cardholder statements contained errors relating to the cardholder's responsibilities. See detail below.
  - 6 of 25 (24% error rate) monthly cardholder statements tested were not signed and dated by the cardholder
  - 4 of the remaining 19 (21% error rate) monthly cardholder statements tested were signed but not dated by the cardholder
- 5 of 25 (20% error rate) monthly cardholder statements were not signed and dated by the cardholder's approving official.

**Cause:** The Agency still uses transaction logs in addition to the monthly cardholder statements, which are no longer required by the State purchase card procedures. The cardholders are signing the transaction logs in place of the monthly cardholder statements.

**Effect or Potential Effect:** By failing to sign and date the monthly cardholder statement the cardholder is not verifying responsibility for purchases and proper reconciliation. Signing but not dating the monthly cardholder statement may indicate that the cardholder did not perform the monthly reconciliation in a timely manner.

Failure of the Approving Official to sign and date the monthly cardholder statements indicate that the statements were not reviewed as required by State





purchase card procedures.

**Recommendation:** We recommend that cardholders sign and date all monthly statements after completing their monthly reconciliations and that the Approving Official signs and dates the monthly cardholder statements after reviewing the cardholder's monthly transactions, supporting documentation and reconciliation.

**Management's Response**

**Date:** February 29, 2012

**Respondent:** Purchase Card Administrator

**Response:** Concur – Agency still uses transaction logs. Transaction logs were being signed attached to the monthly statement and backup correspondence.

**Corrective Action Plan**

**Contact Person:** Purchase Card Administrator

**Anticipated Completion Date:** May 1, 2012

**Corrective Action Planned:** Cardholders and Approving Official will begin signing all statements and transaction logs.

**FINDING: 12-645-03 – Signing receiving Documents**

**Criteria:** Oklahoma Purchase Card Procedures § 6.6.1, Goods or services received at the time of purchase states:

The receipt for purchase shall serve as the receiving document. The receipt must contain the P/Cardholder's signature and date. A carbon copy of the receipt containing the P/Cardholder signature and date meets this requirement. (Annotating the document "Received" is NOT required.) The receiving document shall be retained by the P/Cardholder for the monthly reconciliation process. Although not required, it is recommended the State Entity have a second person verify receipt of goods or services upon P/Cardholder's return to the State Entity.

**Oklahoma Purchase Card Procedures § 6.6.2, Goods or services received subsequent to the time of purchase states:**

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 signed and dated by the receiving employee. A carbon copy of the receipt containing the receiving employee signature and date meets this requirement. The itinerary shall serve as the receiving document for airfare

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(traveler's signature is not required). The receiving document shall be retained by the P/Cardholder for the monthly reconciliation process.

**Condition:** The receiving employee did not perform all the tasks required of them relating to the receiving document for 32 of 46, or 70 percent of the purchase card transactions reviewed. Our statistical random sample was selected from our population of 393 items totaling \$119,200.36. 46 sample items totaling \$26,169.85 contained 32 errors totaling \$19,046.38.

- In 2 instances, a receiving document was not included in the documentation supporting the transaction.
- The cardholder did not sign 12 receipts for services or walk-in purchases.
- Receiving documents for 18 transactions received subsequent to the purchase were not signed by the receiver; however, the Agency was sometimes using a "Received" date stamp alone without the receiving employee signature and did not realize that this did fulfill the State purchase card procedure requirements.

**Cause:** The Agency's cardholders did not realize that all transactions must contain a signature on the receipt or receiving document as indication that the goods or services were received in order to comply with Oklahoma State Purchase Card Procedures.

**Effect or Potential Effect:** By not requiring receiving employees to sign and date receiving documents, there is lack of accountability in the receiving process.

**Recommendation:** We recommend that the Agency communicate to all receiving employees that each receiving document should be signed and dated by the receiving employee.

**Management's Response**

**Date:** February 29, 2012

**Respondent:** Purchase Card Administrator

**Response:** Concur - Cardholders were signing received and date received on agency form Request for Acquisition that was prepared for all purchases.

**Corrective Action Plan**

**Contact Person:** Purchase Card Administrator

**Anticipated Completion Date:** May 1, 2012

**Corrective Action Planned:** All cardholders will sign and date the receiving document, as well as, the agency's Request for Acquisition form.



## **APPENDIX**

### **METHODOLOGY**

- Interviews were conducted with the Agency's staff members.
- Internal controls over the purchase card program were documented and evaluated. Purchase card transactions were examined.
- Overall program compliance with the rules related to the audit objectives was evaluated.

### **EXECUTIVE SUMMARY**

#### ***Organization***

Mission Statement - To conserve, protect, and restore Oklahoma's natural resources, working in collaboration with the conservation districts and other partners on behalf of the citizens of Oklahoma.

History and Function - Authorized under the Conservation District Act in 1937 when Oklahoma landowners faced the serious problem of erosion from wind and water, the early-day work for the Conservation Commission was to eradicate these problems. Today the Conservation Commission, the federal USDA Natural Resources Conservation Service, and a network of eighty-seven local conservation districts cooperatively carry out the conservation program in Oklahoma. In addition to providing direct technical assistance to local land users for soil and water conservation, the commission and conservation districts are responsible for upstream flood control protection, a state-funded conservation cost-share program, reclamation of abandoned mine land and nonpoint source water quality monitoring, planning, and management, in addition to a variety of educational and informational activities.

Personnel - 7 classified, 55 unclassified, merit (per Oklahoma Agencies, Boards, and Commissions, as of September 1, 2010)

#### ***Key Staff***

(During the Audit Period)

Mike Thralls, Executive Director  
Ben Pollard, Assistant Director  
Steven Coffman, Comptroller



**DIRECTOR'S TRANSMITTAL LETTER**



**John W. Morrison**  
Administrator

**Preston L. Doerflinger**  
Director and Secretary of Finance and Revenue

**Mary Fallin**  
Governor

**STATE OF OKLAHOMA  
OFFICE OF STATE FINANCE  
DEPARTMENT OF CENTRAL SERVICES**

March 12, 2012

**TO DIRECTOR, MIKE THRALL, AND BOARD OF OKLAHOMA CONSERVATION  
COMMISSION**

With this letter, we transmit the report of the Oklahoma Conservation Commission's purchase card program audit for the period December 15, 2010 to November 30, 2011.

We performed the audit in accordance with professional auditing standards to ensure the purchase card program administered by the Department of Central Services is conducted in accordance with laws and regulations.

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,

A handwritten signature in blue ink, appearing to read "John W. Morrison".

**John W. Morrison**  
Administrator, Department of Central Services

*"Committed to Quality"*

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