



## OKLAHOMA DISTRICT ATTORNEYS COUNCIL

### PURCHASE CARD COMPLIANCE AUDIT

FOR THE PERIOD JANUARY 1, 2011 TO MAY 31, 2012

## STATE OF OKLAHOMA OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES

### DIVISION OF CAPITAL ASSETS MANAGEMENT

### AUDIT UNIT

REPORT RELEASED SEPTEMBER 28, 2012

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#### AUDIT PERFORMED BY

JoRay McCoy, Chief Auditor  
Megan Hannabass, Senior Auditor  
Brittany Porter, Auditor

#### [AUDIT CONCLUSION](#)

Based on our audit, we have determined the District Attorneys' Council has significantly complied with the following objectives audited.

- Determine if the Agency has implemented internal controls and if the Agency's controls are operating 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.

However, there were deficiencies noted during the audit. Some of these deficiencies include; lack of sufficient transaction documentation and the use of merchant preferences. The Agency has provided corrective action plans, which we believe will ensure the Agency complies, in all material respects, with the aforementioned requirements.

#### [AUDIT FINDING SUMMARY](#)

**[FINDING 01-220-01](#)** The Agency did not furnish proper documentation for six transactions and did not obtain approval for one cardholder's monthly statement.

**[FINDING 01-220-02](#)** The Agency made three purchases that were outside of the purchase card merchant preferences.

*(The most significant audit findings are detailed in our audit reports. Detailed information for any remaining concerns or considerations has been provided to the Agency's Management.)*



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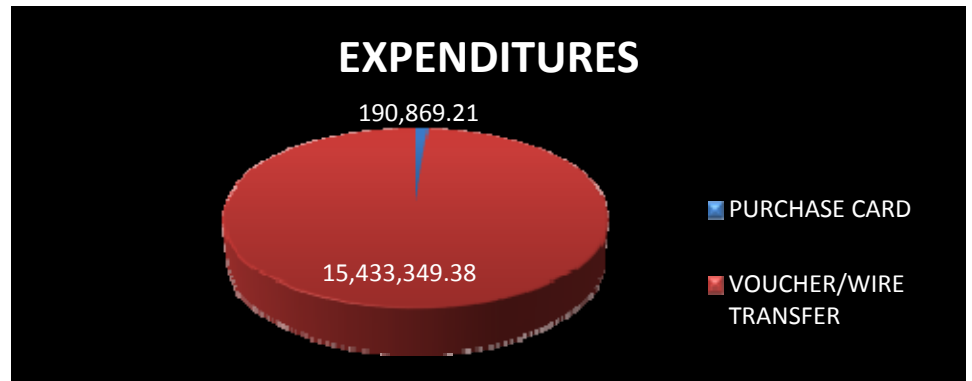
*This audit was performed pursuant to 74 O.S. § 85.5.E. and the State of Oklahoma Purchase Card Procedures in accordance with Generally Accepted Government Auditing Standards.*



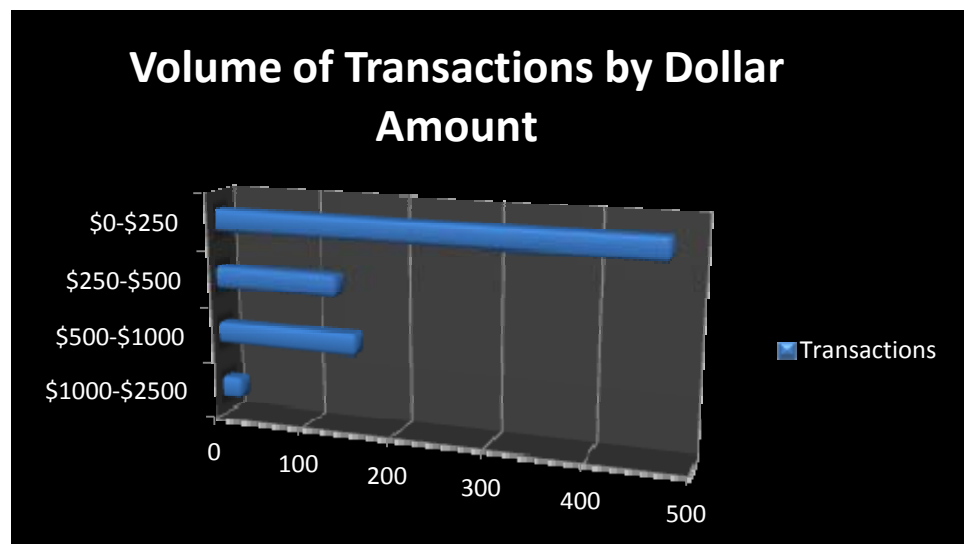
*The Office of Management and Enterprise Services, Department of Capital Asset Management's Audit Unit completed an audit of the District Attorneys' Council referred to as the "Agency" within the audit report. Our audit was to determine if the Agency's purchase card program for the period January 1, 2011 to May 31, 2012 complied with the audit objectives.*

### AUDIT OVERVIEW

As of May 31, 2012 the Agency had one cardholder and one approving official. 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. The Agency utilizes their purchase card program for airfare and purchase office or business supplies. The agency had 837 purchase card transactions during the audit period.



Our population for substantive testwork consisted of 837 transactions totaling \$190,869.21. For testwork under \$5,000, we used the classical variable sampling method with a minimum confidence level of 95% and an expected proportion of errors equal to six. We randomly selected 11



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transactions totaling \$5,708.11. For airfare testwork we also used the classical variable sampling method with a minimum confidence level of 99.1% and an expected proportion of errors equal to six. We randomly selected 13 transactions totaling \$10,164. Due to the small size of the Lodging population (17 transactions), we selected our sample testwork population judgmentally. Based on auditor judgment we visually scanned the testwork population to select six additional suspicious transactions.

### DETAILED FINDINGS

#### **Finding 12-220-01: Approving Official/Receipts**

**Criteria:** State of Oklahoma Purchase Card Procedures § 6.4 Receipts for purchase states in part, "Receipts shall be obtained for all purchases... If a receipt is not furnished by the merchant (as may be the case with a phone or internet order), documentation such as an order confirmation, packing slip, or invoice, etc. shall be obtained and shall contain an itemized and detailed description of the purchase;..."

State of Oklahoma Purchase Card Procedures §6.8.2 State Entity Approving Official(s) responsibilities, states in part:

**6.8.2.1** State Entity Approving Official(s) shall review the P/Cardholder's reconciled statement and transaction documentation for accuracy, completeness, appropriateness of the purchase and whether the transactions were conducted according to State statutes, rules, these Procedures, and sound business practice.

**6.8.2.3** 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 noted during substantive testwork that the final itemized receipts for airline purchases were not obtained by one cardholder. We pulled six additional airline transactions from cardholder (2871) to support our finding. None of the six airline transactions totaling \$3,611.70 were supported by a final itemized receipt. The cardholder was responsible for \$57,200.27 or 40% of the Agency's airline transactions during the audit period. The cardholder is no longer with the Agency and airline receipts from the current cardholder are properly supported.



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We also noted during our substantive testwork that the month of June 2011, the same cardholder's (2871) monthly statement was not approved by the Approving Official. The monthly statement totaled \$2,757.36.

**Cause:** Both the cardholder and the approving official assumed that the purchases were adequately supported.

**Effect or Potential Effect:** By not providing adequate documentation to support a purchase, we were unable to determine what was purchased, at what cost and quantity, and if the purchase was made for legitimate and valid governmental purposes. In addition, insufficient receipting documentation creates an opportunity for unauthorized transactions to occur and go undetected.

**Recommendation:** The Agency should ensure that a receipt, order confirmation, or confirmation order number supports all purchases made. We further recommend the approving officials review the supporting documentation for completeness during their review.

#### **Management's Response – Concur**

**Date:** 09-24-2012

**Respondent:** Director of Finance

**Response:** DAC concurs with the finding and has already corrected this finding. The employee who was responsible is no longer employed with the agency and all other employees have been advised of the requirements outlined in the finding.

#### **Corrective Action Plan**

**Contact Person:** Director of Finance

**Anticipated Completion Date:** 09-24-2012

**Corrective Action Planned:** Advise all pcard holders of the requirement for itemized receipts and review PCard procedures with all pcard holders on a yearly basis.

#### **Finding 12-220-02: Approving Official/Receipts**

**Criteria:** State of Oklahoma Purchase Card Procedures **§6.2.6 Merchant Preferences**, states in part:

**6.2.6.1 State Use Committee.** 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. State entities shall reference the State Use Committee procurement schedule to ensure P/Card purchases are pursuant to 74 O.S. §3007.

...



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State of Oklahoma Purchase Card Procedures **§6.2.9 OSF Agency Acquisition Request, Form 115**, states, "information technology and telecommunication acquisitions are subject to 62 O.S. §34.12 and §34.21 and may require prior approval from OSF and execution of OSF Form 115."

**Condition:** We statistically pulled a random sample of 11 transactions totaling \$5,708.11 to review for compliance with merchant preferences. We noted that three transactions did not meet the requirements.

TXN NUMBER	ITEM TOTAL	CARD LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00069961	617.72	0719	07/18/2011	MOISANT PROMOTIONAL PROD

The Agency failed to comply with merchant preferences on the first transaction (TXN 00069961) because they desired the script, "Oklahoma District Attorneys," on the cover of the padfolios be applied using debossing as opposed to embossing. The item was available using a state use contractor but the Agency chose an outside vendor.

TXN NUMBER	ITEM TOTAL	CARD LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00105622	292.30	0719	10/19/2011	CUSTOM USB PRODUCTS
TXN00110127	1198.28	0719	11/02/2011	CUSTOM USB PRODUCTS

While testing TXN 00105622, we noted that the client was unable to purchase their item because of a time restraint. The item needed to be delivered within six days. The Agency corresponded with the State Use vendor and they were informed that they required at least 10 days for production. While continuing our testwork, we ran across a copy of the exact same correspondence in the documentation of another transaction (TXN 00110127). The transaction (TXN 00105622) was also an Information Technology related item, requiring Form 115, however, pre-approval was not obtained.

The documentation for the transaction (TXN00110127) included a requisition form that was dated 9/29/2011, however, it was not ordered until 11/1/2011 from the same vendor used in TXN 00105622. The Agency did not allow the more than available time necessary for the State Use vendor to produce the item; therefore not complying with merchant preferences.

These two transactions have the following exceptions:

- Quotes from outside vendors were obtained for both purchases and the State Use vendor was not



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involved in the initial acquisition process. The State Use vendor should have been considered in planning phase of the purchase. No quotes would have been necessary since the State Use vendor supplied the products.

- There is no support in the file indicating these purchases were received by the Agency. Policy requires a packing slip to accompany the purchase card documentation.

**Cause:** A vendor was previously selected prior to the purchasing process.

**Effect or Potential Effect:** Pre-approved products from the qualified nonprofit entities were not purchased by the Agency.

**Recommendation:** We recommend the Agency cardholders to use mandatory statewide State Use products and services when available.

#### **Management's Response – Concur**

**Date:** 09-24-2012

**Respondent:** Director of Finance

**Response:** DAC concurs with the finding.

#### **Corrective Action Plan**

**Contact Person:** Director of Finance

**Anticipated Completion Date:** 09-30-2012

**Corrective Action Planned:** Advise all employees and supervisors of the requirements to use mandatory statewide State Use products and services when available. As the DAC PCard Administrator, I will initiate a more comprehensive review of all purchasing practices to eliminate this problem in the future.





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### APPENDIX

#### METHODOLOGY

- Interviews were conducted with the Agency's staff members.
- Internal controls over the purchase card program were documented and evaluated.
- A statistical sample of transactions from cardholders was examined.
- Overall program compliance with the State of Oklahoma Purchase Card Procedures and rules promulgated thereto was evaluated.

#### EXECUTIVE SUMMARY

##### *Organization*

Mission Statement – To strengthen the criminal justice system in Oklahoma by providing a professional organization for the education, training, and coordination of technical efforts of all state prosecutors.

Personnel – 47 unclassified, non-merit (per Oklahoma Agencies, Boards, and Commissions, as of September 1, 2011)

##### Key Staff

(During the Audit Period)

Suzanne McClain Atwood, Executive Coordinator

Timothy "Bud" Webster, Director & P/Card Administrator

Sema Solis-Brazell, P/Cardholder





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### 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 MANAGEMENT AND ENTERPRISE SERVICES  
DIVISION OF CAPITAL ASSETS MANAGEMENT**

September 28, 2012

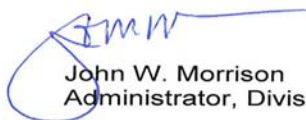
**TO SUZANNE MCCLAIN ATWOOD, EXECUTIVE COORDINATOR:**

With this letter, we transmit the report of the Oklahoma District Attorneys Council purchase card program audit for the audit period January 1, 2011 to May 31, 2012.

We performed the audit in accordance with professional auditing standards to ensure the Oklahoma District Attorneys Council's purchase card program administered by the Office of Management and Enterprise Services, Division of Capital Assets Management 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 Division of Capital Assets Management website, <http://dcam.ok.gov>.

Sincerely,



John W. Morrison  
Administrator, Division of Capital Assets Management

*"Committed to Quality"*

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