

JOHN S. RICHARD
Director



BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

October 18, 2006

TO JEAN WILLIAMS, EXECUTIVE DIRECTOR, AND BOARD MEMBERS OF THE BOARD OF GOVERNORS OF LICENSED ARCHITECTS AND LANDSCAPE ARCHITECTS:

With this letter, we transmit the report of the Oklahoma Board of Governors of Licensed Architects and Landscape Architects procurement audit for state fiscal year 2005.

We performed our audit in accordance with professional auditing standards to ensure that programs administered by the Department of Central Services are conducted in compliance with the laws and regulations and 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,

A handwritten signature in black ink, appearing to read "Delmas Ford".

Delmas Ford, Chief of Staff
Department of Central Services

"Committed to Quality"

OKLAHOMA

Department of Central Services Auditing Unit



OKLAHOMA BOARD OF GOVERNORS OF LICENSED ARCHITECTS AND LANDSCAPE ARCHITECTS

PROCUREMENT AUDIT

For the period of 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 the Board of Governors of Licensed Architects and Landscape Architects, hereinafter referred to as the "Agency", procurement 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 is in compliance with provisions of the Oklahoma Central Purchasing Act;
- determine if the agency is in compliance with rules promulgated by the Department of Central Services pursuant to the Oklahoma Central Purchasing Act;
- determine if the agency is in compliance with provisions of Section 3001 et seq. of Title 74 pertaining to the State Use Committee;
- determine if the agency is in compliance with approved internal purchasing procedures;
- 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 procurement program was documented and evaluated.
- Procurement transactions were examined.
- Overall program compliance with the rules related to the audit objectives was evaluated.

EXECUTIVE SUMMARY

Organization

The Board of Governors of Licensed Architects and Landscape Architects was established by the Oklahoma Legislature in 1925. The board is responsible for the examination and licensing of architects and landscape architects after determining their eligibility. It also regulates the practice of architecture and landscape architecture with power to suspend, revoke, deny, refuse to renew, or reinstate licenses. The board itself is self-sustaining through collection of fees. The mission of the Board of Governors of Licensed Architects and Landscape Architects is to protect the life, safety, and welfare, of the people of Oklahoma, by administering the State Architectural Act which provides that all persons and firms practicing or offering to practice architecture or landscape architecture in this state submit evidence that he, she or the entity is qualified to practice and is licensed.

Agency

The Agency is made up of three unclassified, non-merit staff members as of October 16, 2006. During the time of the audit, the Agency did not have a certified procurement officer.

Key Staff:

Jean Williams- Executive Director
Leslie Hanska- Executive Assistant

Board Members:
Randy Weatherly, Chair
Frank Chitwood, Vice Chair
Jim Bruza
Joseph R. Coleman
Ben Graves
Connie Scothorn, Secretary-Treasurer
Harold Hite
James Loftis
Debbie Reynolds

AUDIT RESULTS

Questioned Cost – We noted on two occasions Agency airline tickets were not purchased in accordance with the law. We noted a total questioned cost of \$508.80 and the extrapolated questioned cost of \$661.87.

Findings and Recommendations

Findings and recommendations are reported based on audit significance.

FINDING 05-045-01: Travel

QUESTIONED COST: \$508.80

EXTRAPOLATED QUESTIONED COST: \$661.87

Criteria: Oklahoma State Statute 74 § 85.45k.B, **State Travel Office**, states, “All state agencies and departments of this state shall make arrangements for all air travel on scheduled commercial airlines for state employees required to travel in the course of their official duties and for all other persons traveling at state expense through the State Travel Office, except when the state agency determines that: 1. The air travel services can be secured at a cost less than that which can be secured by the State Travel Office...”

Office of State Finance Procedures Manual defines an employee as “head of an agency, an agency official, or any other person employed by a state agency. This definition also includes board and commission members, appointed and elected officials and other persons approved and authorized to perform official travel for the state pursuant to the provisions of the State Travel Reimbursement Act.”

Condition: During our testwork, we noted 2 of 34 (6%) transactions reviewed under \$2,500 were travel reimbursement claims paid to agency board members that did not meet the air travel purchasing requirements. In each case the board member included air travel as a reimbursable item. The airline tickets within these claims totaled \$508.80 (Claim #226 \$233.90 + Claim #231 \$274.90 = \$508.80) There is no documentation on file to indicate that the agency compared airline rates from the contracted travel agency to the open market before or after the board member purchased the air line tickets. The total questioned cost is \$508.80 and the extrapolated questioned cost is \$661.87.

Cause: The agency was unaware that board members were also required to follow the provisions of the state statutes regarding air travel.

Effect: There is the potential for the airline tickets purchased in the open market to be higher than the rates specified in the contract for travel agencies.

Recommendation: We recommend the Board of Governors and Licensed Architects and Landscape Architects should establish and implement procedures to document price comparisons between contract travel agencies and open market travel agencies prior to making travel arrangements for employees or persons on official business for the agency.

Management's Response:

Respondent: Executive Director

Date: 10/13/2006

Response: Partially Concur - The agency and all Board members are aware of the State Travel Act and copies were distributed to all Board members. It is my interpretation of the State Travel Act that all air fares were to be compared to and purchased under the airline rates that can be secured by the State Travel Office...meaning the mandatory contract for City/Pairs rates, the only contracted rate I know of and a current copy is in our requisition files that we use and compare rates. We compared our fares to the city/pairs fares and have not purchased over those rates, but rather have saved the state approximately 50% from the mandatory contracted pricing. This also allowed us to save the additional \$25.00 booking fee added to the travel agent's airline tickets.

Corrective Action Plan

Contact Person: Executive Director

Anticipated Completion Date: 10/13/2006

Corrective Action Planned: As of October 13, 2006, I will now require all Board members and staff to book all airline tickets through our contracted travel agent, with no exceptions.

Auditor Response: The Agency can determine the State receives the best and lowest price for commercial air travel, either through the contracted travel agent or a documented exception that includes an open market rate at a lower cost.

In all circumstances the Agency should document that they did receive a quote from the contracted travel agent for commercial airline tickets. It is not necessary the Agency to book all airline tickets through the contracted travel agent if the Agency has a documented exception. For example the Agency can document they compared airline rates with the contracted travel agency and the open market quote to determine the rate with the lowest cost.

FINDING 05-045-03: Authorized Signatures

Criteria: Oklahoma Administrative Code 580 § 15-6-11 (j) states; "State agencies shall provide the State Purchasing Director with a current original Authorized Signature Form. The form shall be dated and identify the name, title, and signature of those individuals designated by the appointing authority to sign and approve requisitions, sole source affidavits, change order requests, and surplus property transactions. The state agency shall submit revisions of the form to the State Purchasing Director within 30 days of any change in the authorized signatures."

Condition: Change orders for two purchase orders, 0459000017 and 0459000009, were signed and approved by an Agency employee who was not listed on the Authorized Signature Form. Each change order was to move the remaining purchase order balance from one fiscal year to the next.

Cause: The employee who signed the change orders was unaware that she was not authorized to sign such documents.

Effect: Change orders were approved by an unauthorized Agency individual. Unauthorized approvals of change orders increase the risk for the Agency to create an unauthorized obligation to the State and not complying with procurement requirements. There is the potential for purchasing misuse to occur.

Recommendation: We recommend the Board of Governors of Licensed Architects and Landscape Architects to ensure that only authorized employees sign purchasing documents on behalf of the Agency.

Management's Response

Date: 10/13/2006

Respondent: Executive Director

Response: Partially Concur - The unauthorized person signing the changes did think and so did I, that we were both authorized to sign these documents due to the fact we had previously submitted authorizations for the electronic method of making these changes and more. Apparently, there is a separate process for the manual process. This needs to be streamlined where one authorization suffices for all.

Corrective Action Plan

Anticipated Completion Date: 10/13/2006

Corrective Action Planned: The additional signature form has been filled out and will be sent 10/14/2006 to DCS to authorize the manual processing too.

Auditor Response: The Department of Central Services has only one authorized signer form, Form 001 Authorized Signature Form. This form should be used to obtain authorization for any employee to sign requisitions, change orders, sole source affidavits, and surplus property transactions.

FINDING 05-045-04: Purchase Orders

Criteria:

1. The General Accounting Office (GAO), Internal Control Management and Evaluation Tool (08/01), Common Categories of Control Activities Comments/Descriptions, states in part:
 8. Execution of Transactions and Events - Transactions and other significant events are authorized and performed by the appropriate personnel. ...Controls are established to ensure that all transactions and other significant events that are entered into are authorized and executed only by employees acting within the scope of their authority.

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9. Recording of Transactions and Events – Transactions and other significant events are properly classified and promptly recorded. ...Proper classification and recording take place throughout the entire life cycle of each transaction or event, including authorization, initiation, processing, and final classification in summary records.

2. The Board of Governors of Licensed Architects and Landscape Architects internal purchasing procedures § 7. states, “The Executive Director will monitor and evaluate all purchases and contract requisitions for compliance with the Central Purchasing Act, the rules of the Department of Central Services, provisions of the State Use Committee (Handicap vendors) and these internal procedures to the best of the Director’s ability.”

Condition:

1. During our review we noted 1 exception out of 14 (7%). We noted the amount authorized by the State Purchasing Director for one authority order was exceeded. The authority order #0459000016 was authorized for the amount of \$20,000. However, the total expenditures associated with the authority order totaled \$20,636.97. The expenditures exceeded the authorized authority order in the amount of \$636.97. The \$636.97 is a questioned cost.

Below is a list of claims that, once paid, exceeded the authorized amount for authority order #0459000016 of \$20,000. The PO Balance Expended column indicates the total amount expended against the purchase order after each claim was paid.

Claim #	Vendor	Date	Amount	PO Balance Expended
314	Corys Audio-Visual Services	4/15/2005	\$122.50	\$20,014.32
320	*	4/19/2005	\$84.24	\$20,098.56
328	*	4/19/2005	\$75.00	\$20,173.56
327	Mayfair Lock & Key	4/19/2005	\$106.50	\$20,280.06
334	Employees Benefit Council	5/12/2005	\$24.76	\$20,304.82
342	Federal Express Corp.	5/12/2005	\$94.94	\$20,399.76
380	Unidentified Vendor	6/15/2005	\$116.11	\$20,515.87
539	*	2/27/2006	\$96.34	\$20,612.21
360	Employees Benefit Council	5/26/2006	\$24.76	\$20,636.97
	* - Individuals intentionally not listed.			

2. During the review of internal controls the Executive Director indicated that she does not monitor or close purchase orders in PeopleSoft. A review of purchase orders set up during the audit period indicated that all contracts/encumbering documents remained open as of May 23, 2006, with ten of fourteen purchases still having outstanding encumbered balances.

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State fiscal year 2005 encumbering documents.

PO Number	PO Date	PO Amount	Expenses from 6 Digit Expenditure Rpt	Difference: PO - Expenses
0459000016	8/06/2004	\$20,000.00	\$20,636.97	-\$636.97
0459000017	8/09/2004	\$3,000.00	\$407.76	\$2,592.24
0459000018	8/23/2004	\$4,144.99	\$2,926.53	\$1,218.46
0459000019	9/14/2004	\$20,000.00	\$1,500.00	\$18,500.00
0459000020	9/14/2004	\$3,500.00	\$3,500.00	\$0.00
0459000021	2/07/2005	326.30	\$326.30	\$0.00
0459000022	3/31/2005	\$8,970.40	\$4,054.40	\$4,916.00
0459000023	4/18/2005	\$20,000.00	\$16,471.00	\$3,529.00
0459000024	4/25/2005	\$7,560.00	\$600.00	\$6,960.00
0459000025	5/01/2005	\$11,000.00	\$8,862.48	\$2,137.52
0459000026	5/04/2005	\$4,431.24	\$4,431.24	\$0.00
0459000027	5/26/2005	\$20,000.00	\$200.00	\$19,800.00
0459000028	6/02/2005	\$4,000.00	\$2,837.50	\$1,162.50
0459000029	6/30/2005	\$521.52	\$260.76	\$260.76

Cause: The Agency is not properly monitoring or closing out encumbering documents/contracts in a timely manner. This may be due to the Agency's unfamiliarity with the state procurement system.

Effect: The Agency may carry unnecessary encumbered balances or expends in excess of the authorized acquisition amount. Encumbered balances and contracts are not closed in a timely manner.

Recommendation: We recommend the Board of Governors of Licensed Architects and Landscape Architects not exceed the approved amount per the purchasing document and regularly review open purchase orders to ensure that the level of encumbered funds is adequate to cover foreseen expenditures. Additionally, the agency should ensure that purchase orders are adequately maintained throughout their lifecycle and closed in a timely fashion.

Management's Response

Date: 10/13/2006

Respondent: Executive Director

Response: Concur -

1. I was training the employee at the time and failed to notice the claim jacket had a purchase order number placed on claims for travel. Travel claims are never paid from any purchasing document. This is what overdrew the purchasing order. In normal circumstances, it would have never been paid, however, the State was in the middle of implementing the CORE online system and everything was going wrong. It was my error.

2. The purchasing orders are monitored by the employee posting the claims, but errors have occurred. We have failed to close out purchasing documents. We always keep them open past the June 30th fiscal year, as all expenditures are not in by that date.

Corrective Action Plan

Contact Person: Executive Director

Anticipated Completion Date: 11/13/2006

Corrective Action Planned: We have contacted State Finance and they are sending us their reports for all purchasing documents. The Executive Assistant will monitor the documents more closely and reconcile ours to theirs. Additionally, I am having our computer system changed to require the purchase order number on each claim. The Executive Assistant will close out all purchase documents for FY 04-05 and FY 05-06 that have expired or are no longer needed. Also, our Internal Purchasing Procedures are being submitted for changes as of 10/14/2006.

FINDING 05-045-02: Documentation

Criteria: Oklahoma State Statute 74 § 85.39.C states; “Each state agency shall maintain a document file for each acquisition the state agency makes which shall include, at a minimum, justification for the acquisition, supporting documentation, copies of all contracts, if any, pertaining to the acquisition, evaluations, written reports if required by contract, and any other information the State Purchasing Director requires be kept.”

The Board of Governors of Licensed Architects and Landscape Architects of Oklahoma internal purchasing procedures § 4 states, “All purchase requests shall be routed to the Executive Director for written approval prior to purchasing.”

Condition: One out of fourteen (7%) acquisitions tested within the sample did not contain a requisition in the documentation file. The acquisition was an authority order number 459000016 in the amount of \$20,000.00.

Cause: The omission of adequate supporting documentation was an oversight by the agency.

Effect: Without adequate documentation in the acquisition file, it is difficult to determine that procedures were sufficiently followed during the requisition process.

Recommendation: We recommend the agency to implement procedures to ensure that at least a minimum level of supporting documentation is retained in the acquisition file.

Management’s Response

Date: 10/13/2006

Respondent: Executive Director

Response: Concur - Purchase document #0459000016: This was human error. We have the original Department of Central Services issued purchase order but we have misplaced our copy of the originating request sent to them. I obtained a copy to

complete our records. Normally, we have and do keep copies for all documents pertaining to issuing purchasing documents.

Corrective Action Plan

Contact Person: Executive Director

Anticipated Completion Date: 10/13/2006

Corrective Action Planned: I obtained a copy from DCS of the originating document and placed it in our files.

OVERALL CONCLUSION

In our opinion, the Board of Governors of Licensed Architects and Landscape Architects has materially complied with the objectives reviewed; however, some exceptions were noted, specifically in regards to purchase orders and file documentation. The Board of Governors of Licensed Architects and Landscape Architects has implemented corrective actions, which we believe will ensure the Agency will comply, in all material respects, with the aforementioned requirements.