

STATE OF OKLAHOMA

Department of Central Services

Audit Unit

**Continuous Monitoring: Purchase Card
Transactions**

for the period January 16, 2009 to July 15, 2009

*Report Released
11/24/2009*

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State of Oklahoma
Continuous Monitoring: Purchase Card Transactions
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OVERVIEW

We performed a review of purchase card transactions of those state agencies that are on the Pathway Net system. There are a total of 89 state agencies that are on the Pathway Net system. There are an additional two (2) governmental entities that participate in the State of Oklahoma Purchase Card Program but are not a part of the Pathway Net System.

Our review period was January 16, 2009 to July 15, 2009. There were a total of 52,481 purchase card transactions totaling \$21,889,488.19 for the time period. By purchase card type, the number of transactions and total dollar spend was:

The following transactions by category were selected for follow-up review:

| <u>CARD TYPE</u> | <u># OF TRANSACTIONS</u> | <u>TOTAL DOLLAR SPEND</u> |
|--------------------|--------------------------|---------------------------|
| Standard | 129 | \$ 66,196.01 |
| Statewide Contract | 3 | 2,041.56 |
| Travel | <u>6</u> | <u>18,908.88</u> |
| | <u>138</u> | <u>\$ 87,146.45</u> |

There were transactions noted that appeared to be incompliant with the State of Oklahoma Purchase Card Procedures or Oklahoma State Law.

OVERALL SUMMARY

During our review of purchase card transactions for the period January 16, 2009 to July 15, 2009, we noted the following:

Transactions were split to remain under the single purchase limit.

A standard purchase card was used to book hotel rooms.

Receipts were missing or did not contain all the required data.

Prohibited purchases were made on a standard purchase card.

Personal Charges were made on a state purchase card.

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

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CONTINUOUS MONITORING FINDING DETAIL

Findings and outcomes are reported based on significance.

SINGLE PURCHASE LIMIT

REQUIREMENT: State of Oklahoma Purchase Card Procedures § 2.0 Definitions “Single Purchase Limit” states in part “... 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...”

Agency #1

Upon review of the supporting documentation for the purchase card transactions, it was noted that the cardholder split the payment for purchasing two washer and dryer sets for two separate locations.

Details are noted below:

| <u>Transaction Date</u> | <u>Vendor</u> | <u>Purchase Order #</u> | <u>Work Performed</u> | <u>Amount Charged</u> |
|-------------------------|----------------|-------------------------|-------------------------|--------------------------|
| 6/15/2009 | The Home Depot | 1319035960-012 | Washer/Dryer for Altus | \$2,331.03 |
| 6/16/2009 | The Home Depot | 1319034322-018 | Washer/Dryer for Hobart | <u>\$2,331.03</u> |
| | | | | <u>\$4,662.06</u> |

OUTCOME: This employee is no longer employed by the agency.

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Upon review of the supporting documentation for the purchase card transactions, it was noted that the cardholder split the payment for the purchase of two lawn mowers. The transactions occurred exactly one minute apart.

Details are noted below:

| <u>Transaction Date</u> | <u>Vendor</u> | <u>Purchase Order #</u> | <u>Work Performed</u> | <u>Amount Charged</u> |
|-------------------------|--------------------|-------------------------|-----------------------|--------------------------|
| 05/22/2009 | The Tractor Supply | 1319033812-13 | Riding Lawn Mower | \$2,248.99 |
| 05/22/2009 | The Tractor Supply | 1319033803-24 | Riding Lawn Mower | <u>\$2,248.99</u> |
| | | | | <u>\$4,497.98</u> |

OUTCOME: This employee has received a letter of instruction and will receive retraining. The penalties have been explained to the employee should a similar transaction occur again.

Agency #2

Upon review of the supporting documentation for the purchase card transactions, it was noted that the cardholder split the payment of a desk, hutch, and credenza into two separate transactions. Quote received was for all three pieces for a cost of \$2,889.10. Details are noted below:

| <u>Transaction Date</u> | <u>Vendor</u> | <u>Items Purchased</u> | <u>Amount Charged</u> |
|-------------------------|-----------------|------------------------|--------------------------|
| 05/27/2008 | ATD American Co | Desk and Credenza | \$1,988.26 |
| 05/27/2008 | ATD American Co | Hutch | <u>\$ 900.84</u> |
| | | | <u>\$2,889.10</u> |

OUTCOME: The cardholder and CPO will receive corrective discipline.

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Agency #3

Upon review of the supporting documentation for the purchase card transactions, it was noted that the cardholder split the payment for two identical paper shredders. Details are noted below:

| <u>Transaction Date</u> | <u>Vendor</u> | <u>Work Performed</u> | <u>Amount Charged</u> |
|-------------------------|--------------------|-----------------------|--------------------------|
| 05/05/2009 | Clary Bus Machines | Paper Shredder | \$1,785.00 |
| 05/06/2009 | Clary Bus Machines | Paper Shredder | \$1,745.00 |
| | | | <u>\$3,530.00</u> |

OUTCOME: The response from management was:

“Cardholder had called 3 vendors Staples, Corporate Express, and Shredmaster. Both Staples and Corporate Express, did not carry heavy duty shredders. Clary Business machines, would not accept a purchase order from the Department. The cardholder should have kept looking until a vendor was found that would accept a purchase order.”

The CPO and cardholder have been informed that this is a violation of the purchase card rules.

INCORRECT CARD USE/PROHIBITED PURCHASE

Agency #1

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 (airfare and lodging are considered separate transactions)...”

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Upon review of the supporting documentation for the purchase card transactions, it was noted that the cardholder used a standard card for travel purchases. Details are noted below:

| <u>Transaction Date</u> | <u>Vendor</u> | <u># of rooms</u> | <u># of nights stayed</u> | <u>Amount Charged</u> |
|-------------------------|---------------------|-------------------|---------------------------|------------------------|
| 04/21/2009 | Microtel Inn Idabel | 1 | 2 | \$98.00 |
| 04/22/2009 | Microtel Inn Idabel | 1 | 1 | \$49.00 |
| | | | | <u>\$147.00</u> |

OUTCOME: This transaction was one of the first times the agency has used the purchase card to purchase lodging. Agency will guarantee all travel purchases go on the travel p card and all other transactions that are acceptable be placed on the regular p card.

Agency #2

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 (airfare and lodging are considered separate transactions)..."

State of Oklahoma Purchase Card Procedures § 6.2.3 Using the P/Card Other prohibited purchases states in part, "The Standard P/Card, Statewide Contract P/Card, and Travel P/Card shall NOT be used for the following types of purchases unless such use is approved by the State Purchasing Director in accordance with Section 1.6.(Conditions of Participation):

6.2.3.3 Per diem food and beverages as authorized by the State Travel Reimbursement Act, OSF State Travel Procedures, and any other statute pertaining thereto;..."

Condition: Upon review of the supporting documentation for the purchase card transactions, it was noted that the cardholder used a standard card for travel purchases. In addition, this transaction also had one occupant who had a charge of \$14.00 for restaurant room charge included in his overall room purchase amount. Details are noted below:

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| <u>Transaction Date</u> | <u>Vendor</u> | <u># of rooms</u> | <u>Total Charged</u> | <u>Room Service Charge</u> |
|-------------------------|-----------------------|-------------------|----------------------|----------------------------|
| 02/27/2009 | Courtyard By Marriott | 11 | \$1,853.20 | \$14.00 |

OUTCOME: The employee was contacted and has reimbursed the State. The back-up p-card administrator has participated in a meeting to review acceptable charges. A meeting is being scheduled with all cardholders to discuss these types of charges.

RECIEPT DOCUMENTATION

Agency #1

Requirement: State of Oklahoma Purchase Card Procedures § 6.4 Receipts for Purchase states, "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. A detailed and itemized carbon copy is acceptable.

Upon review of the supporting documentation for the purchase card transactions, it was noted that there was not an itemized receipt detailing the specific charges to the purchase card. Details are noted below:

| <u>Transaction Date</u> | <u>Vendor</u> | <u>Goods/ services charged</u> | <u>Amount Charged</u> |
|-------------------------|---------------------|--------------------------------|--------------------------|
| 01/15/2009 | Sheraton Hotels MWC | Conference Room | \$1,290.80 |
| | | | <u>\$1,290.80</u> |

OUTCOME: The responsible unit was notified of the need for detailed receipts as well as contacting all cardholders that detail receipts are a requirement.

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Agency #2

Requirement: State of Oklahoma Purchase Card Procedures § 6.4 Receipts for Purchase (v 01/16/08) states in part, "Receipts shall be obtained for all purchases regardless of the order method..."

State of Oklahoma Purchase Card Procedures § 6.4.1 Itemized Receipt Unobtainable (v 01/16/08) states, "If the receipt is not a detailed and itemized receipt, the cardholder shall:

6.4.2.1 request the vendor attach a written itemization if 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,

6.4.2.2 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."

State of Oklahoma Purchase Card Procedures § 6.7.1 (v 01/16/08) Processing returns, credits, and disputes, states in part "... The merchant should issue a credit for items that are returned... Keep on file all documentation pertaining to returns, credits, and disputes for reconciliation to the memo statement."

State of Oklahoma Purchase Card Procedures § 6.5 State Sales Tax states in part, "... Cardholders shall obtain a credit from the vendor for any sales tax charged..."

Upon review of the supporting documentation for the purchase card transactions, it was noted that there was not an itemized receipt detailing the specific charges to the purchase card. Details are noted below:

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| <u>Transaction Date</u> | <u>Merchant</u> | <u>Transaction Amount</u> | <u>Comments</u> |
|-------------------------|-----------------|---------------------------|---|
| <u>04/23/2009</u> | <u>Wal-Mart</u> | <u>\$146.11</u> | Transaction amount consists of the following: \$99.88 for printer + \$15.97 for black ink + \$19.97 color ink + \$11.29 sales tax = \$146.11. Documentation provided for transaction was an alternative receipt provided by the merchant. The original receipt was misplaced. |
| <u>04/24/2009</u> | <u>Wal-Mart</u> | <u><\$38.95></u> | Handwritten note accompanying the receipt documentation states that this transaction is a refund due to taxes charged on the initial transaction. Initial transaction was 04/23/2009. |
| <u>04/29/2009</u> | <u>Wal-Mart</u> | <u><\$99.88></u> | Handwritten note states that the receipt for this credit transaction is missing. Note further states that the transaction was for the refund of the printer purchased on 04/23/2009. Credit transaction did not include sales tax paid in the amount of \$8.36. |
| | | <u>\$7.28</u> | Total amount of sales tax paid and refund not obtained. |

OUTCOME: The cardholder is no longer with the Agency. In the future, refunds will be handled by the P-Card Administrator or the P-Card Administrator will accompany the back-up Administrator to ensure the appropriate handling of all refunds and/ or exchanges.

Auditor's Note: *The findings noted for this agency during our purchase card continuous monitoring has lead to the agency being added to the regular audit schedule for a detailed purchase card audit.*

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NOTED ITEMS

*Items noted during review process. These items were handled by the Agency **prior to** DCS Audit review.*

PROHIBITED PURCHASE

Agency #1

A travel card was utilized to pay for lodging for an employee. During this stay there was a long distance charge of \$5.23 that was billed to the room. Upon review by Agency administration, the charge was found and the employee reimbursed the Agency.

Agency #2

Cardholder erroneously used their purchase card for a food purchase. The cardholder was unable to have the merchant reverse the charges. A letter was provided by the cardholder to the P-Card Administrator acknowledging the purchase. Cardholder has reimbursed the Agency.

Agency #3

A standard card was used to purchase airfare. The cardholder realized their error and attempted to credit the transaction and charge the transaction to their travel card. Credit to the standard card could not be performed due to the ticket being non-refundable. The Agency made the State Purchase Card Administrator aware of this transaction.
