

JOHN S. RICHARD  
Director



BRAD HENRY  
Governor

STATE OF OKLAHOMA  
DEPARTMENT OF CENTRAL SERVICES

January 25, 2006

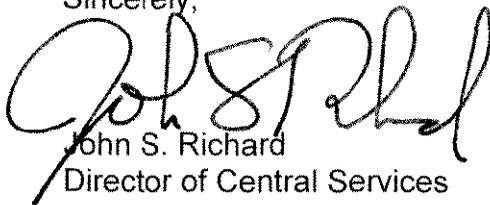
**TO THE HONORABLE ANNE WOODY, EXECUTIVE DIRECTOR AND THE  
HONORABLE COMMISSION MEMBERS OF THE OKLAHOMA REAL ESTATE  
COMMISSION**

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

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

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

Sincerely,



John S. Richard  
Director of Central Services

*"Committed to Quality"*

Administration, Will Rogers Office Building (2401 N. Lincoln) Suite 206 / P.O. Box 53218 · Oklahoma City, OK 73152-3218  
Telephone 405/521-2121, Fax 405/521-6403, [www.dcs.state.ok.us](http://www.dcs.state.ok.us)

# OKLAHOMA

Department of Central Services

---

---



## REAL ESTATE COMMISSION

**Purchase Card Review**

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

This publication is printed and issued by the Department of Central Services, as required by 74 O.S. § 212. Pursuant to 74 O.S. 3105, 15 copies have been prepared and distributed at a cost of \$4.73. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

**TABLE OF CONTENTS**

**PURPOSE, OBJECTIVE AND SCOPE** \_\_\_\_\_ **1**

**METHODOLOGY** \_\_\_\_\_ **1**

**EXECUTIVE SUMMARY** \_\_\_\_\_ **2**

**AUDIT RESULTS** \_\_\_\_\_ **3**

**OVERALL CONCLUSION** \_\_\_\_\_ **9**

## **PURPOSE, OBJECTIVE AND SCOPE**

The Department of Central Services has completed a review of the Oklahoma Real Estate Commission, 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:

- determine if the agency's purchase card program is in compliance with laws and regulations;
- determine if the agency's purchase card program is in compliance with approved internal purchasing procedures as they relate to the acquisition process of using purchase cards;
- determine if the agency has implemented internal controls and if the agency's controls are operating effectively in relation to the purchase card program;
- determine the relative cost benefits the purchase card program had on the agency;
- 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 Agency's staff members.
- Internal controls over the p/card program were documented and evaluated.
- A sample of 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

The Commission is the regulatory agency for the Real Estate License Act which became effective through legislative enactment January, 1950. The Commission has authority to conduct certain examinations for applicants for sales associate and broker licenses and to either grant or deny licenses. It also has authority to conduct hearings on complaints within the industry and make rulings on such complaints. Re-created until July 1, 2009.

### Real Estate Commission

The Agency is made up of 16 classified and 4 unclassified employees as of September 1, 2004. At the time of the review, there were 2 purchase cardholders in the agency. Each cardholder reports to an approving official. The Executive Director has appointed one individual to be the agency purchase card administrator, who is responsible for overseeing the agency purchase card program.

#### Board Members:

Pete Galbraith – Chairman  
Charles Barnes – Vice Chairman  
Randall Saunier  
Stephen Sherman  
John Mosely  
Martin VanMeter  
Harrison Levy

#### Key Staff:

Anne Woody, Executive Director  
Lisa Hays, Business Manager, Purchase Card Administrator

## AUDIT RESULTS

### Purchase Card Program Economy Results

The purchase card program saved the agency an estimated net savings of \$1,821.68 during state fiscal year 2005. This is 12.73% (\$1,821.68 / \$14,302.72 total expenditures) of the total dollars expended using the purchase card. This is an average savings of \$12.48 per transaction for the agency. A majority of the savings was attributable to the cost associated with the time saved by using the purchase card rather than traditional governmental purchasing methods. Additional savings include the purchase card rebate and transaction fees.

We noted a total questioned cost of [\\$808.10](#).

### Findings and Recommendations

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

#### Finding No: 05-588-01

##### **Criteria:**

1. State of Oklahoma Purchase Card Procedures § 6.10, **Card Security** states, "State entities shall establish an internal procedure to ensure that a p/card held by a terminated employee is promptly provided to the State Entity P/Card Administrator".
2. State of Oklahoma Purchase Card Procedures § 3.9, **Training** states:  

Entity P/Card Administrators and designated back-ups, 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.
3. State of Oklahoma Purchase Card Procedures § 6.10, **Card Security** states, "The cardholder shall assure that the card is kept in a secure manner and that the p/card account number on the card is not posted or left in a conspicuous place".

**Condition:** During the review of the agency's internal controls, we noted the following:

1. Current internal purchasing procedures for the Oklahoma Real Estate Commission (OREC) did not include a procedure for returning a purchase card held by a terminated employee.
2. An agency official assumed the duties of a purchase card approving official on July 1, 2004, before receiving the required purchase card training. This individual attended the mandatory training 392 days later on July 28, 2005.

3. The agency has two cardholders. One cardholder's card is kept in the safe, which remains open during business hours. Employees of the Commission have access to the safe during those hours. Also, the account numbers on the memo statements are kept in a file cabinet that remains open during business hours. The account numbers are not masked out on the memo statements. Anyone within the central building may have access to the purchase card information.

***Cause:***

1. The Commission was not aware a procedure regarding retrieving purchase cards from terminated employees needed to be developed.
2. The Commission did not place a high priority on mandatory training for the approving official.
3. The Commission did not realize the security of the account numbers and the one purchase card may be at risk.

***Effect:***

1. The purchase card may not be retrieved from a terminated employee in a timely manner upon termination. The Purchase Card Program Administrator may not be aware of cardholders who have terminated employment. As a result, purchase cards may not be cancelled in a timely manner. In addition, the opportunity for the occurrence of unauthorized transactions is created.
2. Individuals who have assumed their duties and responsibilities prior to receiving mandatory training may not possess the requisite knowledge for understanding the specifics of their role. This lack of knowledge creates an opportunity for lapse in established management controls.
3. The purchase card and account numbers could be susceptible to theft.

***Recommendation:*** We recommend the following:

1. The Commission should update their internal purchasing procedures to include a process for the retrieval of the purchase card from terminated employees.
2. The Commission should ensure all required individuals receive the purchase card training prior to assuming their duties.
3. The Commission should take precautions to ensure that purchase cards and their account numbers are physically safeguarded, by maintaining them in a secure location unavailable to unauthorized individuals.

**Management's Response**

**Respondent:** Lisa G. Hays, Business Manager & Jan Preslar, Counsel to the Commission.

**STATE OF OKLAHOMA  
REAL ESTATE COMMISSION  
PURCHASE CARD REVIEW  
JANUARY 25, 2006**

---

**Response:**

1. Concur - State of Oklahoma Purchase Card Procedures § 6.10, Card security states, "State entities shall establish an internal procedure to ensure that a p/card held by a terminated employee is promptly provided to the State Entity p/card Administrator."

There were only two instances in which an employee with a p/card terminated employment. The first employee, the Business Manager, never used his p/card and it remained in the safe throughout his employment. The current Business Manager, upon her predecessor leaving the agency's employment, immediately destroyed this p/card. Upon the second employee's termination of employment the Business Manager immediately sent notice to Bank One to terminate the p/card and this information is documented in the agency's records. The Business Manager believes she obtained the p/card from the terminated employee and destroyed the p/card; however, this was not documented for the file.

2. Concur - The audit findings erroneously state "The Commission did not place a high priority on mandatory training for the approving official." This was not a matter of the Commission not placing a high priority on training. In fact, the Commission did not immediately realize the purchase card approving official, (the Executive Director), who has not been issued a p/card, was required to go through the purchase card training. The Executive Director acts as the approving official when the main approving official (the Business Manager) is not available. As soon as OREC's p/card Administrator learned the Executive Director needed to obtain the training, she registered the Director for the next available training.
3. Partially Concur - The Commission disagrees that a p/card, in a sealed envelope, kept in the Commission's safe, which is kept in an attended office is not "kept in a secure manner and that the p/card account number on the card is not posted or left in a conspicuous place" or that the purchase cards are not "safeguarded" and maintained "in a secure location unavailable to unauthorized individuals." With regard to the memo statements, these are now kept in a locking file cabinet. OREC has implemented a policy to redact the account numbers on memo statements.

**Corrective Action Planned:**

1. The Business Manager has now developed a form to document these actions in the future. (See form below).

Exit Procedures for Termination of Employment

Name:

Position:

Department:

Last Date of Employment:

**STATE OF OKLAHOMA  
REAL ESTATE COMMISSION  
PURCHASE CARD REVIEW  
JANUARY 25, 2006**

---

Reason for Leaving:

The following items have been turned into the Business Manager

Keys:		Yes	No	N/A
P-Card:		Yes	No	N/A
Date P-Card Canceled:		_____		
Was the P-Card Destroyed:	Yes	No	N/A	
Tax Exempt Cards:		Yes	No	N/A
Data Processing Equipment:	Yes	No	N/A	
Agency Cell Phone:		Yes	No	N/A

Are there any agency items currently in your possession that have not been turned in?  
Yes/No      If yes explain: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Employee Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Interviewer's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

\* Failure to return any property of the Oklahoma Real Estate Commission could result in a delay of the final payroll payment.

**Corrective Action Planned continued:**

- 2. Corrective action was taken prior to audit and initiated by the agency.
- 3. See above response

**Anticipated Completion Date:**

- 1. and 3.    Already completed

## Finding No. 05-588-02

**Total Questioned Cost:** \$808.10

**Criteria:**

1. Office of State Finance (OSF) procedures manual section 319.A, **Special Procedures** states:

“Payments for purchase of light food and drink items (e.g., doughnuts, cake, coffee, tea, soft drink, etc.) used as refreshments and required in connection with meetings or similar type activities held/conducted for and in the interest of the general public, shall be considered a valid operating expense of the agency to the extent that such purchases serve a public purpose. This policy also covers payments for the purchase of related refreshments service items, such as disposable plates/flatware, stirrers, coffee cream, sweeteners, etc”.

2. The State of Oklahoma Purchase Card Procedures § 3.10, **Purchase Card Employee Agreement** states, “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:**

1. During our testwork, we noted sixteen transactions for grocery items. These items were purchased for the Standard Contract Forms Committee Meeting that is held each month at the Real Estate Commission. The meeting does not break for lunch, therefore items are provided at the Commission’s expense for committee member’s to eat during the meeting. Transactions included in sample total \$178.06. Transactions not included in sample total \$630.04. This gives a total questioned cost of \$808.10.
2. The Agency had not required cardholders and approving officials to sign a copy of the State of Oklahoma Purchase Card Employee Agreement. All three individuals noted during the audit have signed and dated the required four Purchase Card Employee Agreements.

**Cause:**

1. The Commission may have misinterpreted the Office of State Finance guidelines for refreshments.
2. The client was unaware the Employee Agreement Forms were to be signed by Cardholders, Approving Officials, and the Entity P/Card Administrator.

**Effect:**

1. The Commission may have been providing meals to individuals without the proper authority by law.
2. By not signing the purchase card employee agreement, the agency is unable to determine if the individual has been communicated their responsibility in relation to the purchase card program.

**Recommendation:**

1. We recommend the Commission develop and implement procedures to ensure compliance with the Office of State Finance Procedures Manual. The Oklahoma Real Estate License Code and Rules §858-208.15 has been amended with the effective date of November 1, 2005 that states:

“The Commission shall have the following power and duties: “To enter into contracts and agreements for the payment of food and other reasonable expenses as authorized in the State Travel Reimbursement Act necessary to host, conduct, or participate in meetings or training sessions as is reasonable for the administration of this code”.

2. Implement a process that would ensure future purchase card agreements are completed and maintained by the Entity P/Card Administrator.

**Management Response**

**Respondent:** Lisa G. Hays, Business Manager & Jan Preslar, Counsel to the Commission.

**Response:**

1. Non-Concur - The Commission disagrees with this audit finding. OSF allows purchase for “light food and drink items (e.g., doughnuts, cake, coffee, tea, soft drink, etc.) used as refreshments and required in connection with meetings or similar type activities held/conducted for and in the interest of the general public, shall be considered a valid operating expense of the agency to the extent that such purchases serve a public purpose.”

The questioned refreshments were purchased by OREC for meetings of the Standard Contract Forms Committee, which was made up of members of Real Estate Licensees and members of the Oklahoma Bar Association. The Committee was created pursuant to 59 O.S. Supp. 2005, §858-208 (14) to create a standardized contract and related addenda for use in the purchase and sale of real estate throughout Oklahoma. Consequently, these meetings were clearly for a public purpose.

The questioned refreshments purchased by OREC for these meetings fall within the OSF guidelines allowing, “light food and drink items... used as refreshments.” “Refreshments” are defined by Webster’s International Dictionary as “a light meal” or “assorted light foods.” OREC did not purchase doughnuts or cake because some of the members of the Standard Contract Forms Committee had health issues (e.g. diabetes, weight, etc.) and OREC therefore chose to purchase healthy foods. These healthy foods included breakfast breads, fruits, raw vegetables, cold cuts, crackers, cheese, etc.

Committee members snacked on these items throughout the day. These meetings lasted approximately 8 hours per meeting. Cost of food for each meeting was approximately \$60.00. Some members excused themselves during the meeting and went into the mall to purchase other items and brought them back to the meeting to consume.

The Commission believes the items purchased for these meetings constitute refreshments. Nevertheless, the Legislature has granted OREC authority to pay for food necessary to host, conduct, or participate in meetings or training sessions.

2. Concur - When it was discovered that an approving official (Executive Director) needed to sign an agreement, even though she has never been issued a p/card, a signed agreement was obtained from her before the audit. Of the remaining three, one employee, who was issued a p/card, but never utilized it, and has since retired; another who was terminated did not sign an agreement; and the final employee signed an agreement immediately upon the completion of the agency self audit.

**Corrective Action Planned:**

2. The P/Card Administrator will ensure that agreements are immediately signed when cards are issued. (The Executive Director has limited this agency to two p/cards. The Business Manager holds one card for emergency situations and the Primary Certified Procurement Officer holds the other card.)

**Anticipated Completion Date:**

2. Completed Prior to Audit

**OVERALL CONCLUSION**

In our opinion, the Oklahoma Real Estate Commission has materially complied with the requirements of the State of Oklahoma Purchase Card Procedures and the rules promulgated thereto; however, some exceptions were noted. These exceptions were related to compliance with card security, training, purchase card employee agreements, and the purchase of grocery items. The Real Estate Commission has begun implementing corrective action, which we believe will ensure the Agency will comply, in all material respects, with the aforementioned requirements.