

JOHN S. RICHARD
Director



BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

June 23, 2006

TO BOB L. BLACKBURN Ph.D., EXECUTIVE DIRECTOR & STATE HISTORIC PRESERVATION OFFICER AND TO THE BOARD OF OKLAHOMA HISTORICAL SOCIETY

With this letter, we transmit the report of the Oklahoma Historical Society purchase card program review for state fiscal year 2005.

We performed our review in accordance with professional auditing standards to ensure that the State's resources, procurement processes, and procedures are used in an ethical, effective, and efficient manner.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of the engagement.

Sincerely,



John S. Richard
Director of Central Services

"Committed to Quality"

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**DEPARTMENT OF CENTRAL
SERVICES
AUDITING UNIT**

Oklahoma Historical Society

Purchase Card Audit

For the period July 1, 2004 thru June 30, 2005

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PURPOSE, OBJECTIVE AND SCOPE

The Department of Central Services, Auditing Unit has completed an audit of Oklahoma Historical Society, hereinafter referred to as the "Agency", purchase card program for the period July 1, 2004 through June 30, 2005. The purpose of this report is to communicate the results of the audit.

The objective of this audit was to:

- determine if the Agency's purchase card program is in compliance with laws and regulations;
- determine if the Agency's purchase card program is in compliance with approved internal purchasing procedures as they relate to the acquisition process of using purchase cards; and
- make recommendations for improvements.

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*.

METHODOLOGY

- Interviews were conducted with the Agency's staff members.
- Internal controls over the p/card program were documented and evaluated.
- Transactions from the cardholders were examined.
- Overall program efficiency and effectiveness was evaluated.
- Overall program compliance with the State of Oklahoma Purchase Card Procedures and rules promulgated thereto was evaluated.

EXECUTIVE SUMMARY

Organization

The Oklahoma Historical Society, both a state agency and a private membership organization, is dedicated to the preservation and perpetuation of Oklahoma's history. Founded in May 1893 by the Oklahoma Territorial Press Association, it was declared an agency of the territorial government in 1895. The central offices; the Oklahoma Museum of History; extensive collection of books, manuscripts, newspapers, photographs, genealogical and other historical research materials, maintained in the Library and Archives *divisions are housed in the Wiley Post Historical Building. The Chronicles of Oklahoma and Mistletoe Leaves are both published by the Historical Society.*

The mission statement of the Oklahoma Historical Society is to preserve and perpetuate the history of Oklahoma and its people by collecting, interpreting and disseminating knowledge of Oklahoma and the Southwest.

Agency

As of September 1, 2004 the Agency is made up of 137 classified, 5 unclassified, and 10 temporary staff members. At the time of the review, there were 67 purchase card cardholders in the Agency.

Key Staff:

Bob L. Blackburn, Ph.D., Executive Director and State Historic Preservation Officer
Robert L. Thomas, Deputy Executive Director
Melvena Heisch, Deputy State Historic Preservation Officer
Terry Howard, Comptroller

Oklahoma Historical Society Board Members:

Alex Adwan	Shirley Nero
Jack Baker	Bill Pennington
Thomas Brett	Ken Rainbolt
Roger Bromert	Sally Soelle
Bill Corbett	Emmy Stidham
Thalia Eddleman	Barbara Thompson
LeRoy Fischer	James Waldo
Denzil Garrison	
Aulena Gibson	
Bill Gustafson	
Jack Haley	
Louise James	
James Kemm	
Marvin Kroeker	
Dan Lawrence	
Leonard Logan	
John Mabrey	
Paul Matthews	

AUDIT RESULTS

Purchase Card Economy Results

Estimated Savings - The purchase card program saved the Agency an estimated net savings of \$47,649.50 during state fiscal year 2005. This is 12.4% (\$47,649.50 estimated savings / \$383,007.75 total expenditures) of the total dollars expended using the purchase card. This is an average estimated savings of \$22.27 per transaction for the Agency. A majority of the savings was contributable to the cost associated with the time saved by using the purchase card rather than traditional governmental purchasing methods. Additional savings include the purchase card rebate and transaction fees. The Agency stated they were able to make purchases using the purchase card that they previously could not make. The Agency also stated other benefits in using the purchase card such as the cardholders' ability to review, edit, and print transaction logs and statements online. In cardholders performing these functions, savings were realized in time, postage, and etc.

Questioned Cost – We noted a total extrapolated question cost of [\\$32,281.73](#) for insufficient or inadequate receipt documentation and an understated inventory amount of [\\$5,488.10](#) for not including purchase card purchases on the inventory schedule during the audit period. We also noted a net additional extrapolated cost of [\\$323.26](#) in relation to mandatory statewide contract requirements.

Findings and Recommendations

Findings and recommendations are reported based on audit significance.

FINDING 05-350-03

Criteria: State Purchase Card Procedures § 3.5, State Entity P/Card Administrator, states in part, “The state entity individual designated by the entity Chief Administrative Officer to manage, on a day-to-day basis and in detail, the p/card program for the entity.”

State Purchase Card Procedures § 6.1.2, Application, states in part, “Application for p/card(s) shall be made by the state entity submitting a Purchase Card Cardholder Account Form.... The Entity P/Card Administrator shall retain signed copies of all mailed electronic submissions.”

State Purchase Card Procedures § 6.9.3, Entity retention of statements, states in part, “Entity p/card procedures shall designate where state entity approving officials shall retain reconciled statements and supporting documents and to make available upon request by OSF and/ or DCS for review and audit purposes.”

The United States General Accounting Office, GAO/AIMD-00-21.3.1, Internal Control Standards, Control Activities, states in part:

Control activities occur at all levels and functions of the entity. They include a wide range of activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation.

Condition / Criteria: The Oklahoma Historical Society Purchase Card Administrator was responsible for managing and monitoring a purchase card program with five approving officials and sixty-seven cardholders during the audit period reviewed. For state fiscal year 2005, the Agency had a total dollar volume of \$ 383,007.75. We have determined based upon our testwork that the Purchase Card Administrator for the Agency did not manage the purchase card program efficiently and effectively based upon the exceptions noted below and the other audit findings reported during this audit.

1. Five of seventeen (29.4%) cardholders added to the agency's p-card program during state fiscal year 2005 did not have a signed Purchase Card Employee Agreement form on file. In addition, all five designated approving officials for the agency have not signed a Purchase Card Employee Agreement form.

State Purchase Card Procedures § 3.10, Purchase Card Employee Agreement, requires the Purchase Card Employee Agreement form to be signed by P/Card Administrators, Approving Officials, and Cardholders before p/cards are issued and duties are assumed. State Purchase Card Procedures § 6.1.3, Employee p/card agreement, requires the P/Card Administrator to maintain the original signed copy of the Purchase Card Employee Agreement Form.

2. Two of the five (40%) designated approving officials for the agency have not attended mandatory p-card training.

State Purchase Card Procedures § 3.9, Training, requires approving officials to complete training prescribed by the State Purchasing Director prior to the assumption of duties.

3. The agency does not appear to have an established internal procedure or process for the retrieval of purchase cards held by terminated employees. There were three cardholders who terminated their employment with Oklahoma Historical Society during state fiscal year 2005. There was no written documentation available for review showing the date p/card was cancelled with JP Morgan Chase.

State Purchase Card Procedures § 6.10, Card security, requires that the P/Card Administrator document the date a p/card is cancelled with the bank. In addition, the agency is to establish an internal procedure to ensure p/cards are retrieved from terminated employees.

4. Three cards were reported lost / stolen during state fiscal year 2005. Completed Stolen Notification forms were not available for review.

State Purchase Card Procedures § 6.11, Lost or stolen cards, requires that a Stolen Card Notification form be provided to the P/Card Administrator.

5. Commercial Card Cardholder Account forms for 100% (seventeen cardholders) of the cardholders added to the Agency's purchase card program for state fiscal year 2005 were not available for review.

State Purchase Card Procedures § 4.2, Implementation instructions, requires Commercial Card Cardholder Account Form to be signed by the P/Card Administrator and faxed to the bank.

6. Three of twelve (25%) Purchase Card Employee Agreement forms for state fiscal year 2005 were completed after the cardholder began using their purchase card and assuming their duties and responsibilities as a cardholder.

State Purchase Card Procedures § 3.10, Purchase Card Employee Agreement, requires the Purchase Card Employee Agreement form to be signed by P/Card Administrators, Approving Officials, and Cardholders before p/cards are issued and duties are assumed.

7. Seven of twelve (58.3%) Purchase Card Employee Agreement did not include the dollars per cycle limitation and/or dollars per cycle transaction limitation.

State Purchase Card Procedures § 6.1.3, Employee p/card agreement, requires that the Purchase Card Employee Agreement form contain card limitations that apply to the employee.

8. Eight cardholders for the agency had minimal to no purchase card activity for state fiscal year 2005. It is the practice of Oklahoma Historical Society to allow cardholders to keep purchase card once the purchase card has been issued. There are no periodic reviews made to ensure that there is a business necessity for the cardholder to have a purchase card.
9. P/Card Administrator does not monitor the Agency's purchase card program on a daily basis. Only infrequent cursory reviews are made.
10. Not all cardholders of the Agency have computer access to their memo statement through Pathway Net. These cardholders do not have the opportunity, methods or tools to review their card activity during the month and are limited in their ability to determine in a timely manner if any misuse of their purchase card has occurred.

Cause: P/Card Administrator is not fully cognizant of the requirements of running an effective and efficient p/card program.

Effect: By not managing the p/card program in detail and daily, the P/Card Administrator creates an environment whereby there are no established controls to ensure the program is operating efficiently and effectively. The P/Card Administrator also creates the opportunity for misuse and abuse of the purchase card in the absence of compensating controls.

Recommendation: We recommend the Agency evaluate the effectiveness and impact of the current P/Card Administrator in administering the p/card program of the agency. Changes to program and administration of the p/card program should be made accordingly.

This finding will be forwarded to State Purchase Card Administrator and the State Purchasing Director to review the agency's corrective action plan.

Management's Response:

Date: 06/13/2006

Respondent: Terry Howard, Comptroller

Response: Concur - The OHS will review the performance of the Agency Purchase Card Administrator and will take any corrective action necessary to facilitate the proper supervision of the agency purchase card program.

Corrective Action Plan

Contact Person: Terry Howard, Comptroller

Anticipated Completion Date: 08/15/2006

Corrective Action Planned: The OHS will appoint a different employee to be the agency Purchase Card Administrator.

FINDING 05-350-05

Criteria: State Purchase Card Procedures § 6.9.1, Cardholder responsibility, states in part, "The memo statement shall be reconciled by the cardholder and submitted to the cardholder's designated State Entity Approving Official... In reconciling the statement, cardholders should use appropriate documents (i.e. transaction log, purchase receipts, receiving documents, credit receipts) to verify that purchases and returns are accurately listed on the memo statement. All cardholders (including Entity P/Card Administrators and Approving Officials for other cardholders) must have their reconciliation approved by an approving official at least one level above their position."

State Purchase Card Procedures § 3.9, Training, requires approving officials to complete training prescribed by the State Purchasing Director prior to the assumption of duties.

Condition: We noted the following during our internal control and substantive testwork:

1. The Administrative Assistant at a satellite location is completing the reconciliation for all cardholders at this location.
2. 25 out of 180 (13.9%) transaction logs and memo statements did not reconcile or the memo statement and/or the transaction logs were not present.
3. Three cardholders who are also approving officials for other cardholders serve as their own approving official. There is also a cardholder who performs duties as an approving official but is not one level above cardholders' position.
4. During substantive testing, 90 out of 180 (50%) cardholder memo statements were not signed by the cardholder's designated approving official.
5. Two of the five (40%) designated approving officials for the agency have not attended mandatory p-card training.

Cause:

1. It is more efficient to have one individual perform all reconciliations.
2. Approving officials are not determining if the cardholders are matching receipts to the transaction log and the transaction log to the memo statement.

3. & 4. Oklahoma Historical Society was not aware that an individual one level higher than cardholder's position must approve all cardholder reconciliations. Additionally, Oklahoma Historical Society was not aware that the memo statement in addition to the transaction log should be signed and dated by the approving official.

5. Oklahoma Historical Society was not aware that all approving officials had not attended mandatory purchase card training.

Effect:

1. Cardholders are not assuming responsibility for transaction maintenance and recordkeeping.

2. By not matching receipts to the transaction log and the transaction log to the memo statement, erroneous charges will not be identified and misstatements may occur.

3. & 4. By not having a designated approving official one level above the cardholder's position, there does not exist a separation of duties and responsibilities for effective oversight. In addition, it cannot be determined if the designated approving official by signing the memo statement has reviewed the memo statement for accuracy, completeness, appropriateness as it relates to the agency function, and in accordance with merchant preference requirements.

5. By not having received required training, approving officials may not be fully aware of their duties and responsibilities as an approving official.

Recommendation: We recommend to Oklahoma Historical Society:

1. Cardholders reconcile their own statements and use all supporting documentation to reconcile transaction log and memo statement.

2. The designated approving official ensure that the transaction log and memo statement reconcile before signing memo statement indicating concurrence with cardholder reconciliation.

3. & 4. Oklahoma Historical Society designate approving officials are at least one level above cardholders' position and that a designated approving official signs all cardholder memo statements.

5. The approving officials who have not previously attended purchase card training attend training. We recommend all approving officials for the Agency to re-attend purchase card training to reinforce primary duties and responsibilities of the approving official.

Management's Response:

Date: 06/13/2006

Respondent: Terry Howard, Comptroller

Response: Partially Concur - Cardholders are responsible for reconciling their own statements and supporting documentation. The Administrative Assistant referred to in item # 1 was not performing the reconciliation for the cardholder. She was auditing the information to make sure it was complete before sending it to the Finance division. All other items, the OHS concurs that corrective action is needed.

Corrective Action Plan

Contact Person: Terry Howard, Comptroller

Anticipated Completion Date: 08/15/2006

Corrective Action Planned: The OHS will reiterate the above issues regarding reconciliation and proper chain of approval at a future mandatory training meeting. The approving officials who lacked training have attended training since the audit was completed and issues with approving officials being one level higher than cardholder have also been addressed and corrected.

FINDING 05-350-10

Criteria: State Purchase Card Procedures § 5.1, Encumbering funds (version March 28, 2001), states in part, "State entities shall establish an encumbrance (either an authorization for payment or contract) with the Office of State Finance (OSF), rather than Bank One. Change orders to amend this encumbrance may be processed as necessary."

State Purchase Card Procedures § 5.1, Encumbering funds (version June 9, 2005), states in part, "State entities shall establish encumbrances as "authority order" purchase orders in the State Purchasing System. Agencies are required to create a minimum of one authority for each type of P/Card in use... Change orders to amend these encumbrances may be processed as necessary."

Oklahoma Constitution Article 10 § 23, Balanced budget, states in part, "The state shall never create or authorize the creation of any debt or obligation, or fund or pay any deficit, against the state, or any department, institution or agency thereof, regardless of its form or the source of money from which it is to be paid ..."

Office of State Finance Procedures Manual Chapter 200, Prior Approval and Encumbrance Before Purchase- Executive Summary, states in part:

Except as otherwise provided, state statutes require that whenever any agency enters into an agreement for the purchase of goods, wares, merchandise, contractual services, or construction projects for which labor and material must be furnished by outside vendors, such agreement shall be evidenced by written contracts or purchase orders encumbered by the agency within a reasonable time as determined by the Director of State Finance against the proper agency funds and accounts... Written contracts or purchase orders encumbered after thirty days must be justified by a letter for the delay.

Condition: Oklahoma Historical Society did not establish an encumbrance for the purchase card program for fiscal year 2005.

Cause: Agency is not sure by what method purchases are to be made throughout the year, i.e. by purchase order or by purchase card. Therefore, funds are not encumbered specifically for the purchase card.

Effect: The agency created an unauthorized obligation for the State. For state fiscal year 2005, the Agency expended \$383,007.75 in the purchase card program.

Recommendation: We recommend the Agency establish one authority order for each type of purchase card in use by the Agency and encumber the proper amount of funds. We also recommend the Agency put in place controls to monitor each authority order to determine if an adequate encumbrance balance is available before expenditures are made.

Management's Response:

Date: 06/13/2006

Respondent: Terry Howard, Comptroller

Response: Partially Concur - The OHS keeps track of expenditures with an internal accounting system that mirrors the State Finance system. Purchase card expenditures were kept within budgetary limits internally therefore not jeopardizing state funds. However, the OHS has set up authority orders for each type of purchase card to keep within the state purchase card procedures.

Corrective Action Plan

Contact Person: Terry Howard, Comptroller

Anticipated Completion Date: Completed

Corrective Action Planned: Authority orders have been established and used for the entire 2006 fiscal year.

FINDING 05-350-04

Extrapolated Questioned Costs: \$32,281.73

Criteria: State Purchase Card Procedures § 6.5, Receipts for purchase, states in part, "Receipts shall be obtained for purchases. If a receipt is lost, the cardholder shall note the loss on the transaction log and complete a Lost Receipt Report. The Lost Receipt Report shall be included in the cardholder's reconciliation submission."

Purchase Card Employee Agreement Form point #11 states, "I understand that I am personally responsible for obtaining all purchases and credit documents and submitting them in accordance with State p/card procedures."

State Purchase Card Procedures § 6.9.1, Cardholder responsibility, states in part, "In reconciling the statement, cardholders should use appropriate documents (i.e., transaction log, purchase receipts, receiving documents, credit receipts) to verify that purchases and returns are accurately listed on the memo statement."

Condition: We noted the following during our testwork:

1. During review of internal controls, a cardholder completed and submitted two Lost Receipt Reports with their transaction log 5 months after date of the purchase of goods and services. The first Lost Receipt Report was completed on May 17, 2005 for a December 6, 2004 purchase. The second Lost Receipt Report was completed on May 17, 2005 for a December 20, 2004 purchase. There was also a purchase made by the same cardholder that was not supported by a receipt, an order confirmation, or an order confirmation number. Total of these purchases is \$ 191.34.

2. During substantive testing, three of 246 (1.2%) individual transactions were not supported by a receipt or a Lost Receipt Report. Total of these transactions is (\$511.22).
3. In review of internal controls, a merchant copy of a credit card charge receipt was used as supporting documentation for the purchase card purchase. The credit card charge receipt did not provide an itemization of what was purchased. Also in substantive testing, there were 17 of 246 (6.9%) individual transactions that were not supported by sufficient receipt documentation. Total of transactions is \$4,030.77.

These transactions combined totaled \$3,710.89. This amount extrapolated across total purchase card population for state fiscal year 2005 is [\\$32,281.73](#).

Cause:

1. Lost Receipt Report was completed upon discovery of missing receipts for purchase of goods and services.
2. Required supporting documentation for purchases was overlooked.
3. Agency was not aware that supporting receipt documentation obtained for purchase card transactions was insufficient.

Effect: By not having sufficient receipt documentation, it is difficult to determine what was purchased, at what cost and quantity, and if the purchase was made for legitimate and valid governmental purpose and if prices paid were fair and reasonable. In addition, insufficient receipting documentation creates an opportunity for unauthorized transactions to occur and go undetected.

Recommendation: We recommend Oklahoma Historical Society ensure an original receipt supports all purchases for goods and services. In the absence of an original receipt, the vendor should be contacted and a copy of the receipt shall be obtained. If no supporting documentation can be obtained, Missing Receipt Form should be completed at the time the receipt is found to be missing.

Management's Response:

Date: 06/13/2006

Respondent: Terry Howard, Comptroller

Response: Concur - The OHS agrees that all supporting documentation should be attached to cardholder memo statements and should be received in a timely manner.

Corrective Action Plan

Contact Person: Terry Howard, Comptroller

Anticipated Completion Date: 08/15/2006

Corrective Action Planned: Proper receipt documentation will be covered at a future mandatory purchase card training session.

FINDING 05-350-01

Criteria: Oklahoma Administrative Code 580:15-6-3, State agency purchasing procedures, states in part:

(a) **Development.** State agencies shall develop internal purchasing procedures for acquisitions by the state agency.

(f) **Purchasing procedure amendments.** If a state agency desires to amend the state agency's internal purchasing procedures, the state agency shall submit the new procedures in their entirety to the State Purchasing Director for review pursuant to the provisions of these rules.

State of Oklahoma Purchase Card Procedures § 4.2, **Implementation submissions Note 5**, states, "Entity p/card procedures shall be made part of entity purchasing procedures."

Condition: We noted during our internal control testwork the Oklahoma Historical Society internal purchasing procedures were last approved by the Department of Central Services on January 4, 1999. This date was before the purchase card program was created. The agency has not submitted to the Department of Central Services revised internal purchasing procedures to include the p/card procedures.

Cause: Oklahoma Historical Society was not aware that revised internal purchasing procedures had not been submitted to the Department of Central Services for approval.

Effect: Oklahoma Historical Society internal purchasing policy and procedures do not include the purchase card procedures.

Recommendation: We recommend Oklahoma Historical Society submit revised internal purchasing procedures that include purchase card procedures to the Department of Central Services for approval.

Management's Response:

Date: 06/13/2006

Respondent: Terry Howard, Comptroller

Response: Partially Concur - The OHS does have internal purchasing procedures concerning the use of purchase cards and these procedures were provided at time of audit. However, the OHS did not have a copy of the original procedures as provided to DCS at the time the purchase card program was officially approved for use. Only a revised version was electronically available. DCS did not have a copy of the originally approved procedures in their files either. The OHS was not allowed to receive any purchase cards for the agency until internal purchasing procedures for purchase card use were submitted and approved to DCS.

Corrective Action Plan

Contact Person: Terry Howard, Comptroller

Anticipated Completion Date: 07/01/2006

Corrective Action Planned: Submit copy of internal purchasing procedures to DCS.

FINDING 05-350-02

Understated Inventory Amount: \$5,488.10

Criteria: State Purchase Card Procedures § 5.6, Inventory, states, “State entities shall establish procedures to ensure that items acquired using the p/card and exceeding \$500 in cost, or a different amount if approved by the Director of Central Purchasing are added to the inventory schedule pursuant to 74 O.S. § 110.1.”

74 O.S. § 110.2 states, “The Office of Public Affairs may require inventory records to be maintained at state departments, boards, commissions, institutions, or agencies of the state, of all classes of supplies, books, machinery, implements, tools, furniture, livestock, and other apparatus as the Office deems necessary in order to comply with the provisions of § 110.1 of this title.”

74 O.S. § 110.1.E. states, “Rules that the Director of Central Services promulgates shall cause all tangible assets to be properly coded, tagged, or marked in such a manner that they may be readily identified as property of the State of Oklahoma and that statistical records may be maintained.”

OAC 580:70-3-1c, Inventory report contents states:

1. the agency number
2. the asset tag number
3. the model and serial number, if any;
4. the manufacturer
5. the description
6. product name
7. physical location
8. acquisition date and cost
9. any other information that may be requested by the Department to ensure the integrity of state inventory records.

Condition: We noted during our internal control testwork the inventory schedule maintained by Oklahoma Historical Society does not contain sufficient information to verify assets were properly recorded and maintained by the Agency. Identifying information included only the asset number, manufacturer, date of purchase, item cost, and depreciation schedule. There was no item description, product name for the asset purchased, or model and/or serial number.

During testwork for internal controls and substantive, we reviewed six purchases that exceeded \$500. All six purchases were not included in the agency’s inventory schedule. These purchases and items are detailed below.

Acquisition Date	Item	Total Acquisition Cost
03.10.2005	120X 7 Home Theater Receiver	\$ 799.95
04.04.2005	OmniPage Pro 14 software	\$ 606.98

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06.07.2005	Flat Panel Monitor	\$ 646.94
06.08.2005	Computer	\$ 691.32
06.13.2005	Laptop	\$1,504.91
06.20.2005	Desktop Computer (2 purchased)	<u>\$1,238.00</u>
	UNDERSTATED INVENTORY AMOUNT	<u>\$5,488.10</u>

Cause: Oklahoma Historical Society was not aware the inventory schedule was incomplete.

Effect: By not maintaining adequate records of the Agency's inventory purchases exceeding \$500, the inventory cannot be properly tracked, the total value of inventory is understated, and the Agency does not have an accurate reporting of assets owned.

Recommendation: We recommend the Agency report and properly tag the inventory items noted in the condition. The Agency should also review and revise the Agency's inventory schedule to contain at a minimum the required information as prescribed by OAC 580: 70-3-1c in order to reflect the actual inventory maintained by the Agency. We further recommend the Agency revise purchasing policy and procedures to ensure that all purchases exceeding \$500 and are required to be inventoried are reported on the Agency's inventory schedule. Lastly, we recommend the Agency create and implement an adequate process for collecting, tagging, and reporting inventory items purchased by the Agency.

Management's Response:

Date: 06/13/2006

Respondent: Terry Howard, Comptroller

Response: Partially Concur - Three of the items above were listed on a separate IT inventory record and were in the format prescribed. The employee primarily responsible for inventory tracking in the Property Resources division retired in FY 2002 and the OHS has not been able to replace this individual since the revenue shortfalls in FY 2002 and FY 2003. The OHS is currently trying to build up staffing levels sufficient to take care of tracking inventory items on a permanent basis.

Corrective Action Plan

Contact Person: Terry Howard, Comptroller

Anticipated Completion Date: 09/01/2006

Corrective Action Planned: The OHS has acquired asset tracking software and bar code scanners and printers for inventory purposes. Bids are currently being taken from companies specializing in fixed asset inventory recording. The OHS acquired a very large amount of new fixed asset items in its move to the new History Center and is currently reviewing all internal methods of asset tracking to facilitate the proper documentation in the future. The OHS currently does not have sufficient staffing to perform the initial count and tagging of fixed assets in the History Center and hopes to get the majority of this accomplished through a private sector company. Funding levels for FY-07 will determine how much can be accomplished with regards to hiring a permanent FTE.

FINDING 05-350-06

Criteria: State Purchase Card Procedures § 6.7.1, Goods or services received at time of purchase, states in part, “The receipt for purchase also serves as the receiving document. It should be annotated “Received” and signed and dated by the receiving employee.”

Condition: During substantive testwork, we noted 109 of 246 receiving documents (44.3%) were not signed and dated, dated by the receiving employee, or annotated received by the receiving employee.

Cause: Oklahoma Historical Society was not aware that the cardholder should sign and date the receiving document and annotate ‘received’ when the cardholder is also the receiving employee.

Effect: If the receiving employee does not perform the required tasks related to the receiving document, there is no verification that goods and /or services were actually received.

Recommendation: We recommend the Agency instruct all cardholders and receiving employees the proper process to follow for documenting goods received, i.e. signing, dating, and annotating “received” on the receiving document.

Management’s Response:

Date: 06/13/2006

Respondent: Terry Howard, Comptroller

Response: Concur - The OHS agrees that receipts should be signed and dated accordingly.

Corrective Action Plan

Contact Person: Terry Howard, Comptroller

Anticipated Completion Date: 08/15/2006

Corrective Action Planned: Signing and dating receipts as received will be covered in a future mandatory training session.

FINDING 05-350-08

Criteria: State Purchase Card Procedures § 6.2.5, Merchant preferences, states in part, “P/Card purchases shall comply with the following preferences for certain merchants or types of contracts. The following are listed in the order of preference: State Use Committee, Oklahoma Corrections Industries (OCI), and mandatory statewide contracts.”

Purchase Card Employee Agreement, point #6, states, “I understand that the use of the p/card does not exempt me from requirements to obtain certain supplies from required sources as set forth in statutes and p/card procedures.”

Oklahoma Administrative Code 580:15-6-5 (1) (A), Mandatory statewide contract, states in part, “State agencies shall make acquisitions from mandatory statewide contracts regardless of the acquisition price... The State Purchasing Director shall grant exceptions prior to a state agency making the acquisition from another supplier.”

Condition: Purchases made for a toner cartridge on December 28, 2004 and a computer on April 29, 2005 were made outside of merchant preferences. The agency did not have approved exceptions by the State Purchasing Director on file for these purchases. Purchases made outside of merchant preference cost the State an additional \$37.16. The total additional extrapolated cost to the State is [\\$323.26](#).

Cause: Oklahoma Historical Society made an exception to the purchase requirements due to the readily availability of product and timeliness of the delivery of product.

Effect: By not making purchases from required merchant preferences, the control to ensure prices paid are reasonable for goods and services is circumvented.

Recommendation: We recommend the Agency inform Cardholder #146984 and Cardholder #856463 of the requirements of merchant preference. We also recommend the Agency discuss merchant preference requirements with new cardholders upon joining purchase card program and existing cardholders through communication describing the basics of how to identify and purchase products / services that require merchant preferences.

Management's Response:

Date: 06/13/2006

Respondent: Terry Howard, Comptroller

Response: Partially Concur - While the OHS would agree that sometimes savings can be achieved by using state contracts, it is also a known fact that some of the mandatory state contracts such as the computer contract with Dell have cost the OHS and the state thousands more than would have been spent from other vendors for the same purchases. The OHS has purchased approximately 40 additional new computers on the Dell state contract for patron use in the History Center and to replace severely outdated computers for staff. However, the OHS will take corrective action as stated below to ensure that mandatory state contracts are adhered to in the future whether cost savings will be achieved or not.

Corrective Action Plan

Contact Person: Terry Howard, Comptroller

Anticipated Completion Date: 08/15/2006

Corrective Action Planned: Hold mandatory in-house purchase card training class for all major division purchase card coordinators and approving officials. A current handout listing all mandatory as well as non-mandatory state contracts will be provided and the process for buying products or services from these contracts will be reviewed. The division purchase card coordinators will disseminate this information to all staff in their respective divisions.

FINDING 05-350-07

Criteria: State Purchase Card Procedures § 6.9.1, Cardholder responsibility, states in part, "After confirming the transactions on the memo statement, the cardholder shall sign and date the transaction log, indicating that the cardholder did make the purchases."

Condition: During our testwork, 14 out of 180 (7.8%) transaction logs were noted as being unsigned by the cardholder.

Cause: Absence of signatures on the transaction log was an oversight by the cardholder.

Effect: In the absence of the cardholder's signature on the transaction log, there is no indication the cardholder verified the purchases.

Recommendation: We recommend the Agency instruct all cardholders to sign and date their transaction log at the end of each billing cycle.

Management's Response:

Date: 06/13/2006

Respondent: Terry Howard, Comptroller

Response: Concur - The OHS agrees that all transaction logs should be signed.

Corrective Action Plan

Contact Person: Terry Howard, Comptroller

Anticipated Completion Date: Completed

Corrective Action Planned: Transaction logs are checked at three different levels of review and are returned at the final review from the Finance Division to division coordinators if all signatures are not accounted for.

FINDING 05-350-09

Criteria: State Purchase Card Procedures (Revision date of 3/28/01) § 5.4, states in part, "...Payments to OSF should be made within 21 days after the end of the billing cycle, but no later than the end of the subsequent billing cycle."

Condition: The invoice for the July 2004 statement, dated July 27, 2004, did not appear to be paid until September 1, 2004 based upon the voucher date. This invoice totaled \$24,200.64 for the charges represented by 34 purchase cards.

Cause: Oklahoma Historical Society was not able to process the payment timely due to not receiving all reconciled memo statements in a timely manner.

Effect: The late payment could result in penalties incurred and the loss of revenue sharing.

Recommendation: We recommend the Agency process payments in a timely manner.

Management's Response:

Date: 06/13/2006

Respondent: Terry Howard, Comptroller

Response: Concur - In order to make accurate payments with regard to sources of funding, the OHS waited until all memo statements were received from the field divisions to make payment to OSF.

Corrective Action Plan

Contact Person: Terry Howard, Comptroller

Anticipated Completion Date: Completed

Corrective Action Planned: The OHS has been making payment to the bank directly within 5 working days following the month of purchase card transactions according to OSF purchase card payment procedures. The OHS has also taken measures to

expedite the process of receiving purchase card information from the outlying field locations.

OVERALL CONCLUSION

Based upon our audit we have determined the Oklahoma Historical Society is not materially in compliance with the objectives reviewed. Major areas of incompliance include: appropriate documentation of transactions, completeness in recording transactions, ensuring individuals participating in the purchase card program are adequately trained and unapproved internal purchase card procedures. We believe since we have conducted our audit the Oklahoma Historical Society has taken significant steps to address many of our recommendations and plans to address all recommendations made. The Agency has also made progress in improving the operations of the purchase card program. The Oklahoma Historical Society has implemented corrective actions, which we believe will ensure the Agency will comply, in all material respects, with the aforementioned requirements.