

JOHN S. RICHARD
Director



BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

February 1, 2007

**TO GREG DUFFY, DIRECTOR AND THE BOARD OF OKLAHOMA DEPARTMENT
OF WILDLIFE CONSERVATION**

With this letter, we transmit the report of the Oklahoma Department of Wildlife Conservation 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 accordance with the laws and regulations and used in an ethical, effective and efficient manner.

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.

Sincerely,

A handwritten signature in black ink, appearing to read "John S. Richard".

John S. Richard
Director of the Department of Central Services

"Committed to Quality"

OKLAHOMA

Department of Central Services Audit Unit



DEPARTMENT OF WILDLIFE CONSERVATION

PROCUREMENT AUDIT

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

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This publication is printed and issued by the Department of Central Services, as authorized by the Department of Central Services. Pursuant to 74 O.S. §3105, 24 copies have been prepared and distributed at a cost of \$27.72. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

PURPOSE, OBJECTIVE AND SCOPE

The Department of Central Services, Audit Unit has completed an audit of Department of Wildlife Conservation, 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 the State of Oklahoma Purchase Card Procedures;
- 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 (including the purchase card program) were documented and evaluated.
- Procurement transactions (including purchase card transactions from the active cardholders) were examined.
- Overall program compliance with the rules related to the audit objectives was evaluated.

EXECUTIVE SUMMARY

Organization

The Oklahoma Department of Wildlife Conservation is responsible for managing, protecting, and enhancing wildlife resources and habitat for scientific, educational, recreational, aesthetic, and economic benefits to present and future generations of Oklahoma citizens and visitors.

As of June 30, 2005, the Department of Wildlife Conservation was made up of 334 unclassified and 41 temporary, non-merit staff members. At the time of the review, there were two Certified Procurement Officers and 122 purchase cardholders in the Agency.

Board Members:

M. David Riggs, District 1
Bruce R. Mabrey, District 2
Lewis R. Stiles, District 3
Harland Stonecipher, District 4
Mac Maguire, District 5
Bill Phelps, District 6
Wade Brinkman, District 7
John Groendyke, District 8

Key Staff:

Greg Duffy, Director
Richard Hatcher, Assistant Director
Melinda Sturgess-Streich, Chief of Administration
Michelle Chapple, MBA, Certified Procurement Officer

AUDIT RESULTS

Economy Results

Estimated Savings. The purchase card program saved the Agency an estimated \$35,315.30 during state fiscal year 2005. This is an average estimated savings of \$17.48 per transaction for the Agency. The majority of the savings was contributable to the time saved by field personnel using the purchase card for small ticket items at small vendors versus purchasing by traditional governmental methods. Estimated savings represents 11% ($\$ 35,315.30 / \$ 318,728.08$) of the total dollars expended through the use of the purchase card.

Questioned Costs. During our audit, we noted the following:

- questionable purchase amount of [\\$3,238.56](#) and [\\$2,257.57](#) for not acquiring the minimum number of required quotes for the acquisition;
- prohibited sale amount of [\\$1,476.62](#) related to purchase card purchases;
- questioned costs of [\\$2,846.42](#) and [\\$422.97](#) for purchase card acquisitions not made from mandatory statewide contracts or prohibited purchases;
- additional costs of [\\$86.09](#) in sales tax paid from purchase card transactions;
- a total purchase card cost not supported by itemized detailed receipts in the amount of [\\$2,582.42](#). This amount extrapolated is [\\$11,256.75](#).

Audit Finding Summary

(Error rates are based only on transactions reviewed.)

Purchase Card

- Could not determine if approving official was one level higher than cardholder for 101 of 113 (89%) memo statements. [Finding 05-320-01](#)
- 61 of 113 (54%) memo statements were signed by an approving official using a signature stamp. [Finding 05-320-01](#)
- 40 of 52 (77%) memo statements were not signed, dated, or signed and dated by cardholder's approving official. [Finding 05-320-01](#)
- Cardholders participated in vendor's reward point program and redeemed reward points on an individual rebate card. [Finding 05-320-10](#)
- A laptop purchased by a cardholder was later purchased from the Agency by a member of management. [Finding 05-320-03](#)
- Purchases for food were made outside of mandatory statewide contract. [Finding 05-320-14](#)

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- Purchases for fuel and oil were prohibited or made outside of mandatory statewide contract. [Finding 05-320-04](#)
- 1 of 129 (1%) purchase card transactions was supported by Missing Receipt Form and not a detailed receipt. [Finding 05-320-05](#)
- 2 of 129 (2%) purchase card transactions were unsupported by a detailed receipt. [Finding 05-320-05](#)
- 12 of 129 (9%) purchase card transactions were not either annotated 'received', signed, or dated. [Finding 05-320-05](#)
- 12 of 129 (9%) purchase card transactions were not supported by a receiving document. [Finding 05-320-05](#)
- Cardholder account for two cardholders was not locked preventing cardholder access. [Finding 05-320-11](#)
- Cardholder did not immediately notify the financial institution of a lost or stolen card. [Finding 05-320-11](#)
- Multiple vouchers were submitted for the payment of purchase card transactions for 7 of 11 (64%) billing cycles. [Finding 05-320-09](#)
- 4 of 129 (3%) purchase card transactions included sales tax. [Finding 05-320-07](#)

Purchasing

- 27 of 30 (90%) professional service acquisitions were not supported by an affidavit pursuant to Oklahoma Central Purchasing Act Title 74 § 85.42.B. [Finding 05-320-17](#)
- 26 of 30 (87%) professional service acquisitions were not supported by a contractual agreement with an audit clause. [Finding 05-320-17](#)
- 24 of 30 (80%) professional service acquisitions were not supported by an affidavit pursuant to Oklahoma Central Purchasing Act Title 74 § 85.42.A. [Finding 05-320-17](#)
- 20 of 30 (67%) professional service acquisitions were not signed by a notarized sworn affidavit signed by the vendor. [Finding 05-320-17](#)
- 15 of 30 (50%) professional service acquisitions did not have a completed performance evaluation form. [Finding 05-320-17](#)

- 70 of 141 (50%) acquisitions were not supported by a service requisition justification form. [Finding 05-320-15](#)
- 5 of 141 (4%) acquisitions were not supported with a signed service requisition justification form. [Finding 05-320-15](#)
- 12 of 12 (100%) open market acquisitions were not supported by verification of the validity of vendor's sales tax permit. [Finding 05-320-15](#)
- 1 of 12 (8%) open market acquisitions was not supported by the minimally required number of price quotations. [Finding 05-320-15](#)
- 1 of 12 (8%) open market acquisitions was not supported by a non-collusion affidavit. [Finding 05-320-15](#)
- 8 of 8 (100%) open market acquisitions were not supported by verification of the validity of the vendor's sales tax permit. [Finding 05-320-16](#)
- 1 of 8 (13%) open market acquisitions was not supported by a non-collusion affidavit. [Finding 05-320-16](#)

Internal Purchasing Procedures

- 1 of 12 (8%) interagency/ intergovernmental acquisitions was not supported by an Interagency Contracts/ Agreements with Another Governmental Entity form. [Finding 05-320-16](#)
- 1 of 56 (2%) open market acquisitions was not supported by quotes, a completed telephone bid, or an exemption from bidding requirements from the Agency Director. [Finding 05-320-18](#)

Audit Finding Details

(Findings and recommendations are reported based on audit significance.)

Finding [05-320-17](#): Professional Service Contracts

Criteria:

1. The Oklahoma Central Purchasing Act, 74 Section 85.42, **One year limitation on entering contracts with certain persons—Exceptions, B.**, states in part, “Each contract entered into by any person or firm with the State of Oklahoma shall include an affidavit certifying that no person who has been involved in any manner in the development of that contract while employed by the State of Oklahoma shall be employed to fulfill any of the services provided for under said contract.”

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2. The Oklahoma Central Purchasing Act, 74 Section 85.41, **Professional services contracts, E.**, states, "A professional services contract shall include an audit clause which provides that all items of the supplier that relate to the professional services are subject to examination by the state agency, the State Auditor and Inspector and the State Purchasing Director."

3. The Oklahoma Central Purchasing Act, 74 Section 85.42, **One year limitation on entering contracts with certain persons—Exceptions, A.**, states in part, "Except as otherwise provided for in this section, any agency, whether or not such agency is subject to the Oklahoma Central Purchasing Act, § 85.1 et seq. of this title, is prohibited from entering into a sole source contract or a contract for professional services with or who has been terminated by that agency for one (1) year after the termination date of the employee from the agency."

4. The Oklahoma Central Purchasing Act, 74 Section 85.23, **Notarized sworn statement attached to contract**, states in part, "A notarized sworn statement shall be attached to each contract for goods and services awarded by the state..."

5. The Oklahoma Central Purchasing Act, 74 Section 85.41, **Professional services contracts**, states in part:

B. The state agency shall evaluate the performance of the professional services provided pursuant to a professional services contract. The performance evaluation shall indicate the quality of service or work product of the supplier. The state agency shall retain the evaluation in the document file the state agency maintains for the acquisition pursuant to § 85.39 of this title. If the evaluation indicates deficiencies with the supplier's work, the state agency shall send a copy of the evaluation to the State Purchasing Director.

Condition: During fiscal year 2005, the Agency procured goods and services in the amount of \$11,889,861.97 for 19,771 acquisitions. Of this total, 244 professional service acquisitions accounted for (4%) \$432,964.15 of the total population. From the professional service acquisitions, a statistical sample was obtained for substantive testing. The sample obtained was 30 acquisitions (12%) totaling \$351,183.13 (81%). During our professional service testwork, we noted the following exceptions:

1. 27 acquisitions (90%) were not supported by an affidavit pursuant to 74 O.S. § 85.42.B. persons who developed contract will not also perform contract.
2. 26 acquisitions (87%) were not supported by a contractual agreement with an audit clause.
3. 24 acquisitions (80%) were not supported by an affidavit pursuant to 74 O.S. § 85.42.A. - contract was not made with an individual who has been terminated from the Agency less than one year.
4. 18 acquisitions (60%) were not supported by a notarized sworn affidavit signed by the vendor.

5. 15 acquisitions (50%) did not have a performance evaluation performed.

Cause:

1. The Agency was not aware that the acquisitions included an affidavit certifying that individuals who assisted in developing the contract and employed by the State of Oklahoma will not perform under the contract.
2. The Agency was not aware that an audit clause should be included in all contractual agreements.
3. The Agency was not aware that the acquisition file should include documentation that the Agency has not entered into a contract with a terminated employee that has not terminated their employment with the Agency under a year.
4. Absence of the vendor signed notarized sworn affidavit was an oversight by management.
5. The Agency was not aware that a performance evaluation was to be completed for all professional services.

Effect:

1. By not having an affidavit on file, there is no certified document on file verifying that individuals who developed the contract will not also perform under the contract. And, an opportunity exists that the Agency will contract services with a vendor involved with individual who developed contract.
2. By not having an audit clause in all contractual agreements, parties providing professional services are not aware that specific items held by the party are subject to audit and review by third-parties.
3. By not having a written statement on file regarding contractual requirements between the Agency and terminated employees, the Agency may enter into a professional service agreement with an individual who is not allowed to perform the service.
4. By not having a notarized sworn statement signed by the vendor, there is no written documentation that the Agency has engaged in a contractual relationship with an authorized agent for the vendor, the agent is fully aware of conditions of contract, or that no consideration of value was rendered by the agent when entering into the contractual agreement.
5. By not completing a performance evaluation, there is no written documentation on file regarding vendor performance and the opportunity exists for the Agency to obtain services from a vendor who has provided deficient services.

Recommendation: We recommend the Agency:

- 1., 3., & 4. Develop and implement a process at the requesting division level that ensures that all required supporting documentation for the acquisition of professional services prior to submission to Accounting at Central Office- OKC headquarters. This supporting documentation includes: (a) notarized sworn affidavit signed by the vendor, (2) affidavit pursuant to 74 O.S. § 85.42.A., and (3) affidavit pursuant to 74 O.S. § 85.42.B. The Agency should also create a mechanism whereby incomplete documentation received for acquisition is returned to the requesting division for completion.
2. Develop a review process that would ensure all professional service contracts contain the audit clause.
5. Develop and implement a process at the requesting division level that ensures a performance evaluation is completed at the end of the contract term.

Management's Response:

Date: 1/16/07

Response: Partially Concur

1. These 27 acquisitions were exempted from bidding procedures by our Director due to the nature of the service as meat processors, jaw pullers and bat cave services.
2. This was an oversight of management and the standard term has now been implemented into the verbiage of all professional service contracts.
3. The agency is only aware of the contract non-collusion affidavit and the competitive bid non-collusion affidavit. There is no reference to 74 O.S. Section 85.42.A. Please direct the agency to an affidavit pursuant to this title reference so we may incorporate it into our procedures.
4. These 20 acquisitions were Central Purchasing created purchase orders which the agency only receives an original copy of the purchase order and no supporting documents. Only the required internal backup documentation from requesting employees accompanies the file.
5. The professional service evaluation form states that if the contract contains multiple periods of years of performance, an evaluation is required for each performance. That is interpreted to us as per year. Several of these acquisitions had not closed out and it is our internal policy that the employee turns in the evaluation with the final payment of the contract. It's a tracking mechanism that helps all of us know that the conclusion of a contract or contract performance period has ended. The other acquisitions in question had evaluations attached to the claim jackets in the Accounting file and not in the file folder for the purchase order. We began keeping a copy of evaluations in the purchase order folder as well as the claim jacket upon notification from the DCS Audit unit.

Corrective Action Plan

Anticipated Completion Date: Complete

Corrective Action Planned: See comments included in management's response.

Auditor's Response: Based upon review of the Management response we recommend a consultation between the Agency and Central Purchasing relating to service contracts. We will also be forwarding this finding to the State Purchasing Director for further review and a corrective action plan.

Finding [05-320-01](#): Approving Officials

Criteria:

1. The State of Oklahoma Purchase Card Procedures § 3.9, **Training**, states in part, "Entity P/Card Administrators and designated backups, Authorized Signers, Approving Officials, and Cardholders must successfully complete the training prescribed by the State Purchasing Director prior to assuming their duties and prior to being issued p/cards.."
2. The State of Oklahoma Purchase Card Procedures § 3.10, **Purchase Card Employee Agreement** states in part, "Entity P/Card Administrators and designated back-ups, Authorized Signers, Approving Officials, and Cardholders must sign the State of Oklahoma Purchase Card Employee Agreement from prior to assuming their duties and being issued p/cards..."
3. The State of Oklahoma Purchase Card Procedures § 6.9.2, **Entity approving official(s) responsibility** states in part:

State Entity Approving Official(s) shall review the regular p/card, Statewide p/card, or the Travel p/card holder's reconciled memo statement and supporting documentation for accuracy, completeness, appropriateness of the purchase and whether the transactions were conducted according to State Statutes, rules, state purchase card procedures, and sound business practices...To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement ...

Condition:

1. The Department of Central Service Audit Unit performed statewide continuous monitoring of cardholders of record as of August 28, 2005 to ensure all cardholders had attended mandatory purchase card training. Of the exceptions noted, the Agency had one cardholder that had a purchase card but had not attended purchase card training. This is one cardholder out of 134 cardholders of record as of the audit period (0.8%). A follow-up performed on September 13, 2005 indicated that the cardholder's account was placed on temporary hold and training scheduled for September 29, 2005. The

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cardholder attended training and the temporary hold was removed from the cardholder's account.

During our testwork we noted, 9 of 48 (19%) approving officials had not attended purchase card training as prescribed by the State Purchase Card Procedures prior to assuming their duties. The approving officials have since attended purchase card training.

2. The Agency had approving officials who did not complete a Purchase Card Employee Agreement form before assuming their duties.

3. Purchase card transactions for the Agency for the audit period (July 1, 2004 to June 30, 2005) totaled \$318,728.08 and 2,020 purchase card transactions. Through data mining software, a random statistical sample was selected. Sample population tested totaled \$47,548.26 (15%) and 129 (6%) purchase card transactions. These 129 purchase card transactions were on 113 memo statements. Exceptions noted were:

- a. Of the 113 memo statements, it could not be determined for 101 memo statements (**89%**) if the individual signing in the capacity of an approving official was at least one level higher than the cardholder.
- b. 61 of 113 (54%) memo statements were signed by the approving official using a signature stamp.
- c. 40 of the remaining 52 (77%) memo statements were not signed, dated, or signed and dated by the cardholder's approving official.

Cause:

1. The Agency was not aware that the cardholder had not attended purchase card training prior to being issued a purchase card. In addition, the Purchase Card Administrator was not aware approving officials were required to attend purchase card training prior to assuming their duties.

2. The Agency was not aware the approving officials were required to complete the Purchase Card Employee Agreement prior to assuming their duties.

3.

- a. Unknown.
- b. The Agency was not aware that the use of a signature stamp was not an acceptable means of approving the cardholder's reconciliation.
- c. The Agency was not aware that the cardholder's reconciliation was not signed, dated, or signed and dated by the approving official.

Effect:

1. By not receiving the required training, approving officials may not be fully aware of their duties and responsibilities and the opportunity for the approval of unauthorized transactions is increased.

2. By not requiring approving officials to read, sign, and date the State Purchase Card Employee Agreement, there is no written documentation that the approving officials are cognizant of their duties and responsibilities as participants in the purchase card program.

3. By the designated approving official not physically signing and dating the cardholder's reconciliation, it cannot be determined if the cardholder's reconciliation has been reviewed for accuracy, completeness, and appropriateness of purchase. In addition, the use of a signature stamp provides an opportunity for use by other individuals acting in the capacity of designated approving official.

Recommendation: We recommend the Agency:

1. Develop a process that includes communication by the division to the Purchase Card Administrator of the need of a purchase card in their division. Once that need is communicated, the Purchase Card Administrator initiates enrollment process of the potential cardholder into the purchase card program. Enrollment process should include a procedure to ensure paperwork is completed and attendance of mandatory purchase card training prior to the issuance of the purchase card or assumption of duties.

2. To have all required individuals complete the Purchase Card Employee Agreement form. Develop and implement a purchase card enrollment process that includes the preparation of all required purchase card forms and make these forms available for signature at the completion of purchase card training.

3. Develop and implement procedures to ensure that approving officials are aware of their duties and responsibilities regarding the purchase card program. A monitoring process should also be implemented to ensure that the procedures developed and implemented are working as intended. We also recommend that the use of signature stamps as a valid signature of the designated approving officials for the review of the cardholder's reconciliation be discontinued.

Management's Response

Date: 1/16/07

Response: Partially Concur

1. It was an oversight of management to not delete the one cardholder's name off of the training schedule to attend p/card training prior to receiving a p/card. The cardholder was summoned to report to active military duty prior to the training date; yet was still issued a p/card and distributed to the p/card administrator of the agency by the State p/card administrator without proof of signature of attendance to training.

2. Management was unaware that the approving official was required to complete the purchase card employee agreement due to them not receiving a p/card in hand.

3. A - It is the agency's internal policy that all approving officials and persons authorizing purchases on behalf of the agency be one level

higher than the p/card holder and/or supervising staff. All approving officials are first line supervisors which is one level higher than the p/card holder.

B. - It is our normal practice that all supervisors have signature stamps for invoice approvals. It is management's oversight that some of the signature stamps are initials only and not full name signatures as the p/card guidelines request.

C. - The agency was unclear as to the signature of the approving official needing to be documented on the reconciliation form or the memo statement until this audit proceeded from DCS-Audit unit. Therefore, some approving officials signed either document or both.

Corrective Action Plan

Anticipated Completion Date: Complete

Corrective Action Planned: All approving officials signed the employee agreement forms following the completion of their training. All approving officials have been notified to sign and document the p/card holder's memo statement.

Finding [05-320-10](#): Vendor Reward Program

Criteria: State of Oklahoma Purchase Card Procedures, § 6.1.4, **Property of the State**, states in part, "All P/Cards issued under this program are the property of the State of Oklahoma..."

State of Oklahoma Purchase Card Procedures, § 6.2.3, **Prohibited Purchases**, states in part, "The P/card shall NOT be used for the following types of purchases: Purchases of any goods or services for personal use and not for official state use..."

Oklahoma Department of Wildlife Conservation Employee Handbook, § 9-4, **Gifts**, states in part, "Title 74, Chapter 62 of the Oklahoma Statutes (Ethics Commission Act) prohibits activities by state employees including but not limited to: misuse of office, conflict of interest, contracting with the State, and soliciting or accepting compensation or gifts."

Condition: Purchase card transactions for the Agency for the audit period (July 1, 2004 to June 30, 2005) totaled \$318,728.08 and 2,020 purchase card transactions. Through data mining software, a random statistical sample was selected. Sample population tested totaled \$47,548.26 (15%) and 129 (6%) purchase card transactions. Of these 129 transactions, two transactions (2%) were made with a vendor with a reward point program. Details are noted below.

1. Transaction #1: \$77.87 expended and 78 reward points earned. These points were earned and redeemed under an individual rebate card.

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2. Transaction #2: \$213.12 expended and 221 reward points earned. We could not determine if the reward points were redeemed.

Based on these exceptions, all purchase card transactions during the audit period were reviewed for additional transactions to this vendor. An additional 45 purchase card transactions were identified and examined. These transactions totaled \$7,091.09. Through these transactions, 8,226 reward points were earned. Of these reward points, 407 were earned and redeemed on an individual rebate card for two of the Agency's cardholders. For the remaining 7,819 reward points, it could not be determined if the rebate points were claimed.

Reward points earned is contingent upon the type of product purchased and the qualified location (i.e., catalog, on-line, etc.). The vendor has a graduated scale for the accumulation of reward points from 1% to 4%. Reward points do not have to be redeemed at the time of the purchase. A copy of the receipt may be taken to the vendor's customer service desk within 30 days to redeem the reward points. A receipt for redemption would be printed at that time. The redemption value of each point is \$0.02. The point value is not redeemable for cash.

Cause: The Agency was unaware of the vendor reward program.

Effect: Participants in the vendor's reward program can earn reward points on their personal reward card. By allowing cardholders to earn and redeem reward points on their personal reward card, an opportunity exists for State property to be converted to personal use and the vendor has created an unfair advantage.

Recommendation: We recommend the Agency to investigate and require all cardholders who have personally claimed rebates for personal use through the vendor to reimburse the State from when the Agency purchase card program began to the current date. The Agency should review cardholders who may have misused the rebate program and determine if any disciplinary action needs to occur. We also recommend the Agency to create a process and procedures that ensures rebates are only claimed by the State Agency. The Agency may also create a process to track rebate balances and use them prior to expiring.

Management's Response:

Date: 1/16/07

Response: Partially Concur - The agency has completed an internal investigation and concluded that only one cardholder redeemed rewards points for the sales value of \$77.87. The cardholder expressed that the cash value of \$1.55 (rewards points are \$.02 per point) was credited towards prize give-a-ways presented from the agency. However, management was unaware of the program and therefore will have the cardholder reimburse the agency in the amount of \$1.55 to ensure that state property was not converted for personal use. All cardholders were immediately informed to cease the redemption points for personal use.

Corrective Action Plan:

Anticipated Completion Date: 1/19/07

Corrective Action Planned: See comments included in management's response.

Auditor's Response: The lack of a process or procedure to track future award of redeemed points and handle unredeemed reward points allows the cardholders the opportunity to personally gain from transacting State business. An established process or procedure would enable the Agency to monitor such activity.

Finding [05-320-03](#): Prohibited Purchase

PROHIBITED SALE AMOUNT: [\\$1,476.62](#)

Criteria: State of Oklahoma Purchase Card Procedures, § 6.2.3, **Prohibited Purchases**, states in part, "The P/card shall NOT be used for the following types of purchases:

... Purchases of any goods or services for personal use and not for official state use....

The Oklahoma Constitution Article 10 §15 **Pledge or loan of credit-Donation-Exceptions** states in part, "(A) Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual..."

The Oklahoma State Law 74 O.S. § 585 (A) **Use of state property only for official business- Penalty (A)** states in part, "Any property acquired by the state shall be used only in the conduct of the official business of the state."

The State of Oklahoma Purchase Card Procedures, § 5.6, **Inventory** states, "State entities shall establish procedures to ensure that items acquired using the p/card and exceeding \$500.00 in cost are added to the inventory schedule pursuant to 74 O.S. § 110.1".

The Oklahoma Administrative Code 580:65-1-10 **Prohibitions**, (b) **Sales to state employees** states, "The sale of state property to state employees is prohibited unless items are sold at announced public sales or auctions."

Condition: Purchase cardholder #753593 purchased a laptop computer on August 3, 2004 in the amount of \$1,476.62. On September 1, 2004, a member of management purchased the laptop computer from the Agency in the amount of the original purchase price of \$1,476.62. The laptop was never added to the Agency's inventory schedule between the time of purchase by the cardholder and the purchase made from the Agency.

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An override of controls allowed a state official to purchase state property outside the proper channels of a public sale or public auction and without the Agency declaring the laptop as inventory or surplus property.

Cause: Purchase was performed based on the laptop was being used primarily at the state official's residence.

Effect: It appears the Agency allowed state property to be converted for personal use and allowed an unauthorized sale of state property to a state official to occur.

Recommendation: We recommend the Agency familiarize themselves with the Oklahoma Constitution, state laws and rules governing the prohibitions for the personal use of state property and of the sale of state property to state employees.

This finding will be forwarded to the appropriate DCS officials to review the Agency's corrective action.

Management's Response:

Date: 1/25/07

Response: Non-concur - The agency is aware and concurs that ALL state funds as well as the Dept. of Wildlife funds shall not be expended for personal use including any purchases made with the purchase card.

The laptop in question was not purchased with the intention of personal use. It was purchased for the member of management to use on official business while away from their normal duty station. However, due to the fact that it could be perceived that the laptop could be used for personal use, the member chose to reimburse the agency the full purchase price of \$1,476.62. The member's check was deposited through the Oklahoma State Treasury.

At the time of reimbursement, the purchase card memo statement had not been received by the cardholder who purchased the laptop. The closing cycle date was Aug 28th. The reimbursement occurred on September 1st. It is the agency's practice that an equipment record is sent in with the invoice and backup documents during payment request periods and is placed on inventory at that time. The cardholder had neither at the time of reimbursement. Therefore the laptop was not assigned to the member's inventory. It is also the agency's practice to assign inventory to employees on an individual basis when items are in their use for official state business such as laptops used remotely by some employees and accounted for on their inventories.

Corrective Action Plan:

Anticipated Completion Date: N/A

Corrective Action Planned: In hindsight, the agency acknowledges that we should not have allowed the member to reimburse the agency, but simply should have placed the laptop on their personal inventory list. The agency has prohibited any reimbursements of department purchased items.

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Finding [05-320-14](#): Mandatory Statewide Contract

QUESTIONED COST: [\\$2,846.42](#)

Criteria: The State of Oklahoma Purchase Card Procedures § 6.2.5.3. **Mandatory statewide contracts** states, “State entities shall make purchases from mandatory statewide contracts regardless of the purchase price unless the State Purchasing Director has issued a waiver to the entity.”

Condition: During our testwork we noted 24 purchase card transactions for items not purchased on the mandatory statewide contract (SW156 – Prime Vendor Food). These items are listed below:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
7/14/2004	sardines	\$ 129.04
7/15/2004	cheese, seasoning, ground beef	174.78
7/16/2004	Seasoning, BBQ sauce	51.10
7/16/2004	Lunchmeat, cheese, cookies, etc	49.61
9/9/2004	plastic forks, tea, sugar, cups, salads	35.75
9/27/2004	Rotel, Cheese	42.94
10/9/2004	cookies, crackers, etc	51.76
10/14/2004	BBQ sauce, pickles, potato salad	102.82
11/8/2004	Peanut Oil	29.76
11/9/2004	coleslaw, potato salad, pickles, etc	52.26
11/10/2004	cups, cutlery, cookies, crackers, etc	51.97
11/23/2004	sardines	432.38
4/1/2005	cookies, onions, tomatoes, mayo, etc	23.56
4/1/2005	Cheese	4.99
4/11/2005	Ribeyes, vegetables, sauces, etc	121.70
4/12/2005	100 Ribeyes and 1 case potatoes	711.08
4/12/2005	dressing, steak sauce	70.34
4/12/2005	dressing, butter, Condiments, sour cream, ice cream	154.08
4/13/2005	Lunchmeat, cheese, pudding, condiments	175.38
4/14/2005	lunchmeat, cheese, pudding	159.94
4/19/2005	cobblers, coleslaw, tarter sauce, fruit, pickles, etc	73.27
4/20/2005	Vegetable, flour	12.26
6/15/2005	ground beef, condiments, lettuce, etc	82.65
6/26/2005	Hotdogs and fixings	<u>53.00</u>
	Total	<u>\$2,846.42</u>

Cause: The Agency was not aware that the items purchased were available on a mandatory statewide contract.

Effect: By not making purchases from required mandatory statewide contract, cardholders circumvented controls that promote reduced cost and increased value for goods and services to the State of Oklahoma.

Recommendation: We recommend the Agency to communicate to the cardholders the requirements of mandatory statewide contracts and verify cardholders are complying with the requirements. Cardholders should receive guidance, review, and on-the-job training from supervisors and managers to help ensure purchases are made from mandatory statewide contracts.

Management's Response:

Date: 1/16/07

Response: Partially Concur - Sardines are not on the mandatory contract and were purchased for our black bear research project. The other food items needed were small quantities and the cardholders making the purchases were not aware that they should have utilized the mandatory state contract.

Corrective Action Plan:

Anticipated Completion Date: 1/19/07

Corrective Action Planned: All cardholders will be advised on the proper procedure to follow when making food item purchases via email p/card updates.

Finding [05-320-04](#): Prohibited Purchase and Merchant Preference

QUESTIONED COSTS: [\\$422.97](#)

Criteria: State of Oklahoma Purchase Card Procedures, § 6.2.3, **Prohibited Purchases**, states in part, "The P/card shall NOT be used for the following types of purchases:

- ...Motor fuel or fluids...

State of Oklahoma 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:

- 6.2.5.1 State Use Committee
- 6.2.5.2 Oklahoma Corrections Industries (OCI)- if the vendor is deemed lowest and best
- 6.2.5.3 Mandatory statewide contracts

Condition: During substantive testwork, there were purchase card transactions noted outside our sample that were prohibited purchases and not made in accordance with merchant preference requirements. As a result, additional procedures were performed.

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We noted 11 purchase card transactions that were for oil and motor fuel. Details are noted below.

Cardholder	Date of Purchase	Item	Cost
#676621	7/19/2004	Oil	\$ 46.92
#682348	10/07/2004	Oil	\$ 35.03
#423782	11/08/2004	Oil	\$ 60.42
#676621	12/15/2004	Oil	\$ 46.00
#423808	12/15/2004	Oil	\$ 39.36
?	9/14/2004	Oil	\$162.25
#679468	11/15/2004	Oil	\$ 12.99
#753593	8/10/2004	Fuel	\$ 20.00
		Total	<u>\$422.97</u>

The cardholder who purchased the fuel wrote a check to the Agency on 09/07/2004 for the total amount of fuel charged on their purchase card.

Cause: The Purchase Card Administrator was not aware employees were purchasing fuel, oil, or other motor fluids.

Effect: By allowing cardholders to make prohibited purchases, the cardholder is obligating the Agency to unauthorized purchases. Purchases made outside of merchant preference requirements expose the State as well as the Agency to additional cost for goods and services. Specifically, the Automated Fleet Fueling Management System Contract provides users with information regarding miles and fuel used.

Recommendation: We recommend the Agency implement a process whereby the Purchase Card Administrator, at a regular and determined interval, provides each division updates and instruction on purchase requirements per procedures and statutes. We also recommend that purchase card management communicate and reiterate what is defined as prohibited purchase card purchases to all cardholders.

The Department of Central Services, Audit Unit will perform an extended scope investigative review of cardholder #753593 based upon two questionable purchases noted during the audit as they relate to personal use of State property. Additional recommendations or referrals may be made at that time.

Management's Response:

Date: 1/16/07

Response: Concur - It was the understanding of the p/card administrator that all prohibited purchases were blocked under the standard corp code 2053 exemptions and would not be allowable charges. All divisions are updated on p/card requirements, prohibitions and/or changes on a regular basis via email. All p/card holders have ceased making these type purchases since informed by DCS Audit-Unit in April 2006.

Corrective Action Plan:

Anticipated Completion Date: Complete

Corrective Action Planned: See comments included in management's response.

Finding [05-320-05](#): Receipts for Purchase

QUESTIONED COSTS: [\\$2,582.42](#)

EXTRAPOLATED QUESTIONED COSTS: [\\$11,256.75](#)

Criteria: The State of Oklahoma Purchase Card Procedures § 6.5, **Receipts for purchase**, states in part, "Receipts shall be obtained for purchases. If a receipt is not furnished by the merchant (as may be the case with a phone or internet order), an order confirmation or confirmation number should be obtained..."

The State of Oklahoma Purchase Card Procedures § 6.7.1, **Goods or services received at the 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..."

The State of Oklahoma Purchase Card Procedures § 6.7.2, **Goods or services received subsequent to the time of purchase**, states, "The document accompanying the goods or services (such as packing slip or service order) serves as the receiving document and is processed as described in 6.7.1 above"

Condition:

1. Purchase card transactions for the Agency for the audit period (July 1, 2004 to June 30, 2005) totaled \$318,728.08 and 2,020 purchase card transactions. Through data mining software, a random statistical sample was selected. Sample population tested totaled \$47,548.26 (15%) and 129 (6%) purchase card transactions. Exceptions noted were:
 - One purchase card transaction was not supported by a detailed receipt. However, the cardholder completed a Missing Receipt Form. Total amount of the purchase was \$578.84 for educational supplies.
 - Two purchase card transactions were not supported by a detailed receipt. One transaction was dated 8/16/04 in the amount of \$28.58 and the other transaction was for dated 1/31/05 in the amount of \$1,975.

We noted a total cost not supported by itemized detailed receipts in the amount of \$2,582.42. This amount extrapolated is \$11,256.75.

2. Purchase card transactions for the Agency for the audit period (July 1, 2004 to June 30, 2005) totaled \$318,728.08 and 2,020 purchase card transactions. Through data mining software, a random statistical sample was selected. Sample population

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tested totaled \$47,548.26 (15%) and 129 (6%) purchase card transactions. During our testwork, the following exceptions were noted:

- a. 12 of 129 purchase card transactions (9%) were not either annotated "received", signed, or dated.
- b. 12 of 129 purchase card transactions (9%) were not supported by a receiving document.

Cause:

1. The Agency was unaware that credit slips and order form were not sufficient receipting documentation for purchases of goods.
2. The Agency was not aware that the receiving document had to be annotated as "Received" and signed and dated by the receiving employee when the cardholder was also the receiving employee. Also, the cardholder may have either failed to obtain the receiving document or did not attach the receiving document with the supporting documentation.

Effect:

1. By not having sufficient receipting documentation for purchases, it is difficult to determine what was purchased, at what cost and quantity, and if the purchase was made for legitimate and valid government purposes in accordance with the agency's mission. In addition, insufficient receipting documentation creates an opportunity for unauthorized transactions to occur and go undetected.
2. By not requiring receiving employees to sign, date or annotate "Received" on the receiving document or not collecting receiving documentation, there is no verification that goods and/or services were actually received.

Recommendation: We recommend the Agency:

1. Make a reasonable attempt of retrieving the receipt for the purchase noted in the condition from the vendor or bank and verify the goods were received. We also recommend the Agency ensure all purchases are supported with an itemized and detailed receipt. We further recommend the approving official review the supporting documentation for completeness during their review.
2. Establish a process to ensure all goods or services received subsequent to the time of purchase are supported by adequate receiving documentation. As part of the receipting process, the receiving employee should annotate, sign and date the receiving document. We further recommend the Agency inform both cardholders and approving officials that goods or services received subsequent to the time of purchase must be supported with a proper receiving document such as a packing slip or service order.

Management's Response:

Date: 1/16/07

Response: Concur - All employees have been informed of the requirement to have detailed receipts. The agency will require all purchases via phone orders or

internet sales to supply the packing slip along with their confirmation numbers and/or online receipts. We will also send an email to all p/card users stating the required "rec'd" documentation on all receipts.

Corrective Action Plan:

Anticipated Completion Date: 1/19/07

Corrective Action Planned: See comments included in management's response.

Finding [05-320-15](#): Minimum Required Documentation

QUESTIONED COSTS: [\\$3,238.56](#)

Criteria:

1. The Oklahoma Central Purchasing Act, 74 Section 85.4, **Requisitions**, E.1., states in part, "A contract that results from a requisition required by this section for nonprofessional services whether or not such services are exempt from the competitive bidding requirements of this section or pursuant to § 85.7 of this title shall be signed by the chief administrative officer of the state agency or the chief administrative officer of the requisitioning unit of the state agency..."

2. The Oklahoma Administrative Code Section 580:15-6-8, **State agency open market acquisitions not exceeding ten thousand dollars (\$10,000.00)**, (5) **Contracts**, (C) **Documentation**, states, "Verification of the sales tax permit must be documented in the acquisition file."

3. The Oklahoma Administrative Code Section 580:15-6-8, **State agency open market acquisitions not exceeding ten thousand dollars (\$10,000.00)**, (3) **Price quotations**, states, "The state agency shall solicit price quotations and delivery dates by mail, telephone, facsimile or by means of electronic commerce from a minimum of two suppliers. The state agency shall secure the suppliers' price quotation in writing or document the suppliers' price quotation and delivery dates."

Oklahoma Department of Wildlife Conservation Internal Purchasing Procedures, Section F, **Purchasing Policy**, 6. **Procedure for purchases exceeding \$2,500 and not exceeding \$10,000**, states in part:

F. The Certified Procurement Officer shall select three vendors from the following sources:

- (1) Selected vendors from the employee requesting the purchase
- (2) Vendors from the state's vendor list
- (3) Vendors that can meet the delivery date and
- (4) Vendors in the vicinity of the requesting employee.

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G. The Certified Procurement Officer shall secure three telephone or fax price quotations and delivery dates from the vendors. The price quotations shall be in writing or documented by the Certified Procurement Officer.

4. Oklahoma Administrative Code Section 580:15-6-8, **State agency open market acquisitions not exceeding ten thousand dollars (\$10,000.00)**, (5) **Contracts**, states in part, "If the state agency and the supplier execute a contract for the acquisition, the supplier shall provide a notarized, sworn statement of non-collusion pursuant to 74 O.S. § 85.23..."

Oklahoma Department of Wildlife Conservation Internal Purchasing Procedures, Section F, **Purchasing Policy**, 6. **Procedures for purchases exceeding \$2,500 and not exceeding \$10,000**, I., states in part, "If a contract is executed for the acquisition, the Certified Procurement Officer shall send the successful vendor the contract with terms and conditions and a sworn statement of non-collusion (pursuant to 74 O.S. § 85.23) which the vendor will sign and have notarized."

Condition:

1. During fiscal year 2005, the Agency procured \$11,889,861.97 in goods and services through 19,771 acquisitions. A statistical sample was pulled for open market acquisitions. Total sample pulled was 141 acquisitions in the amount of \$1,827,539.01. Exceptions noted:

- a. 70 acquisitions (50%) were not supported by a service requisition justification form.
- b. For 5 acquisitions (4%), the service requisition justification form was not signed by the Chief Administrative Officer of the Agency or the Chief Administrative Officer of the requisitioning unit.

During fiscal year 2005, the Agency procured \$934,552.84 in goods and services through 177 acquisitions for acquisitions in the \$2,501 to \$10,000 threshold. A statistical sample was extracted. Total sample extracted was 16 acquisitions in the amount of \$86,260.31. Of these 16 acquisitions, 12 acquisitions were open market acquisitions. Exceptions noted:

2. 12 acquisitions (100%) were not supported by verification of the validity of the vendor's sales tax permit.
3. 1 of 12 acquisitions (8%) did not have the minimum required price quotations. Questionable purchase amount of \$3,238.56 was noted.
4. 1 (8%) acquisition was not supported by a non-collusion affidavit.

Cause:

1. Non-completion of the requisition justification was an oversight by management.
2. Agency was unaware that verification was to be documented in the acquisition file.

3. Absence of bid documentation in the acquisition file was an oversight by management.
4. Non-completion of the non-collusion affidavit was an oversight by management.

Effect:

1. By not completing the requisition justification, there is no written certification that no one within the Agency is able to perform service or work; the work to be performed is necessary to the Agency's mission; and the purchase is justified.
2. By not verifying the sales tax permit of the vendor, the Agency is at a risk of engaging in business with a vendor that has not complied with the statutory requirements of Oklahoma Tax Commission for conducting business within the State of Oklahoma.
3. By not having the bid documentation in the acquisition file, there is no written documentation that the lowest and best or best value vendor was selected for the acquisition of the good or service.
4. By not obtaining a signed non-collusion affidavit, there is no written documentation that the contractual relationship between the vendor and Agency is not for the benefit of either party.

Recommendation: We recommend the Agency:

1. and 4. Develop and implement a process at the requesting division level that ensures the requesting division completes a non-collusion affidavit and requisition justification for all professional and non-professional services before submission to Accounting. There should also be a mechanism created in Accounting that returns documentation to the requesting division if the documentation is incomplete.
2. Develop a procedure in Accounting whereby the validity of the vendor's sales tax permit is verified prior to approving an acquisition from the requesting division.
3. Develop and implement a process at the requesting division level that ensures the required number of quotes is obtained for all required acquisitions. A process should also be developed that ensures the documentation of quote solicitation to vendors and responses received are included in the acquisition file.

Management's Response:

Date: 1/16/07

Response: Partially Concur - It was an oversight by management to not include the standard term code for service justifications on the acquisitions once the requirement to submit them was terminated. The service justification form was no longer required thus no signature required. The document was housed in our internal file folders for agency documentation only. The twelve acquisitions not documenting the sales tax permit were among the first issued after the new requirement of verifying the vendor sales tax permit. Validation was verified;

however not documented on the acquisition. The procurement officer has since gone through additional training and verification is now placed on all products acquisitions.

Corrective Action Plan

Anticipated Completion Date: Complete

Corrective Action Planned: See comments included in management's response.

Finding [05-320-16](#): Minimum Required Documentation

Criteria:

1. Oklahoma Administrative Code 580:15-6-9, **State agency acquisitions exceeding ten thousand dollars (\$10,000.00) and not exceeding twenty-five thousand dollars (\$25,000.00), (7) Award to a supplier, (C) Documentation**, states, "Verification of the sales tax permit must be documented in the acquisition file."

2. Oklahoma Administrative Code 580:15-6-9, **State agency acquisitions exceeding ten thousand dollars (\$10,000.00) and not exceeding twenty-five thousand dollars (\$25,000.00), (3) Noncollusion affidavit**, states, "The state agency shall provide suppliers a noncollusion affidavit form pursuant to 74 O.S. § 85.22. Suppliers shall submit the forms as stated in the solicitation."

Oklahoma Department of Wildlife Conservation Internal Purchasing Procedures, **Section F, Purchasing Policy, 7. Procedure for purchases exceeding \$10,000 and not exceeding \$25,000**, states, "The Certified Procurement Officer shall include a non-collusion affidavit form (pursuant to 74 O.S. § 85.22).

3. Oklahoma Department of Wildlife Conservation Internal Purchasing Procedures, Section F, **Purchasing Policy, 15. Summary of required forms/ reports**, states in part:

C. Interagency Contracts/Agreements with another Governmental Entity.
Complete this form for contract or agreement with another governmental entity.

Condition:

During fiscal year 2005, the Agency procured \$11,889,861.97 in goods and services through 19,771 acquisitions. Acquisitions within the dollar threshold \$10,001 to \$25,000 totaled \$1,133,304.48 through 69 acquisitions. A statistical sample was selected for substantive testing. The sample extracted was 12 acquisitions for a total amount of \$175,913.87. Of these 12 acquisitions, 8 were open market acquisitions. Exceptions noted:

1. None (100%) of the acquisitions were supported by a verification of the validity of a vendor's sales tax permit.

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2. 1 acquisition (13%) was not supported by a non-collusion affidavit.

Acquisitions for interagency/ intergovernmental agreements totaled \$4,056,489.63 through 131 acquisitions. A statistical sample was selected for substantive testing. The sample extracted was 12 acquisitions for a total amount of \$2,051,358.50. Exceptions noted:

3. 1 acquisition (8 %) in the amount of \$1,100 was not supported by an Interagency Contracts/ Agreements with Another Governmental Entity form.

Cause:

1. Agency was unaware that verification was to be documented in the acquisition file.
2. Non-completion of the non-collusion affidavit was an oversight by management.
3. Absence of Interagency Contracts/ Agreements with another Governmental Entity was an oversight by management.

Effect:

1. By not verifying the sales tax permit of the vendor, the Agency is at risk of engaging in business with a vendor that has not complied with the statutory requirements of Oklahoma Tax Commission for conducting business within the State of Oklahoma.
2. By not obtaining a signed non-collusion affidavit, there is no written documentation that the contractual relationship between the vendor and Agency is not for the benefit of either party.
3. By not having a completed Interagency Contracts/ Agreements with another Governmental Entity on file, the Agency is not following their internal purchasing procedures.

Recommendation: We recommend the Agency:

1. Develop a procedure whereby the validity of the vendor's sales tax permit is verified prior to approving an acquisition from the requesting division.
2. Develop and implement a process at the requesting division level that ensures the requesting division completes a non-collusion affidavit and requisition justification for all professional and non-professional services before submission to Accounting. There should also be a mechanism created in Accounting that returns documentation to the requesting division if the documentation is incomplete.
3. Develop a procedure in Accounting whereby an Interagency Contracts/ Agreements with another Governmental Entity form is created once the acquisition process is initiated by the requesting division.

Management's Response:

Date: 1/16/07

Response: Concur - Verification of vendor sales tax permits are being documented on all product acquisitions as noted on finding 05-320-15. We have been more diligent to ensure the proper forms are included in our documents for interagency agreements and non-collusion affidavits.

Corrective Action Plan:

Anticipated Completion Date: Complete

Corrective Action Planned: None

Finding [05-320-11](#): Lost/ Stolen Purchase Cards

Criteria:

1. United States General Accounting Office Internal Control Standards 00-21.3.1 (11/99), states in part, "...Control activities occur at all levels and functions of the entity. They include a wide range of diverse 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 as well as appropriate documentation..."

United State General Accounting Office Internal Control Standards 00-21.3.1 (11/99), Controls Over Information Processing, states in part, "A variety of control activities are used in information processing. Examples include edit checks of data entered, accounting for transactions in numerical sequences, comparing file totals with control accounts, and controlling access to data, files, and programs..."

2. State of Oklahoma Purchase Card Procedures §6.11, **Lost or stolen cards**, states in part:

If a cardholder's p/card is lost or stolen, the cardholder is to immediately notify Bank One/JPMorgan Chase at (800) 316-6056...The cardholder shall record the date and time Bank One/JPMorgan Chase was notified as well as the name of the Bank One/JPMorgan Chase customer service representative contacted. Next, the cardholder shall complete a Stolen Card Notification Form (Attachment 6) and provide it by the fastest possible means to the State Entity P/Card Administrator with a copy to the appropriate State Entity Approving Official. **The entity is responsible for purchases on lost or stolen p/cards until Bank One/JPMorgan Chase has been notified.**

Condition:

1. We reviewed two cardholders who had separated employment with the Agency. The cardholders' accounts were appropriately cancelled; however, the cardholder's access to their account was not locked. We requested and received confirmation from the State Purchase Card Administrator to lock the accounts.

2. During our review of internal controls, we noted a cardholder's purchase card was reported lost/stolen. The cardholder reported their purchase card lost or stolen to the Purchase Card Administrator rather than reporting the incident immediately to the bank. The Purchase Card Administrator reported the card lost/stolen to the bank. In addition, the cardholder did not complete the Stolen Notification Form and forward to the P/Card Administrator and their Approving Official. The form was completed by the Purchase Card Administrator.

Cause:

1. P/Card Administrator was not aware that cardholder accounts needed to be locked in addition to canceling the account.
2. The cardholder was not aware they were to notify the bank.

Effect:

1. By not locking the cardholder account, the cardholder has access to the account information even after leaving the Agency.
2. By not requiring the cardholders to notify the bank immediately when a purchase card is lost or stolen, purchases may be charged to the card by someone other than the cardholder and the Agency may be responsible for payment of those charges.

Recommendation: We recommend the Agency:

1. Develop and implement a procedure to ensure that access to purchase card program is locked at the time the cardholder account is cancelled.
2. Ensure that all cardholders are aware of the responsibility to contact bank concerning lost or stolen purchase cards.

Management's Response:

Date: 1/16/07

Response: Concur - The p/card administrator has received the appropriate training to lock accounts upon a cardholder's termination. All cardholder's will be reminded via email of their responsibility to contact the bank directly to cancel lost or stolen cards and to complete the stolen notification form and forward it to the p/card administrator and their approving official.

Corrective Action Plan:

Anticipated Completion Date: 01/19/07

Corrective Action Planned: See comments included in management's response.

Finding [05-320-18](#): Internal Purchasing Procedures

QUESTIONABLE PURCHASE AMOUNT: [\\$2,257.57](#)

Criteria: Oklahoma Department of Wildlife Conservation Internal Purchasing Procedures, **Section F, 5. Procedures for Purchases Not Exceeding \$2,500**, (2), states, "For purchase exceeding \$750, but not exceeding \$2,500, the employee shall acquire three phone quotes and submit the quotes to the Certified Procurement Officer. The Agency Director shall have discretion to document in writing the exemption of purchases exceeding \$750, but not exceeding \$2500, from the three phone quotes if it is deemed feasible, in the best interest of the Agency, and the purchase is fair and reasonable."

Oklahoma Department of Wildlife Conservation Internal Purchasing Procedures, **Section F, 15. Summary of required forms/ reports, J. Telephone Bid Form**, states, "Completed for purchases exceeding \$750 but not exceeding \$2,500. Submit the form with your claim for payment."

Condition: During fiscal year 2005, the Agency procured goods and services totaling \$11,889,861.97 through 19,771 acquisitions. Acquisitions within the \$0 to \$2,500 threshold totaled \$3,056,580.06 through 19,478 acquisitions. A statistical sample was extracted for substantive testing. The sample extracted was 56 acquisitions totaling \$43,007.40. One acquisition (2%) in the amount of \$2,257.50 was not supported by quotes, a completed telephone bid, or an exemption from bidding requirements from the Agency Director. A questionable purchase amount of \$2,257.57 was noted.

Cause: The Agency was unaware that the required three phone quotes were not received for the acquisition.

Effect: Internal purchasing procedures were not followed.

Recommendation: We recommend the Agency review and evaluate the process that ensures the required number of price quotes are received in accordance with the internal purchasing procedures and make any necessary changes.

Management's Response:

Date: 1/16/07

Response: Concur - This was an oversight by management. We have retrained all accounting assistants to verify bid documents attached to claims for processing under \$2500.00.

Corrective Action Plan:

Anticipated Completion Date: Complete

Corrective Action Planned: See comments included in management's response.

Finding [05-320-09](#): Multiple Vouchers

Criteria: The State of Oklahoma Purchase Card Procedures, Version 1 dated March 28, 2001, § 5.4, **State Reimbursement of OSF**, states in part:

Each State Entity P/Card Administrator will receive a separate memo statement from Bank One reflecting the amount due from said Entity and the Entity shall use this memo statement as the basis for payment to OSF. 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.

State of Oklahoma Purchase Card Procedures § 5.4. **Payment procedures (version 01/31/2005)**, states in part, “Agencies will create the accounts payable voucher for the full amount of the invoice ...”

Condition: We reviewed 11 billing cycles during the audit period. Of the 11 billing cycles, seven (64%) billing cycles had multiple vouchers submitted for the payment of purchase card transactions. Vouchers were submitted for payment based on account code.

Cause: The Agency was not aware that multiple vouchers for each card type could not be submitted.

Effect: By not submitting one voucher for the payment of purchase card transactions, the Office of State Finance may be prevented from processing the voucher and submitting EFT payment to the bank in a sufficient amount of time.

Recommendation: We recommend the Agency implement a process to ensure that only one voucher is created and submitted to the bank for each purchase card type used by the Agency.

Management’s Response:

Date: 1/16/07

Response: Partially Concur - Our agency interfaces its internal software application with the Treasurer’s office and makes payments through EFT processing. During the implementation stage of the p/card program our agency had separate authority order purchase orders set up per division. Multiple purchase orders were submitted allowing for six claim jackets; however only one payment was submitted for the total amount of the invoice on one warrant. At the beginning of the fiscal period in question the agency did encumber one purchase order for all divisions and one claim jacket is submitted.

Corrective Action Plan:

Anticipated Completion Date: Complete

Corrective Action Planned: See comments included in management's response.

Finding [05-320-07](#): State Sales Tax

ADDITIONAL COSTS: [\\$86.09](#)

Criteria: State of Oklahoma Purchase Card Procedures §6.6, **State Sales Tax** states, "State entity purchases are exempt from the State of Oklahoma sales tax. Cardholders should exercise care to ensure they are not being charged nor are paying such tax. The sales tax identification number is provided on the face of each p/card."

Condition: Purchase card transactions for the Agency for the audit period (July 1, 2004 to June 30, 2005) totaled \$318,728.08 and 2,020 purchase card transactions. Through data mining software, a random statistical sample was selected. Sample population tested totaled \$47,548.26 (15%) and 129 (6%) purchase card transactions. Of the 129 purchase card transactions examined, 4 (3%) transactions included sales tax. Total sales tax paid was \$86.09. A credit was not given in the current or subsequent billing cycles for sales tax paid. This amount extrapolated is \$572.97.

Cause: Cardholder did not either notify the vendor of the exemption or did not request a credit for sales tax paid.

Effect: Cardholders are paying additional costs for the acquisition of goods and services, resulting in incurring additional costs to the State and Agency.

Recommendation: We recommend the Agency communicate to cardholders of being cognizant of sales tax exemption afforded to state entities for purchases of goods and immediately obtain a credit if sales tax is erroneously charged. We also recommend the Agency develop a process whereby approving officials in their review of cardholder's reconciliation ensure sales tax has not been charged and paid by the cardholder.

Management's Response:

Date: 1/16/07

Response: Concur - All cardholders have been informed of their responsibility to inform the vendor upfront of the tax exempt purchase and to review their sales slip prior to leaving the vendor's location.

Corrective Action Plan

Anticipated Completion Date: Complete

Corrective Action Planned: See comments included in management's response.

OVERALL CONCLUSION

Based on our audit, we have determined the Oklahoma Department of Wildlife Conservation has materially complied with the objectives reviewed. However, there were some deficiencies noted during the audit. Some of these deficiencies were memo statements signed, purchase card transactions unsupported by a detailed, itemized receipts, and insufficient bid solicitation documents. The Department of Wildlife Conservation has stated corrective actions plans, which we believe will ensure the Agency, will comply, in all material respects, with the aforementioned requirements.