

JOHN S. RICHARD  
Director



BRAD HENRY  
Governor

STATE OF OKLAHOMA  
DEPARTMENT OF CENTRAL SERVICES

January 3, 2006

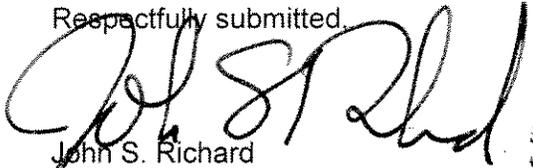
**THE HONORABLE BETTY MOORE, EXECUTIVE DIRECTOR, AND  
THE HONORABLE BOARD MEMBERS OF THE STATE BOARD OF COSMETOLOGY  
STATE OF OKLAHOMA**

With this letter, we transmit the report of the State Board of Cosmetology 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.

Respectfully submitted,



John S. Richard  
Director of Central Services

*"Committed to Quality"*

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# OKLAHOMA

## Department of Central Services

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## State Board of Cosmetology

### Purchase Card Review

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

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## PURPOSE, OBJECTIVE AND SCOPE

The Department of Central Services has completed a review of the State Board of Cosmetology, 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 review.

The objective of this review was to assess the efficiency and effectiveness of the purchase card program and compliance with state statutes, promulgated rules, State Purchase Card Procedures, the Department's internal purchasing procedures, and to make recommendations for improvements.

This review 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 Department's staff members.
- Internal controls over the p/card program were documented and evaluated.
- All transactions from each of the 2 active 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**

Created by the Legislature in 1935, primarily as a licensed agency, the Board is self-sustaining by collection of licensing and inspection fees and has the following functions: to safeguard and protect the health and general welfare of the people; to conduct license examinations; register students and apprentices; inspect beauty shops, beauty schools, and prescribe curriculum for basic, advanced instructor, manicurist and facial operator courses. The mission of the Board is to safeguard and protect the health and general welfare of the people of the State of Oklahoma by enforcing all rules and regulations necessary relating to standards of sanitation which shall be observed and practiced by all beauty schools and beauty shops; mediating in areas of consumer complaint and alleged violation of cosmetology laws and rules; promoting state

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socioeconomic goals relating to the industry; and by serving as a resource base regarding products, techniques, trends, and fashions affecting cosmetologists and consumers of service.

**State Board of Cosmetology**

The Agency is made up of 9 classified and 3 unclassified employees. At the time of the review, there were 2 purchase cardholders in the agency.

**Board Members:**

LaFaye Austin, Chairman-Enid, Oklahoma  
Ken Young, Vice Chairman-Oklahoma City, Oklahoma  
Abbi Vincent-Oklahoma City, Oklahoma  
Carol Dewitt-Braman, Oklahoma  
Gretche Payne-Checotah, Oklahoma  
Freda Poe-Bixby, Oklahoma  
Tuan Nguyen-Oklahoma City, Oklahoma  
Jerry Kelon Carter, II-Tulsa, Oklahoma  
Janet Dale Webb-Muskogee, Oklahoma

**Key Staff:**

Betty Moore, Executive Director  
Candis Ross, Administrative Assistant to the Director, Purchase Card Administrator

## AUDIT RESULTS

### Purchase Card Program Economy Results

The purchase card program saved the Department an estimated net savings of \$885.35 during state fiscal year 2005. This is 9.6% (\$885.35 / \$9,181.97 total expenditures) of the total dollars expended using the purchase card. 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. The agency stated that three purchases made during the audit period would not have been possible without the purchase card, and the agency was able to receive products five to seven days earlier from four purchases by using the purchase card.

We noted a total questioned cost of \$979.30 and an additional cost to the State in the amount of \$76.10.

### Findings and Recommendations

*Findings and recommendations are reported based on audit significance.*

#### **Finding No: 05-190-05**

**Criteria:** The Codification of Statements on Auditing Standards AU § 319.110 (9) states in part, "Segregation of duties. Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets is intended to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of his or her duties."

The United States General Accounting Office, GAO/AIMD-00-21.3.1, Internal Control Standards, Segregation of Duties states:

Key duties and responsibilities need to be divided or segregated among different people to reduce the risk or error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

**Condition:** The agency has a control deficiency relating to segregation of duties within the purchase card program based upon the following:

The Agency has two purchase cardholders. One cardholder does not prepare a transaction log. This cardholder does not use his/her card very often and upon use provides the receipts to the other purchase cardholder (Individual's Approving Official). The cardholder's approving official, who is also a cardholder, prepares one transaction log for both cardholders. This cardholder/approving official also performs the reconciliation. This approving official, who is also the entity purchase card administrator, also has access to and maintains the other p/card holders account number information and purchase card. There is no documented signature that

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signifies the reconciliation performed was reviewed and approved by someone other than the person who prepared the reconciliation. The transaction log is submitted with the voucher for the Agency Director's approval. However, before the audit was conducted the agency's director had not attended the mandatory training with the Department of Central Services before assuming the duties of an approving official. All individuals stated above have their own Executive Director's signature stamp allowing them to stamp signature approvals at any time. Seven transactions logs and one voucher were signed with the signature stamp. Individuals stated they have used the signature stamp during the Directors absence.

Based upon our review, one individual within the agency has access to or performs the following duties:

- Administers the Purchase Card Program
- Has access to and maintains all purchase cards and account information
- Receives the other cardholder's receipts the day of receipt and prepares one transaction log with both cardholders purchases
- Maintains all purchase card records and information
- Prepares the purchase card voucher
- Authorizes OSF vouchers for payment
- Executive Director's signature stamp is maintained in the individuals desks
- During State fiscal year 2005, the individual did not have an authorized approving official that had attended the required purchase card training.
- Establishes Authority Orders
- Authority to change cardholders spending limits
- Assumes the duties of Cardholder/Approving Official/Purchase Card Administrator

**Cause:** The agency is a small agency and it is more difficult to divide or segregate duties. The agency has not put a high priority in segregating duties in relation to the purchase card program.

**Effect:** One individual can control all key aspects of a transaction or event. Abuse of the purchase card could occur and may go undetected.

**Recommendation:** We recommend the following:

The proper segregation of duties can be achieved in many different ways. Our recommendation includes, but is not limited to the following:

- Each cardholder maintain a transaction log and the cardholder reconcile their log to the memo statement for each purchase card cycle
- No cardholder should be able to authorize the Office of State Finance payment vouchers
- The agency cardholders and purchase card administrator should discontinue using the Executive Director's stamp in relation to the purchase card program

The duties of processing and recording should be separated from authorization. We also recommend the agency managers to continuously monitor and improve the effectiveness of management controls associated with the segregation of duties.

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**Management's Response:**

**Respondent:** Candis Ross, Administrative Assistant to the Director

**Response:** Concur - The 1 instance where the Administrative Assistant signed was in the absence of the Director when she was out on sick leave. The one time the signature stamp was used was when the Director was out inspecting salons due to a shortage of Inspectors in a certain territory. The Administrative Assistant to the Director had the verbal authorization to use said stamp.

**Corrective Action Planned:** Each cardholder is now maintaining their own transaction log and reconciling their log to the memo statement before payment is made. Because we are a small agency and it is very difficult to divide or segregate duties the Administrative Assistant to the Director will continue to have authority to authorize the Office of State Finance payment vouchers for emergency situations only, or in the absence of the Appointing Authority. The Administrative Assistant to the Director will have verbal authorization to sign such payments and document as such. If such event occurs, the Appointing Authority then will double check each voucher and sign off on the vouchers as a second approving official after the fact. Please see policy and procedure # 41 for update. Tina Balmer approved this procedure on December 14, 2005.

DIRECTOR'S RUBBER SIGNATURE STAMP

POLICY AND PROCEDURE #41

The director's rubber signature may only be used by the following persons for the following reasons:

Janelle Hastings - certification of license record document

Mike Hays - certification of hours document

Jennifer McRee - travel claims and agency correspondence - only in cases of emergency if the Director is not available.

Candis Ross - for payroll, claims, p-card approval etc. - only in cases of emergency if Director is not available. Transaction logs and memo statements will be signed and dated (after the fact) by the Director.

A verification document has been filed with the Secretary of State regarding use of this signature stamp in compliance with Title 62, Section 602.

When the stamp is not in use it must be secured in the safe at all times.

**Auditor's response:** The agency's corrective action does not fully address that 1 individual can control all key aspects of a purchase card transaction. The corrective action plan does not appear to implement controls that would adequately segregate duties. This audit finding will be forwarded to the State Purchasing Director for further review of the corrective action plan.

**Finding No: 05-190-07**

**Criteria:**

1. State of Oklahoma Purchase Card Procedures § 5.1, **Encumbering funds** (Version March 28, 2001) states, "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.
2. State of Oklahoma Purchase Card Procedures § 5.1, **Encumbering funds** (Version January 31, 2005) states, "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 order for each type of purchase card in use".
3. State of Oklahoma Purchase Card Procedures § 6.9.1, **Cardholder responsibility** (Version March 28, 2001) states in part, "The memo statement shall be reconciled by the cardholder and submitted to the cardholder's approving designated State Entity Approving Official not later than five (5) workdays after receipt."

**Condition:** We tested all (41) purchase card transactions during state fiscal year 2005 and noted the following:

1. Based upon our review of the agency's expenditure report, we noted 13 of 41 purchases totaling \$2,555.54 were not paid with encumbered funds.
2. The Agency did not create a separate authority order for each purchase card type for the period of February 1, 2005 through April 4, 2005. We noted 4 of 41 purchases totaling \$953.06 were within this time period.
3. During testwork, it was noted that 15 of 15 applicable transactions (prior to January 31, 2005), were not submitted to the approving official for approval in the required amount of time. The approving official did not sign and date the statement.

**Cause:**

1. The Agency did not use an encumbrance purchasing method for the purchase card program during the period of 7/1/04 through 1/31/2005.
2. The Agency did not encumber funds by setting up a minimum of one separate authority order for each purchase card type until April 2005.
3. The Agency did not require the approving official to sign and date the memo statement to verify concurrence of the cardholder's reconciliation.

**Effect:**

- 1 and 2. The Agency's payment method could have made obligations in excess of the unencumbered cash balance on hand in their accounts.
3. By not requiring the approving official to sign and date the memo statement concurring with the reconciliation, misuse of the purchase card could occur and go undetected.

**Recommendation:** We recommend the following:

- 1 and 2. The Agency to continue establishing encumbrances using an authority order as prescribed by the rules and regulations. Since April 2005 the agency appears to be encumbering funds using one authority order for each type of purchase card.
3. The Agency should implement a process that ensures the approving officials sign and date memo statements after verifying cardholder reconciliation is accurate and complete.

**Management's Response**

**Respondent:** Candis Ross, Administrative Assistant to the Director

**Response and Corrective Action Planned:** Partially Concur

1. The Agency started using an authority order for payments once we were notified we could no longer use the general funds. Also, the agency created a Purchase Card Authority order in April 2005 for all Purchases where the P card was used. The Agency only had a Purchase Card until the Travel Card became mandatory July 2005. Currently the agency has separate Authority orders for each card.

The Agency is currently having the Approving official sign and Date each memo statement, voucher statement and voucher batch slip after reconciliation has been completed and items have been prepared for payment for the Purchase card and Travel card.

**Finding No: 05-190-04**

**Additional Cost:** \$76.10

**Questioned Cost:** \$979.30

**Criteria:**

1. State of Oklahoma Purchase Card Procedures § 6.2.5, **Merchant preferences** states:  
P/card purchases shall comply with the following preferences for certain merchants or types of contracts. The following are listed in the order of preferences:

- **6.2.5.1. State Use Committee.** State entities shall make p/card purchases from merchants on the State Use Committee procurement schedule unless the State Use Contracting Officer has issued a waiver to the entity prior to the purchase. State Use Committee statewide contracts are mandatory for use. State entities shall reference the State Use Committee procurement schedule to ensure p/card purchases are pursuant to 74 O.S. §3007.

- **6.2.5.2. Oklahoma Correctional Industries (OCI).** State entities shall make purchases from OCI pursuant to 57 O.S. § 549.1, if the vendor is deemed lowest and best.

- **6.2.5.3. Mandatory statewide contracts.** State entities shall make purchases from mandatory statewide contracts regardless of the purchase price unless State Purchasing Director has issued a waiver to the entity.

2. State of Oklahoma Purchase Card Procedures § 6.5 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".

**Condition:** We tested all (41) purchase card transactions during state fiscal year 2005 and noted the following:

1. Four (4) purchase card transactions were not made in accordance with the required merchant preferences. Additional cost to the State for the four transactions is \$76.10.
2. Three (3) purchases did not have a merchant receipt or required supporting documentation. Also, no Lost Receipt Report was completed for the three purchases. The three transactions total [\\$979.30](#).

**Cause:**

1. The Agency does not appear to be following existing internal procedures in place to ensure that preferences set forth by the Oklahoma Purchase Card Procedures are adhered to.
2. The Agency did not ensure that a receipt or confirmation number was obtained for all purchase card transactions and did not complete Lost Receipt Reports for those transactions.

**Effect:**

1. By not making purchases from required merchant preferences, the procedure to ensure prices paid were fair and reasonable is not followed.
2. The expenditure for the state agency is not adequately supported. Misuse of the purchase card could occur and may go undetected.

**Recommendation:** We recommend the following:

1. The agency cardholders review available mandatory statewide contracts to familiarize themselves with the products and services listed within them.
2. The agency ensure that adequate supporting documentation is obtained for all transactions. We also recommend the agency follow-up on the three noted transactions and determine if additional action is necessary.

**Management's Response**

**Respondent:** Candis Ross, Administrative Assistant to the Director

**Response:**

1. Partially concur - The Gateway computer was purchased thru Gateway. The Statewide contract was pulled and we contacted Compaq to see which computer would best suit our needs.

The \$317.35 receipt for Office Depot was originally with P Card memos and transaction logs for October 2004. Purchased was \$17.36 of office supplies and \$299.99 was for Adobe Software. However, the software that was purchased was not what the Agency needed. It was returned to Office Depot on November 4, 2004 where the agency was given a store credit for \$299.99. The Adobe Acrobat 6.0 was then purchased for \$149.98 plus \$299.99 for the store credit for a total of \$449.97.

The Adobe Page Maker 7.0 was then purchased online for \$504.95 thru the Adobe website. No receipt was printed or given when the shipment arrived.

The business for Stick-it-in-stone never mailed a receipt. Not having the receipt was documented and attached with memo statement and transaction log with an itemized statement of what was purchased and for what. A lost receipt form was not filled out because it wasn't "lost", we just never received it from the company.

**Corrective Action Planned:**

1. All mandatory statewide contracts will be printed and a hard copy available to the Certified Procurement Officer.
2. All receipts will be attached. If for some reason something must be returned, a copy of said receipt will be made before returning item. Also, a lost receipt form will be filled out in the event a receipt was never received from the company the product or service was purchased from.

**Finding No: 05-190-02**

**Criteria:**

1. The State of Oklahoma Purchase Card Procedures § 6.4, **Transaction logs** states in part, "A separate log shall be maintained for each p/card for each cycle."
2. The State of Oklahoma Purchase Card Procedures § 6.9.2, **Entity approving official(s) responsibility:**

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 ...

3. 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."

The State of Oklahoma Purchase Card Procedures § 6.1.3, **Employee p/card agreement** states in part, "The Entity P/Card Administrator shall maintain the original employee signed copy of the State of Oklahoma Purchase Card Employee Agreement. A copy of the signed agreement shall be provided to the employee."

**Condition:** We tested all (41) purchase card transactions during state fiscal year 2005. We noted 100% error rate for the following:

1. The Entity Purchase Card Administrator, who is also a cardholder, maintains one log for both cardholders within the agency.
2. The memo statements were not signed and dated by an entity Approving Official indicating a review of the reconciliation and supporting documentation was performed. In addition, the entity purchase card administrator did not have an approving official who had attended the required training during the audit period.
3. The Purchase Card Employee Agreement was not signed by anyone within the agency's purchase card program, which includes the agency's purchase card administrator, approving official and cardholders. All applicable agreements have been completed after notifying the agency of the non-compliance.

**Cause:**

1. The State Entity P/Card Administrator stated that maintaining one transaction log would be easier to prepare and reconcile.
2. The individual acting as an approving official and the agency approving official appeared to be unaware of the requirements and responsibilities of an approving official.
3. The client was unaware the Employee Agreement Forms were to be signed by Cardholders, Approving Officials, and the State Entity P/Card Administrator.

**Effect:**

1. The cardholder may not be aware of unauthorized transactions posted to their purchase card account.
2. The agency would not have documentation showing an independent review of the cardholder's transactions, reconciliation and supporting documentation occurred by a trained approving official.

3. The cardholders, approving officials, and purchase card administrator may not understand their responsibility in relation to the purchase card program. Also, individuals may not be held liable for the misuse of their purchase card or exceed the authority that has been granted to them.

**Recommendation:** We recommend the following:

1. Implement procedures that ensure a separate transaction log is maintained for each cardholder within each cycle.
2. Implement procedures that ensure State Entity Approving Official reviews 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, these procedures, and sound business practices.
3. Implement a process that would ensure future purchase card agreements are completed and maintained by the Entity P/Card Administrator.

**Management's Response**

**Respondent:** Candis Ross, Administrative Assistant to the Director

**Response:**

1. Concur - The Agency was only using one transaction log. Many months would go by with no transactions from the Principal Assistants card, therefore we felt one log was more efficient.
2. Concur-When the Agency originally signed up for the P card we specifically asked Jerry Holland and were informed that the Appointing Authority would not have to be involved with any training of the P card.
3. Concur-The cardholders were under the impression that what was signed with the Department of Central Services was sufficient.

**Corrective Action Planned:**

1. The Agency now has both card holders using separate logs. If there are no transactions for a given month a log is submitted stating as such.
2. The Appointing Authority has now been properly trained as of October 27, 2005. When we became aware this was necessary.
3. All Statements are currently on file with the Department of Central Services and with the Agency. Please see checklist sheet below for new card holders.

Oklahoma State Board of Cosmetology  
2401 NW 23<sup>rd</sup>, Suite 84  
Oklahoma City, Oklahoma 73107



***Condition:***

1. The agency last submitted its internal purchasing procedures to the State Purchasing Director on October 4, 1999. There have been no subsequent revisions since then to include the state entity purchase card procedures.
2. The Agency did not provide a letter signed by the Executive Director appointing the Agency P/Card Administrator to the State Purchase Card Administrator at the time of appointment. The letter was submitted to the Department of Central Services once the agency was notified of the omission.
3. The agency has two cardholders. One of two agency officials did not complete the required purchase card training before assuming their duties as an approving official.
4. One purchase card and the account information for both of the agency's purchase cards are maintained in a safe; however the safe is not locked during the day and unauthorized individuals within the agency have access to the safe.

***Cause:***

1. Agency was unaware they had to incorporate the State Entity Purchase Card Procedures into their own Internal Purchase Procedures.
2. The Agency stated they had notified the Purchase Card Administrator of the State Entity P/Card Administrator but they were not aware they had to send a formal letter from the Director appointing the P/Card Administrator.
3. The Agency was not aware that Approving Officials were required to successfully complete the training prescribed by the State Purchasing Director.
4. The Agency maintains purchase card account information in the safe but allows access to all employees. This allows for a breach of security regarding purchase cards.

***Effect:***

The agency's internal purchasing policies and procedures are not in compliance with the State Purchase Card Procedures.

1. The individual responsible for the agency's purchase card program has not received the proper authority to act as the agency's Purchase Card Administrator.
2. An individual posing as a purchase card approving official who has not received the required training would be unaware of the job duties they are required to perform. They also would not have adequate knowledge of the program requirements.
3. Unauthorized individuals within the agency have access to an agency purchase card and purchase card account information. Purchase card information may be obtained by unauthorized individuals and improperly used.

**Recommendation:** We recommend the following:

1. The Agency should revise and submit its Internal Purchasing Procedures to the Department of Central Services for approval.
2. The Agency has submitted the required authorization letter to DCS. No further recommendation is made at this time.
3. The individual referred to in the condition attended the required training on 10/27/2005. No further recommendation is made at this time.
4. The agency should maintain the purchase cards and purchase card information in a secure manner at all times. This information should not be left unattended or in an insecure area that allows access to unauthorized individuals.

**Management's Response**

**Respondent:** Candis Ross, Administrative Assistant to the Director

**Response:**

1. Concur - The Agency will update the Purchasing Procedures and have submitted to the Department of Central Services for Approval by January 1, 2006.
2. Concur - The letter appointing the P Card Administrator was submitted to the Department of Central Services On July 28, 2005.
3. Partially concur - The Agency has 2 P Card holders. Both P Card holders took the P Card training prior to receiving the cards. The Approving official took the P Card training on October 27, 2005. When we became aware this was necessary.
4. Both cardholders have their P cards with them at all times. The Travel card was the only card remaining in the safe.

**Corrective Action Planned:**

1. The Agency will review and update the Purchasing Procedures if necessary every Fiscal Year to ensure Agency is in compliance with all applicable rules and laws.
4. All P card account information and the Travel Card will be moved to a locked file cabinet in the Administrative Assistant to the Director's office. The Principal Assistant, Administrative Assistant to the Director, and the Appointing Authority will have keys to the file cabinet.

**Finding No: 05-190-06**

**Criteria:**

1. Oklahoma Purchase Card Procedures § 6.7.1, **Goods or services received at the time of purchase** states, "The receipt for purchase also serves as the receiving document. The receiving document should be annotated "Received" and signed and dated by the receiving employee".

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."

2. Oklahoma Purchase Card Procedures § 6.9.1, **Cardholder responsibility** states in part: The memo statement shall be reconciled by the cardholder and submitted to the cardholders' designated State Entity Approving Official. After confirming the transactions on the memo statement, the cardholder shall sign and date the transaction log indicating the cardholder did make the purchases. The cardholder shall also sign and date the memo statement verifying the transaction log and the memo statement have been reconciled.

**Condition:** We tested all (41) purchase card transactions during state fiscal year 2005 and noted the following:

1. The receiving employee did not perform all the tasks required of them relating to the receiving document for all forty one (41) purchase card transactions reviewed.
2. The cardholders did not sign and date the transaction log for all forty one (41) purchase card transactions reviewed.

**Cause:**

1. The Agency was not aware the receiving employee was to be annotating "Received" and signing and dating the receiving document.
2. The Agency was not aware they were required to have the cardholders sign and date the transaction logs.

**Effect:**

1. By not requiring cardholders to sign and date receiving documents, there is no verification that goods and/or services were actually received.
2. The agency would not have confirmation that the cardholder created or reviewed their transaction log and made the recorded purchases.

**Recommendation:** We recommend the following:

1. The agency to notify all receiving employees and specially communicate to them that each receiving document should be annotated "Received" and signed and dated by the receiving employee.
2. The agency notify all cardholders that after confirming the transactions on the memo statement, the cardholder shall sign and date the transaction log indicating the cardholder did make the purchases.

**Management's Response**

**Respondent:** Candis Ross, Administrative Assistant to the Director

**Response:**

1. Partially Concur- The Agency has always checked goods or services received. However, we were not using the word "Received" and were just using initials instead of a full signature. Items were dated.

**Corrective Action Planned:**

1. Please see the revised version of the Policy and Procedure # 63.

RECEIPT OF GOODS/PRODUCTS/SERVICES

POLICY/PROCEDURE #63

This is to clarify that Candis Ross, Administrative Assistant To The Director, is responsible for ordering goods/products/services for the Agency as approved by Betty Moore, Appointing Authority.

Brad Maritt, Administrative Technician, is responsible for reviewing/auditing the goods/products/services received to ensure all were received as ordered/paid for and noting specifically on receipts "RECEIVED". The receipt must be appropriately signed (no initials) and dated. If Mr. Maritt is not available on the date of receipt, Jennifer McRee is responsible for assuring this is done in his absence.

**Finding No: 05-190-03**

**Criteria:**

1. State of Oklahoma Purchase Card Procedures § 6.10, **Card security** state in part, "Entities shall establish an internal procedure to ensure that a p/card held by a terminated employee is promptly provided to the State Entity Purchase Card Administrator".
2. State of Oklahoma Purchase Card Procedures § 6.9.1, **Cardholder responsibility**, states in part, "The memo statement shall be reconciled by the cardholder and submitted to the cardholders designated State Entity Approving Official...The cardholder shall also sign and date the memo statement verifying that the transaction log and the memo statement have been reconciled."

**Condition:**

1. The Agency does not have an internal procedure to ensure that a purchase card held by a terminated employee is promptly provided to the State Entity Purchase Card Administrator.
2. We tested all (41) purchase card transactions during state fiscal year 2005. We noted all (41) memo statements were not signed and dated by the cardholder verifying that the transaction log and the memo statement have been reconciled.

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**Cause:**

1. The Agency was not aware that they were required to have an internal policy ensuring p/cards held by a terminated employee were to be provided to the State Entity Purchase Card Administrator at the time of termination.
2. The Agency was not requiring cardholders to sign and date the memo statement verifying transaction log and memo statement have been reconciled.

**Effect:**

1. The purchase card may not be collected from the terminated employee in a timely manner, and unauthorized purchases may occur.
2. Not requiring the cardholders to sign and date the memo statements verifying that the transaction logs have been reconciled to the memo statements could allow for unauthorized charges to the cards.

**Recommendation:** We recommend the following:

1. The Agency should develop, document and implement policy and procedures that ensure purchase cards held by terminated employees are provided to the State Entity Purchase Card Administrator at the time of termination.
2. The Agency should implement a process that ensures cardholders sign the memo statements in accordance with the rules and regulations.

**Management's Response**

**Respondent:** Candis Ross, Administrative Assistant to the Director

**Response and Corrective Action Planned:** Concur

1. Please see attached internal policy and procedure to ensure purchase card is returned when an employee is terminated.
2. All memo statements will be prepared signed and dated by cardholder. Administrative Assistant to the Director will reconcile and the Appointing Authority will approve each memo statement.

RETURN OF AGENCY P-CARD UPON RESIGNATION  
OF CARD HOLDER

POLICY/PROCEDURE #64

All agency P-Card holders shall sign and date a statement when the card is issued to them. The statement is to be kept in the employees personnel file with a copy to the P-Card Administrator.

If the agency P-Card holder resigns his/her position with the agency, the card must be returned immediately to Betty Moore, Appointing Authority, upon receipt of resignation. Ms. Moore will provide this card to Candis Ross, Administrative Assistant to the Director.

**OVERALL CONCLUSION**

In our opinion, the State Board of Cosmetology has significant deficiencies pertaining to compliance with the requirements of the State of Oklahoma Purchase Card Program and rules promulgated thereto. The deficiencies include, but are not limited to, internal control segregation of duties, encumbering funds, and merchant preferences. A majority of the findings have been corrected or the State Board of Cosmetology has begun implementing a corrective action plan. We will request the State Purchasing Director to further review the corrective action plan for one finding.