# OKLAHOMA

## Department of Central Services
## Audit Unit

**OKLAHOMA DEPARTMENT OF PUBLIC SAFETY**

**Purchase Card Program Audit**

*Report Released*
*April 24, 2008*

JOHN S. RICHARD
Director

BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

April 24, 2008

**TO COMMISSIONER OF PUBLIC SAFETY, KEVIN WARD:**

With this letter, we transmit the report of the Oklahoma Department of Public Safety purchase card program audit for the audit period July 1, 2004 through June 27, 2006.

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,

John S. Richard
Director of the Department of Central Services

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## PURPOSE, OBJECTIVE AND SCOPE

The Department of Central Services has completed an audit of the Oklahoma Department of Public Safety, hereinafter referred to as the "Agency", purchase card program for the period July 1, 2004 through June 27, 2006. The purpose of this report is to communicate the results of the audit.

The objective of this audit was to:

- determine if the agency's purchase card program is in compliance with laws and regulations;
- determine if the agency's purchase card program is in compliance with approved internal purchasing procedures as they relate to the acquisition process of using purchase cards;
- determine if the agency has implemented internal controls and if the agency's controls are operating effectively in relation to the purchase card program.
- and determine the relative cost benefits the purchase card program has on the agency.

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.*

Acronyms used throughout this document:
DCS – Department of Central Services
DPS – Oklahoma Department of Public Safety

## METHODOLOGY

- Interviews were conducted with the Agency's staff members.
- Internal controls over the p/card program were documented and evaluated.
- A statistical sample of transactions from cardholders was examined.
- Overall program compliance with the State of Oklahoma Purchase Card Procedures and rules promulgated thereto was evaluated.
- No findings were written that would conflict with the state statutes listed within the DCS exemption documents.
- Agency restricted and non-restricted purchase cards were tested separately.

## EXECUTIVE SUMMARY

### Organization

The Oklahoma Department of Public Safety is a multi-service safety and law enforcement organization, created by statute to administer to the protection and needs of Oklahoma citizens including both their personal well-being and their vehicular safety. The mission of the Oklahoma Department of Public Safety is working to provide a safe and secure environment for the public through courteous, quality, and professional services.

The Agency is made up of 1404 classified, 39 unclassified, and 48 temporary employees according to the September 1, 2006. At the time of the audit, there were 143 purchase cardholders in the agency.

Key Personnel
Kevin L. Ward, Commissioner
Jerry Garcia, Comptroller
Lisa Armstrong, Purchase Card Administrator

## AUDIT RESULTS

### Purchase Card Program Economy Results

Estimated Savings - The purchase card program saved the Agency an estimated net savings of $709,857.59 during for the period July 1, 2004 through June 20, 2006. This is 54% ($709,857.59 / $1,309,599.09) of the total dollars expended using the purchase card. This is an average estimated per transaction savings of $68.07 from economy calculation per transaction for the Agency. A majority of the savings was contributable to the cost associated with the time saved by using the purchase card rather than traditional governmental purchasing methods.

**Audit Background**

We performed a two-year audit of the Oklahoma Department of Public Safety purchase card program. The audit period was June 1, 2004 to June 27, 2006. We noted a total of 27 audit findings. We reported 14 non-duplicated findings within this audit report. We supplied DPS with over 2,500 scanned documents to support our findings. Approximately 1,680 exceptions were noted during the audit.

## Audit Finding Details

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

## Finding No: 05-585-01: Internal Purchasing Procedures

***Criteria:*** The State of Oklahoma Purchase Card Procedures § 1.6 **Conditions of participation**, states in part, "State entity p/card procedures shall be made a part of their internal purchasing procedures."

***Condition*:** The Department of Public Safety began participating in the Oklahoma Purchase Card Program in August 2002. As of November 28, 2006, the Agency has not completed revisions for their internal purchasing procedures to include the purchase card program and submit them for approval to the Department of Central Services.

***Cause:*** The Agency was not aware that their internal purchasing procedures had not been approved by the Department of Central Services until the issue was reported during state fiscal year 2005 audit.

***Effect:*** The Agency's internal purchasing policies and procedures are not in compliance with the State Purchase Card Procedures.

***Recommendation****:* We recommend the Agency revise its Internal Purchasing Procedures to include the purchase card program and submit to the Department of Central Services for approval.

### *Management's Response*

**Date:** 6-22-07
**Response:** Non-Concur

**Response to "Condition" Portion:** Non-concur.

The agency submitted it's revised Internal Purchasing Procedures to DCS on 9/10/03 for approval, and same included Sections 7.1 & 7.2 addressing p/card issues and procedures. DCS held the full purchasing procedures, including numerous non-p/card items and procedures, for a substantial period of time without approving same and sometime thereafter, the Internal

Procedures were returned by DCS with some suggested modifications to non-p/card matters. During the interim, it was decided by the agency to extensively review the internal purchasing procedures, and such a project was embarked upon, but never completed until late in 2005. On 8/15/05, a revision of the 9/10/03 Internal Purchasing Procedures was submitted to DCS, to use in this audit, again containing the p/card procedures.

On 10/05/05 another revision of this agency's Internal Purchasing Procedures, containing therein p/card procedures, was submitted to DCS and DCS responded and apologized for the delay in reviewing the previously submitted version, and requested some more minor changes, but not dealing with the p\card procedures portion of the agency's internal purchasing procedures. To date, no particular or specific modification of the previously submitted p/card procedures has been requested of the agency by DCS. With the concurrence of the auditor, the agency has been waiting for the completion of this audit so it can include any needed recommended modifications therein as the result of this audit. Within 4 weeks after the final DCS Findings are issued on this audit, the final revisions of the agency's Internal Purchasing Procedures, to include any needed revisions of the p/card procedures, will be completed by the agency and submitted to DCS for its review and approval.

***Corrective Action Plan***

**Anticipated Completion Date:** 4 weeks after the final audit findings are issued
**Corrective Action Planned:** Issuance of revised internal purchasing procedures.

## Finding No: 05-585-20: Encumbrances Fiscal Year 2006

***Criteria:*** State of Oklahoma Purchase Card Procedures § 5.1, **Encumbering funds**, 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 P/Card in use. Separate authority orders should be established for the regular P/Card, the statewide contract P/Card, and the Travel P/Card. Change orders to amend these encumbrances may be processed as necessary.

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

***Condition*:** We reviewed all Authority orders and related change orders for the regular, travel, and statewide contract purchase cards for the time period July 1, 2005 to June 27, 2006. The Agency did establish an authority order for each type of purchase card, however, change orders

for each authority order to increase total funds encumbered were not processed in a timely manner. Regular purchase card was encumbered under Authority Order (AO) #5859003208. Travel purchase card was encumbered under AO #5859004012. Statewide contract purchase card was encumbered under AO #5859004424. Details are noted below.

1. Authority Order #5859003208 for the regular purchase card was initially created in the fourth quarter of state fiscal year 2005. Funds for state fiscal year 2006 were not encumbered until 07/05/2005. Initial amount encumbered was $7,863.76. There were 11 change orders to the authority order. The table below shows unencumbered purchase card expenditures for the regular purchase card:

| TIME PERIOD | UNENCUMBERED TRANSACTIONS |
|---|---|
| 07/01/2005 to 07/05/2005 | ($3,010.61) |
| 07/09/2005 to 08/01/2005 | ($22,145.23) |
| 08/02/2005 to 05/17/2006 | ($589,755.05) |
| 05/31/2006 to 06/26/2006 | ($53,463.50) |
| **TOTAL** | **($668,374.39)** |

**2**. On 09/16/2005, $3,350 was encumbered for the statewide contract purchase card under AO #5859004424. There were eight change orders to the authority order. The table below shows unencumbered purchase card expenditures for the statewide contract purchase card:

| TIME PERIOD | UNENCUMBERED TRANSACTIONS |
|---|---|
| 10/22/2005 to 12/29/2005 | ($73,537.96) |
| 01/15/2006 to 03/02/2006 | ($30,833.29) |
| 03/10/2006 to 03/29/2006 | ($3,622.26) |
| 04/05/2006 to 05/01/2006 | ($46,487.20) |
| 05/10/2006 to 06/23/2006 | ($78,153.60) |
| **TOTAL** | **($232,634.31)** |

**3.** On 07/27/2005, $13,669.05 was encumbered for the travel purchase card under AO #5859004012. There were 11 change orders to the authority order. The table below shows unencumbered purchase card expenditures for the travel purchase card:

| TIME PERIOD | UNENCUMBERED TRANSACTIONS |
|---|---|
| 07/12/2005 to 09/01/2005 | ($17,122.30) |
| 09/26/2005 to 10/31/2005 | ($6,220.10) |
| 01/27/2006 to 02/01/2006 | ($1,046.10) |
| 03/24/2006 to 03/29/2006 | ($2,484.10) |
| 04/10/2006 to 05/01/2006 | ($5,212.35) |
| 05/12/2006 to 06/06/2006 | ($2,859.40) |
| 06/16/2006 to 06/20/2006 | ($5,025.75) |
| **TOTAL** | **($39,970.10)** |

The total unencumbered expenditures for the audit period is $940,978.80.

***Cause:*** The Agency did not correctly encumber funds or issue change orders in a timely manner.

***Effect:*** By not properly encumbering funds, the Agency created an opportunity to exceed the total available unencumbered cash balance on hand.

***Recommendation****:* We recommend the Agency create a process to ensure funds are timely encumbered for the purchase card and that change orders are issued as necessary to amend the encumbrance.

### *Management's Response*

**Date:** 6-22-07
**Response:** Concur

**Response to "Conditions" Portion.**: Concur.

***Corrective Action Plan***

**Anticipated Completion Date:** None.
**Corrective Action Planned:** None.

## Finding No: 05-585-32: Prohibited

***Criteria:*** An exception has been granted to the Department of Public Safety by the Central Purchasing Director of the Department of Central Services. The exception was signed on 9/08/03. The exception was for travel-related expenses for Executive Security, assigned Troopers and Executive Security pilots. This exception was allowed by statute for actual and necessary traveling expenses while traveling with the protectee or at the protectees' request.

The approval statement stated in part, "Also, this approval does not waive any statutory compliance, but is directed at purchase card procedures and guidelines."

State of Oklahoma Purchase Card Procedures **§ 6.2.3. Other prohibited purchases** states in part, "The p/card shall NOT be used for the following types of purchases:

> -Travel including, but not limited to, transportation, entertainment, food and beverages, travel agencies, and lodging unless such use is approved by the State Purchasing Director in accordance with paragraph 1.6 of these procedures.
>
> -Purchase of any goods or services for personal use and not for official State use.

***Condition*:** During fiscal year 2006 we noted meals purchased for out of state troopers in the total amount of $778.61.

***Cause:*** The law used by the agency was in place before the state purchase card program was developed and the law only allows for these expenses to be reimbursed, therefore not allowing the purchase card to be used.

***Effect:*** Meals are purchased for out of state troopers by a minimum of five different cardholders. The Agency does not have an exception for the prohibited purchasing activity conducted.

***Recommendation****:* We recommend that Department of Public Safety along with the Department of Central Services coordinate with the Office of State Finance to provide a remedy or waiver for the restriction placed on the troops.

We also recommend the Department of Central Service to review and evaluate the purchase card exceptions for the Agency, based upon current audit information.

***Management's Response***

**Date:** 6-22-07
**Response:** Non-Concur

**Response to "Conditions" Portion.**

Meals for out of State Peace Officers.

Non-Concur. This charge is based on the auditor's misinterpretation of a purely legal question resting on the interpretation of statutes and the terms of the DCS exemption. DPS disagrees with the DCS auditor's "legal analysis".

The auditor paraphrases the exemption granted by DCS in stating as he does in his "Criteria" portion of the finding that "This exception was for travel-related expenses for Executive Security, assigned Troopers and Executive Security pilots. This exception was allowed by statute for actual and necessary traveling expenses while traveling with the protectee or at the protectees' request." The auditor, without any citation of authority, then tries to assume that this exemption does not include meal expenses of out of state troopers, ostensibly because the are neither an assigned trooper nor an executive security pilot. Following is the language of the exemption itself.

The exemption is a 8/27/03 letter from the previous Commissioner to previous State Purchasing Director with DCS, containing a 9/18/03 approval by the previous Director. The very first sentence of the letter states:

> "The Department of Public Safety requests that you exempt from the rules pertaining to the Purchasing Card, **all acquisitions related** to Executive Security travel with protectees, **including** assigned Troopers and Executive Security Pilots."

Please note that the "approved" exemption request does not limit in any way, shape or form, the exemption to just the expenses as paraphrased and assumed above by the auditor. The approved request includes "all acquisitions related" to Executive Security travel, which could include but not be limited to the actual troopers' expenses. Such an acquisition could also be the services and attendant expenses of an out of state peace officer required for the travel induced security duty of Executive Security.

The letter goes on to state:

> "As you know, these employees are allowed their actual and necessary travel expenses by statute. Statutory citations for actual and necessary are identified in 47 O.S. §2-104 and 74 O.S. §500.18 as authorizing the actual and necessary expenses for personnel identified in this request."

47 O.S. §2-104(B) states in pertinent part:

> "(B) When traveling with the Governor or at his request:
> (1) Those personnel assigned by the Commissioner for executive security shall be allowed their actual and necessary traveling expenses, upon claims approved by the Commissioner***; and
> (2) Those personnel serving as noncommissioned pilots in the Department of Public Safety shall be allowed their actual and necessary traveling expenses, upon claims approved by the Commissioner."

74 O.S. §500.18(B)(3) states:

> "3. Department of Public Safety:
> When traveling with the Governor or at the Governor's request, personnel assigned by the Commissioner for executive security and pilots on executive security assignment shall be allowed their actual and necessary traveling expenses, upon claims approved by the Commissioner."

So now the question becomes, is the meal expense of an out of state peace officer, "actual and necessary traveling expenses" of the Executive Security officer paying for such? If it is, then it is not only allowed under the State Travel Reimbursement Act, but also under the letter exemption granted by the previous State Purchasing Director with DCS. Another question that could be posed, is do the expenses merely need to be "travel related" expenses? Certainly that would be covered under the 1st sentence of the exemption itself, and one could interpret the above statutory terms "actual and necessary traveling expenses" to include those actual and necessary expenses that are travel related, such as the expenses of local law enforcement authorities necessitated for security purposes as the result of the travel to that foreign location.

If we look at other statutes for guidance, it becomes clear that not only are the meal expenses of these local law enforcement officers legally payable by the state, but envisioned as such in both Title 47 and Title 74.

47 O.S. §2-107 states in pertinent part:

> "In addition to the salaries or wages of assistants or other employees in the Department of Public Safety when deemed necessary in connection with the discharge of their duties respectively assigned or delegated to them, such assistants or employees shall be allowed and paid traveling expenses incurred in the discharge of their respective duties, in accordance with the provisions of the State Travel Reimbursement Act, Sections 500.1 through 500.19 of Title 74 of the Oklahoma Statutes ***."

This section clearly permits Executive Security officers to be reimbursed for their "traveling expenses incurred in the discharge of their *** duties, in accordance with" the Travel Reimbursement Act.

The State Travel and Reimbursement Act provides for the State reimbursement to out of state peace officers for their assistance with the travel induced security of the Governor. 74 O.S. §500.2(A) states in pertinent part:

> "Persons who are not state employees, but who are performing substantial and necessary services to the state which have been directed or approved by the appropriate department official *** may be reimbursed for expenses incurred during authorized official travel under these same statutory provisions, provided it is indicated on the claim the person is not a state employee, a description of services performed is entered, and the agency head by approval of the claim certifies such services were substantial and necessary, and germane to the duties and functions of the reimbursing agency."

Since the out of state peace officer's meal expense is already a state reimbursable expense on its own under the immediately above quoted 74 O.S. §500.2(A), in order to simplify the process, the Commissioner has deemed such to be an actual and necessary expense of the travel/security duty of the Executive Security officer then on duty. Such a Commissioner determination is both logical and within his powers as implied in 47 O.S. §2-104(B)(1), which authorizes Executive Security actual and necessary traveling expenses, as "approved by the Commissioner". The Commissioner's determination has been reduced to a specific Executive Security Expense Policy attached. Please note both the 4th & 6th ¶¶ therein.

This process of an Executive Security officer paying for an out of state peace officer's reimbursable meal expense out of the state officer's personal funds, and then being reimbursed for same by the state under the State Travel and Reimbursement Act far pre-dates the institution of p-cards, and has always been approved for payment by OSF. In fact, OSF even has a section of its Form 18 directed to "Authorized Actual and Necessary Expenses for Others" within which to list such expenses to be reimbursed to a state employee, and warns on p. 86 of Chapter 300 to is "Procedures Manual" that "Receipts shall also be required for any actual and necessary expense claimed for others as listed on the travel voucher." That procedure was again confirmed as late as 1 week ago *via* telephone conversation between DPS and OSF, that if the P-Card procedure was not being used, the OSF approved expense reimbursement to the DPS Executive Security officer could include the officer's payment of meal expense for a needed local peace officer on an out of state trip with the Governor.

In summation, the very purpose of obtaining the DCS granted exemption was to replace the procedure whereby the Executive Security officer pays for his actual and necessary expenses out of his pocket and awaits to be reimbursed by the state, to a procedure whereby the state pays for such expenses directly. The p-card exemption is to allow the State to pay directly through the p-card, for what it would pay indirectly by reimbursement to the Executive Security officer on a state travel reimbursement claim. The purpose of the exemption is to allow the payment of ALL actual and necessary expenses generated as the result of the travel

induced security obligations of Executive Security, included the meal expenses of needed and required local law enforcement personnel.

Hence the language in the 1st sentence of the DCS granted exemption:

> "The Department of Public Safety requests that you exempt from the rules pertaining to the Purchasing Card, **all acquisitions related** to Executive Security travel with protectees ***."

Hence the language in the last sentence of the DCS granted exemption:

> " *** I, on behalf of the Department of Public Safety, request a waiver for the purpose of exempting **travel-related** expenses for the employees named above."

These expenses have been traditionally recognized by both DPS and OSF and are still valid today and are the very subject of the DCS granted exemption. To process such for payment through the p-card system is the very purpose of the exemption in the 1st instance, and is permitted by the exemption. This "Condition" 2 is as erroneous as is Condition 1 hereinbefore.

***Corrective Action Plan***

**Anticipated Completion Date:** None
**Corrective Action Planned:** None

**Auditor's Response:** The Oklahoma State Statute §74-500.2 states in pertinent part:

> … Persons who are not state employees, but who are performing substantial and necessary services to the state which have been directed or approved by the appropriate department official shall enjoy the protection of the sovereign immunity of the state to the same extent as a paid employee. Such persons may be reimbursed for expenses incurred during authorized official travel under these same statutory provisions, provided it is indicated on the claim the person is not a state employee, a description of services performed is entered, and the agency head by approval of the claim certifies such services were substantial and necessary, and germane to the duties and functions of the reimbursing agency. …"

The statute specifically states non-state employees should be <u>reimbursed</u> for their substantial and necessary services with additional requirements for processing the claim. The purchase card should not be used for these expenses.

## Finding No: 05-585-11: Split Purchases

***Criteria:***

1. The State of Oklahoma Purchase Card Procedures § 1.6 **Condition of participation** states in part, "State entities, as a condition of participation in the program and use of the statewide contract, shall abide by the terms of these procedures unless a written exception is requested of and approved by the State Purchasing Director…"

An exemption has been granted to the Department of Public Safety by the Central Purchasing Director of the Department of Central Services. The exemption was signed on 9/08/03. The exemption was for travel-related expenses for Executive Security, assigned Troopers and Executive Security pilots. This exemption was allowed by statute for actual and necessary travel expenses.

The approval statement stated in part, "Also, this approval does not waive any statutory compliance, but is directed at purchase card procedures and guidelines."

The Oklahoma Central Purchasing Act 74 O.S., § 85.5.L states, "The State Purchasing Director may authorize state agencies to utilize a state purchase card for acquisitions on statewide contracts issued by the State Purchasing Director with no limit on the amount of the transaction. For any other transaction with a state purchase card, the transaction shall not exceed Two Thousand Five Hundred Dollars ($2,500.00)."

The State of Oklahoma Purchase Card Procedures § 2.0, **Definitions** defines "Split Purchasing" as "the dividing of a known quantity or failing to consolidate a known quantity of goods or services with the intent of and for the purpose of evading (1) the p/card statutory single transaction limit of $2500.00. and/or (2) limit(s) established for an individual p/card and/or (3) a competitive bidding requirement."

The State of Oklahoma Purchase Card Procedures § 6.2.2, **Split purchases** states, "Split purchases are prohibited and shall not be made."

The 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 order of preference: 6.2.5.1 State Use Committee, 6.2.5.2 Oklahoma Corrections Industries, and 6.2.5.3 Mandatory statewide contracts…"

2. State of Oklahoma Purchase Card Procedures § 6.9.1, **Cardholder responsibility** states in part, "…After confirming the transactions on the memo statement, the cardholder shall sign and date the transaction log, indicating the cardholder did make the purchases. The cardholder shall also sign and date the memo statement verifying that the transaction log and memo statement have been reconciled…"

3. State of Oklahoma Purchase Card Procedures § 6.9.2, **Entity approving official(s) responsibility** states in part, "…To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement and forward the memo statement and supporting documentation for payment..."

***Condition*:** We tested a judgmental sample of 15 purchase card transactions during state fiscal year 2006 that appeared to be split purchases. We noted an exception for 11 of the transactions (73%) review based on the following:

1.

- 4 transactions were made between cardholder #303158 and #807182 on the same day and to the same vendor in the amounts of $2,300, $2,300, $1,900 and $1,600 for a total amount of $8,100. Purchase for $2,300 and $2,300 was for airfare to Israel. Purchase for $1,900 and $1,600 was for the hotel stay. Airfare was purchased by using an individual purchase card and outside of the mandatory statewide contract. The airfare purchases should have been made using the agency's travel purchase card.

- 7 purchases were made by cardholder #684442, on the same day and to the same vendor for maintenance on an airplane. All seven transactions occurred within a span of 11 minutes. The amounts charged were $1,200 at 3:41 pm, $480 at 3:45 pm, $1,975.24 at 3:46 pm, $312.14 at 3:48 pm, $42 at 3:49 pm, $1,066.44 at 3:51 pm, and $488.50 at 3:52 pm. The total amount charged was $5,564.32.

A total questioned cost for the 13 transactions is $16,171.77.

2. 5 of 7 (71%) memo statements were not signed by the cardholder.

3. 5 of 7 (71%) memo statements tested were not signed by the cardholder's approving official. We were also unable to determine if the approving official is at least one position level above the cardholder or has attended the mandatory purchase card training.

***Cause:*** There is a general lack of institutional control over some of the Agency's purchase card program or a misunderstanding of the statutory requirements.

***Effect:*** Without adequate oversight on behalf of Agency management and the possibility of no disciplinary actions taken, misuse of the purchase card may continue.

***Recommendation**:* We recommend the Agency:

- Review and evaluate the circumstances related to the purchase methods used by the cardholders noted in the finding. We also recommend the Agency implement a disciplinary action plan for the cardholders noted in the finding.

- Establish and implement procedures to ensure that all monthly memo statements are signed and dated upon concurrence of the reconciliation performed by the cardholder. Further, we recommend that purchase card management monitor such memo statements to ensure adherence to the established procedures.

This finding will be forwarded to the appropriate DCS officials to review the corrective action plan.

### *Management's Response*

**Date: 6-22-07**
**Response:** Partially-Concur

**Response to "Condition" Portion:**

§1.
1st Bullet: Partially Concur. The second bulleted item is a case when the Governor's scheduler was required to make the reservations and accommodations at the same time for the officers traveling to Israel with the Governor. The charges were broken down in this fashion due to the scheduling of the air and hotel. This was a unique trip for the Governor in combination with the Oklahoma Jewish Federation. Since this audit began the executive security cardholders have been instructed not to use the card in this manner until we can obtain a waiver of this $2,500 statutory limitation from the Director of State Finance pending legislative assistance. Both DCS and DPS will have to address such issue, so both the Governor and DPS can be protected in the future in the event such a dilemma arises again. If DPS and DCS are unable to arrive at a mutually agreeable resolution, then DPS will seek relief through the State Finance Director, or perhaps other available resolution remedies. There was no intent of the cardholder to evade the law or central purchasing act; however, their job was to be in the immediate vicinity of the protectee, and they had no other alternative in light of their statutory mandate to provide such protection and security. Lastly, under this topic, these 4 separate purchases are not split purchases as intimated by the auditor. They are no more a split purchase then would be subsequent claims for reimbursement if the claims had been paid under the Travel Reimbursement Act.

2nd Bullet: Partially Concur: Upon initial review of the charge tickets, it was apparent that the charge was "batched out" over the month of November and early December,

2005 and therefore not necessarily a split purchase, as it could have been independent instances of separate unrelated repairs. However, after a review of the invoices, and discussions with personnel at Troop O, it has been determined that all but the last 3 invoices [in the amounts of $480 and $312.14 and $488.50 on 11/28 & 11/29 & 12/08, respectively] were for an ongoing engine repair, and therefore 1 transaction in the amount of $4,283.68 [not $5,564.32 as claimed in the finding], and same is in violation of the split purchasing prohibition in the p/card procedures. Such a repair normally is, and should have been, processed through the normal procurement channels using a purchase order. The officer paying for this transaction with his p/card has been transferred from this Troop and his Executive Security/Pilots p/card purchasing privileges revoked. The current Troop Commander understands and agrees that this charge should have been processed differently and not through a p/card.

§2. Partially Concur. On 1/17/07, we requested documentation supporting this allegation. DCS has provided a portion of the underlying documentation. The auditor provided only 4 of the 5 referenced signature pages, and as to those 4, none were signed by the cardholder.

§3. Concur.

***Corrective Action Plan***

**Anticipated Completion Date:** Ongoing.

**Corrective Action Planned:** All cardholders and approving officials will sign the monthly memo statements, or the cards issued to the offending cardholders will be deactivated or approving officials replaced. Purchases will continue to be monitored and cardholders advised of the prohibition against split purchases and the use of the p/card for purchases in excess of $2,500, and legislative and/or OSF relief shall be sought where appropriate, concerning the $2,500 limitation on p/card purchases.

## Finding No: 05-585-16 - Non-Restricted Purchase Cards

***Criteria:*** The State of Oklahoma Purchase Card Procedures § 6.5 **Receipts for purchase** states in part:

> Receipts shall be obtained for purchases. The receipt shall give an itemized and detailed description of the purchase. If a receipt is not furnished by the merchant (as may be the case with a phone or internet order), an order confirmation, confirmation number, or packing slip should be obtained. If neither a receipt, confirmation information, nor packing slip is available for a transaction,

> documentation shall be attached to the transaction log notating all attempts made to obtain a receipt from the merchant… If a receipt is lost, the cardholder shall note the loss on the transaction log and complete a Lost Receipt Report. The Lost Receipt Report shall be included in the cardholder's reconciliation submission…

The State of Oklahoma Purchase Card Procedures § 6.6 **State sales tax** states in part, "State entity purchases are exempt from the State of Oklahoma sales tax. Cardholders should exercise care to ensure that they are not being charged nor paying such tax..."

The State of Oklahoma Purchase Card Procedures § 1.6 **Condition of participation** states in part, "State entities, as a condition of participation in the program and use of the statewide contract, shall abide by the terms of these procedures unless a written exception is requested of and approved by the State Purchasing Director…"

An exception has been granted to the Department of Public Safety by the Central Purchasing Director of the Department of Central Services. The exception was signed on 9/08/03. The exception was for travel-related expenses for Executive Security, assigned Troopers and Executive Security pilots. This exception was allowed by statute for actual and necessary traveling expenses while traveling with the protectee or at the protectees' request.

The approval statement stated in part, "Also, this approval does not waive any statutory compliance, but is directed at purchase card procedures and guidelines."

The State of Oklahoma Purchase Card Procedures § 6.2.3, **Other prohibited purchases** states in part, "The p/card, Statewide Contract p/card, and Travel p/card shall NOT be used for the following types of purchases:

- Travel including, but not limited to, transportation, entertainment, food and beverages, travel agencies, and lodging …

- Purchase of any goods or services for personal use and not for official State use.

***Condition:*** During state fiscal year 2006, there were 3,630 transactions totaling $368,932.40 made by Agency cardholders who were in exempt status. The exempt status relates only to the specific exceptions from the purchase card procedures granted by the State Purchasing Director. A statistical sample of 91 (3%) transactions totaling $33,655.64 (9%) was tested. We noted the following during our testwork:

- 12 of 91 (13%) transactions were not supported by adequate documentation. Supporting documentation did not provide detailed and itemized description of what good or service was purchased. These transactions totaled $3,310.00.

- 2 of 79 (91-12) (3%) transactions were not supported by a receipt or receiving document. The 2 transactions totaled $42.40.

- 1 of 77 (79 -2) (1%) transactions was supported by a Lost Receipt Report; however, the Lost Receipt Report did not provide detailed information as to what was purchased. The transaction amount was $6.69.

- Sales tax was paid on 6 of 91 (7%) transactions.

Of the 91 transactions sampled to review, 69 transactions are normally prohibited if the Agency did not have an exception from the purchase card procedures. Based upon our review of the 69 transactions, we noted the following:

- Based upon review of the duty roster, purchases could not be verified in regards as to the cardholder's duty status for 17 of 69 (25%) purchases. The auditors did not have access to the cardholder's time sheets as an additional procedure to verify the cardholder's duty status.

Exceptions related to food purchases:

- 27 of the 69 transactions were related to meals or food items. We could not determine from the documentation if these purchases were made for exempt personnel for 2 of 27 (7%) purchases tested. These transactions totaled $259.20.

- We noted 14 of 25 (27 – 2) (56%) food or meal purchases that did not appear to be made during travel status due to the purchases being made within the Oklahoma City area. Also, the cardholder was not on duty assigned to the protectee, per the duty roster provided for 9 of the 14 (64%) purchases reviewed. The auditors did not have access to documentation that supported the 14 purchases were made while in travel status. It has been a long-standing practice by DPS to allow officers on protectee duty status to be reimbursed for actual and necessary costs, which includes meals while on duty. The 14 purchases totaled $180.85.

We noted a total questioned cost of $8,483.69 and an extrapolated questioned cost of $105,527.16.

***Cause:*** The Agency management controls do not adequately test and document purchase card transactions which would assure adequate management oversight of these expenditures.

***Effect:*** By not providing adequate documentation to support a purchase, we were unable to determine what was purchased, at what cost and quantity, and if the purchase was made for

legitimate and valid governmental purposes. In addition, insufficient receipting documentation creates an opportunity for unauthorized transactions to occur and go undetected.

***Recommendation:*** We recommend the Agency perform regular reviews of purchases made by cardholders in exempt status to ensure that purchases made by these cardholders are for an expense allowable under the terms of the exception granted by the Department of Central Services.

We also recommend the State Purchase Card Administrator review the exceptions noted in this finding to determine if any additional action may need to occur based on the terms and conditions stated in the State of Oklahoma Purchase Card Employee Agreement.

In final, we recommend the State Purchasing Director review and evaluate the granted Department of Public Safety exceptions from the purchase card procedures. At the completion of the review and evaluation, exceptions should be updated or revoked as deemed necessary.

### *Management's Response*

**Date:** 6-22-07
**Response:** Partially Concur

**Response to "Conditions" Portion.**

1st Bullet: Partially Concur. Most receipts lacking specificity are from an eating establishment and obviously are for a meal, and arguably to that extent are adequately described. The bulk in dollar amount of the 12, involve 2 or 3 receipts for airplane parts, motorcycle parts or repair, etc., and should have had the detailed invoice or a copy attached. In addition, it should be noted that the bulk of these receipts pre-date September 6, 2005, when the p/card rule was amended to require itemization, and therefore such were not in violation of the p/card procedures.

2nd Bullet: Non-Concur. No supporting documentation was provided by DCS.

3rd Bullet: Partially Concur. Though it is true that this $6.69 receipt was lost, p/card procedures were followed in preparing a missing receipt form and the expense was adequately documented as to vendor, date, amount and the fact that it was for a meal. Furthermore, the p/card procedures are unclear on the requirement of itemization of the contents of a missing receipt form and fail to advise exactly how any detailed itemization would be accomplished over any extended period of time.

4th Bullet: Partially Concur. 1 or the 6 instances, the cardholder filed the proper form with the charge card company to contest the charge, pursuant to proper p/card procedures.

5th Bullet: Non-Concur. Based on the Individual Daily Time Reports, these 17 purchases were made by the cardholders while on duty.

6th Bullet:

7th Bullet: Non-Concur. The fact that the meal was purchased in the Oklahoma City is not determinative of whether or not the 14 purchases are travel related executive security exempt purchases. The auditor failed to advise which 6 of the 14 meals was purchased by a cardholder not on duty assigned to a protectee. We did, however check on 6 or the 14 meals purchased and all were purchased by the Governor's Executive Security and all were on duty and assigned to a protectee that day. We did not have time to verify the remaining 8 meal purchases, which it is believed were purchases by the Lt. Governor's Executive security.

**Response to "Recommendation" Portion:**

Non-Concur. We recognize the need to conduct continuing education and remind cardholders of the responsibility that goes with the ability to have a state issued credit card. However, we see no need for any additional reviews based on this particular auditing finding. We will, however, continue to monitor the purchases to verify that no personal expenditures are being made on the p/card.

On September 6, 2005 the purchase card rule was amended to require itemization of all receipts specifically meal receipts.

A procedure has been instituted for when the cardholder loses their receipt, they must procure and submit a copy of the receipt from the banking institution managing the purchase card system.

Because the dynamics of executive security can be rapid and ever changing, we are seeking a waiver of the requirement to have cashiers remove the sales tax in certain circumstances where the process could compromise security integrity. The department will draft parameters for when the sales tax removal request may be exempted provided the request is granted.

The department will develop written policy that provides adequate administrative management that verifies cardholders are authorized for reimbursement of their actual and necessary expenses as allowed by law.

***Corrective Action Plan***

**Anticipated Completion Date:** None.
**Corrective Action Planned:** None.

## Finding No: 05-585-08: Air Travel

***Criteria:***

1. The Oklahoma Administrative Code 580:15-6-5(A), **Mandatory statewide contract** states in part, "The State Purchasing Director may designate a statewide contract for mandatory use. State agencies shall make acquisitions from mandatory statewide contracts regardless of the acquisition purchase price."

2. The State of Oklahoma Purchase Card Procedures § 6.9.2, **Entity approving official(s) responsibility** states in part, "To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the statement and forward the memo statement and supporting documentation for payment..."

3. The State of Oklahoma Purchase Card Procedures § 6.9.1, **Cardholder responsibility** states in part, "The cardholder shall also sign and date the memo statement verifying that the transaction log and memo statement have been reconciled…"

4. The State of Oklahoma Purchase Card Procedures § 6.5, **Receipts for purchase** states in part:

   > Receipts shall be obtained for purchases. The receipt shall give an itemized and detailed description of the purchase. If a receipt is not furnished by the merchant (as may be the case with a phone or internet order), an order confirmation, confirmation number, or packing slip should be obtained. If neither a receipt, confirmation information, nor packing slip is available for a transaction, documentation shall be attached to the transaction log notating all attempts made to obtain a receipt from the merchant...

5. United States General Accounting Office GAO/IMD-00-21.3.1, **Access Restrictions to and Accountability for Resources and Records** states:

   > Access to resources and records should be limited to authorized individuals, and accountability for their custody and use should be assigned and maintained. Periodic comparison of resources with the recorded accountability should be made to help reduce the risk of errors, fraud, misuse, or unauthorized alteration.

State of Oklahoma Purchase Card Procedures § 6.10, **Card security** states in part, "Use of the p/card and Statewide Contract p/card is limited to the person whose name is embossed on the card. The card shall not be loaned to another person."

***Condition*:** During fiscal year 2006, there were 382 airfare purchases totaling $72,169.62 made on either the Travel card or individual agency purchase card. There were 302 (79%) airfare purchases made from the Travel card. The remaining 80 (21%) airfare purchases, totaling $18,418.77, were made on individual purchase cards.

We tested a judgmental sample of 10 out of 80 purchases of airfare made on individual purchase cards and noted the following:

1. A travel agent which is not listed on the Statewide Contract for travel agent services was used to make 1 of the 10 (10%) airfare purchases tested.

2. 7 of 10 (70%) memo statements were not signed by an approving official. For 4 of these 7 memo statements (57%), it could not be determined if the approving official was at least one position level higher than the cardholder or attended the mandatory purchase card training.

3. 7 of 10 (70%) memo statements were not signed and dated by the cardholder.

4. 2 of the 10 (20%) transactions reviewed were credits. These 2 transactions did not have supporting documentation.

During our review of airfare purchases, we discovered that the Executive Security personnel (who are also cardholders) provide their individual card account information to another Agency's Travel Coordinator to make airfare purchases.

***Cause:***

1,5. Account information was provided to the Travel Coordinator to ensure that the Executive Security assigned to protection would be placed on the same flight as the official being protected.

2,3,4. To some extent the Agency's management controls do not assure that all cardholders adhere to the policies and procedures.

***Effect:***

1. There is a decrease in control over airfare purchases when purchases are made by purchase cards other than the Travel Card. Not using the statewide mandatory contract in accordance with the rules, increases the potential for higher rates to be paid from non-contractual travel agents, resulting in uneconomical use of public funds.

2. Without an approving official signature on cardholder memo statements, there is no evidence to indicate the approving official reviewed the documentation for accuracy, completeness, appropriateness and whether the transactions were conducted according to State statutes, rules, purchase card procedures and sound business practice.

3. Without a cardholder signature on the memo statement there is the potential for unauthorized transactions to occur and go undetected and thus, result in the forfeiture of the cardholder's right to dispute those transactions through the purchase card provider.

4. A credit on the purchase card is unsupported and we are unable to determine if the original purchase amount was properly credited to the account.

5. Purchase card account information may be unknowingly compromised, providing an opportunity for improper use to occur. Someone other than the cardholder is using the cardholders purchase card account number.

***Recommendation**:* We recommend the Agency establish and implement procedures to ensure that all airfare purchases are made with the Agency's travel card by the designated primary or backup travel coordinators and in accordance with the State travel rules.

We further recommend the Agency to communicate to the cardholders the travel requirements and monitor if cardholders are complying with the requirements. Cardholders should receive guidance, review, and on–the-job training from supervisors and managers to help ensure the purchase card account information is secure and the cardholders are aware of the state travel requirements.

### *Management's Response*

**Date:** 6-22-07
**Response:** Partially Concur

**Response to "Conditions" Portion.**

The documentation requested in agency's 1-17-07 response was not fully provided; however, the auditor did supply some spreadsheets prepared by the auditor, and same assisted agency in locating for review some of these findings' ill-described documents.

1. Non-Concur. Since this agency is statutorily mandated to provide security, protection, transportation and communications for the Governor, the Governor's family and the Lt. Governor [47 O.S. §2-101(b)], and therefore accompany the Governor, his family and the Lt. Governor, it makes sense that the Governor's security travel arrangements are made by the Governor's Office at the same time the Governor's Office makes travel arrangements for the Governor. In order to provide adequate security for the Governor, DPS Executive Security must be within very close proximity to the Governor, not on another flight. We believe this practice is included in the exemptions granted by DCS.

   Furthermore, this agency is empowered to provide such security, protection and transportation for other public officials. [47 O.S. §2-105.3a]. In providing such security, transportation and/or protection, the Commissioner may appoint any agency employee to serve as his representative for the purpose of fulfilling such duty or duties [47 O.S. §2-

108(A)], all necessary traveling expenses shall be allowed when incurred in discharge of their duties [47 O.S. §2-107]. This includes, but is not limited to actual and necessary expenses incurred while traveling with or at the Governor's request. [74 O.S. §500.18(B)(3).]

2. Concur -

3. Concur - Memo statements continue to be a huge problem for cardholders to print, due to systems not being able to process all the data required. It is not the intent of the agency to avoid the procedure, it remains problematic for many of our cardholders, and we are in the process of re-analyzing the status of a cardholder and/or his required equipment and software.

It should be noted as an additional protection for the state from some of the inadequately signed memo statements, that DPS finance also audits and reconciles many of the memo statements and transaction logs prior to authorizing invoices for payment.

4. Partially Concur. If a credit receipt is granted by a merchant, DPS recognizes it to be good business practice to have such in its records; however, in many cases the cardholders do not have anyway of obtaining actual credit slips from airlines. In those instances where a credit receipt is unavailable and where the cardholder can fill out a document and sign to state there is a credit being made, the cardholder will be directed to do so. There will be in-service training on this issue to fill in such a gap in the p/card training.

5. Non-Concur.

**Response to "Recommendation" Portion:**

Partially Concur. It is our position that the agency is exempt from these procedural travel restrictions set forth in Conditions 1 & 5. To the extent memo statements are not properly executed, the agency will continue to provide written directives and conduct in-service training sessions to rectify such deficiencies,. The agency will address any credit memo deficiencies as stated herein.

***Corrective Action Plan***

**Anticipated Completion Date:** Ongoing
**Corrective Action Planned:** "Response to Recommendation" above.

## Finding No: 05-585-29: Travel Card

***Criteria:***

1. State of Oklahoma Purchase Card Procedures § 6.9.1, **Cardholder responsibility** states in part:

   …After confirming the transactions of the memo statement, the cardholder shall sign and date the transaction log indicating that the cardholder did make the purchases. The cardholder shall also sign and date the memo statement verifying that the transactions log and memo statement have been reconciled…"

2. State of Oklahoma Purchase Card Procedures § 6.9.2, **Entity approving official(s) responsibility** states in part:

   SW Contract p/card and Travel p/card Entity Approving Officials must review and approve the cardholders purchases daily. The Entity approving Official shall indicate approval by initialing and dating the transaction log next to the purchase…To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the statement and forward the memo statement and supporting documentation for payment..."

3. State of Oklahoma Purchase Card Procedures § 6.4 **Transaction logs** states, " Cardholders shall maintain a transaction log of all p/card purchases, returns, credits and disputed transactions as the transactions are made. A separate log shall be maintained for each p/card for each cycle.

4. State of Oklahoma Purchase Card Procedures § 3.9 **Training** states in part, "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/card…"

5. State of Oklahoma Purchase Card Procedures § 6.5 **Receipts for purchase** states in part, "Receipts shall be obtained for purchases. The receipt shall give an itemized and detailed description of the purchase…"

***Condition*:** We statistically selected 36 (34%) transactions totaling $11,732.90 (23%) for review out of 107 travel card transactions totaling $50,407.00 from July 1, 2005 through June 27, 2006. All transactions were made on the Agency's one travel card. There were 11 memo statements from which the transactions were tested. During testwork, we noted:

1. The cardholder did not sign and date the memo statement for 11 of 11 (100%) memo statements.

The cardholder did not sign and date the transaction log for 2 of 11 transaction logs (18%). Total transactions on these transaction logs are $1,001.50.

2. The Approving Official did not sign and date the cardholder's memo statement for 11 of 11 (100%) memo statements. For one (9%) of the 11 memo statements, the approving official signed the cardholder's transaction log instead of the memo statement.

   The Approving Official did not sign and date the transaction log daily for each purchase made with the travel card for 39% (14 transactions / 36 transactions) of the transactions reviewed. Transactions totaled $4,901.50. For 22 of 36 transactions (61%), it could not be determined if an Approving Official signed and dated the transaction log due to the unavailability of the transaction logs. Transactions totaled $6,831.40.

3. 8 of 11 (73%) transaction logs were not provided for review.

   Credits on the memo statement were not noted on 1 of 11 (9%) transaction logs.

4. The individual acting in the capacity of an Approving Official did not attend the mandatory purchase card training.

5. No itinerary/invoice was provided for 72% (26 transactions / 36 transactions) of the transactions reviewed. We also were unable to determined if the travel was purchased through a travel agent listed on the statewide contract for travel. We noted a total questioned cost of $7,832.90 and the extrapolated questioned cost is $33,651.78

   There was a rescheduled travel reservation that was supported by the original invoice/ itinerary and not the invoice/ itinerary for the new travel reservation.

***Cause:*** The Agency management controls do not adequately test and document purchase card transactions which would assure adequate management oversight of these expenditures..

***Effect:***

1. Without a cardholder's signature on the memo statement and transaction log there is the potential for unauthorized transactions to go undetected and thus, may result in the forfeiture of the cardholder's right to dispute those transactions through purchase card provider.

2. Without an approving official signature on cardholder memo statements controls in relation to the proper review and approval process of purchase card expenditures and monthly reconciliations could be weakened. There is also no written documentation that the reconciliation was reviewed for accuracy, completeness, and for the appropriateness of purchase.

3. Without a transaction log present, or by not signing and dating a transaction log, there is no indication that the cardholder performed a reconciliation or verified the accuracy of purchases listed on the memo statement and transaction log.

4. An individual without the proper training is reviewing and approving purchase card expenditures; therefore, an unallowable charge could occur and go undetected.

By not providing adequate documentation to support a purchase, we were unable to determine what was purchased, at what cost and quantity, and if the purchase was made for legitimate and valid governmental purposes. In addition, insufficient receipting documentation creates an opportunity for unauthorized transactions to occur and go undetected.

***Recommendation**:* We recommend the following to the Agency:

1. and 2. To implement procedures that address the responsibilities of cardholders and approving officials, to include the reconciliation process, receiving, review and approval of the reconciliation process.

3. Agency management perform periodic review of cardholder memo statements and transaction logs to ensure all cardholders maintain a transaction log and sign and date each log indicating the reconciliation performed is accurate and complete.

4. Immediately remove the employee who has not attended the state purchase card training and is acting as an approving official from his duties until after he successfully completes the training. The Agency should also develop and implement a process to ensure that individuals identified as participants in the purchase card program attend all necessary training and complete all necessary documentation prior to assuming duties and responsibilities.

Agency management performs periodic review of purchase card transactions to ensure all purchases are supported with an itemized and detailed receipt.

### *Management's Response*

**Date:** 6-22-07
**Response:** Concur

**Response to "Conditions" Portion.**

1.

1st ¶: Concur.

2nd ¶: Concur.

2.

1st ¶: Concur.

2nd ¶:

1st part: Concur.
2nd part: Non-Concur. No information provided to verify this statement.

3.

1st ¶: Non-Concur. No information provided to verify this statement.

2nd ¶: Concur.

4. Concur. A former Chief did not attend training and therefore was not an authorized approving official, though he signed as such.

5.

1st ¶: Non-Concur. No documentation provided.

2nd ¶: Concur.

***Corrective Action Plan***

**Anticipated Completion Date:** Continual.

**Corrective Action Planned:** Establish more specific internal procedures and continual in service training for our Travel Cardholder and Approving Official on the proper documentation and review, signing and dating of receipts, credits, transaction logs and memo statements and the reconciliation of same and compliance with missing receipt procedures. Implement periodic reviews of cardholder's documentation to ensure accuracy, appropriateness and compliance with the purchase card rules. The one unauthorized employee is no longer with the agency.

## Finding No: 05-585-13: Cardholders Responsibility – Restricted Cards

***Criteria:***

1. State of Oklahoma Purchase Card Procedures § 6.9.1 **Cardholder responsibility**, states in part, "… The cardholder shall also sign and date the memo statement verifying that the transaction log and memo statement have been reconciled..."

2. State of Oklahoma Purchase Card Procedures § 6.9.2 **Entity approving official(s) responsibility**, states in part, "…To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement and forward the memo statement and supporting documentation for payment as required by entity p/card procedures."

3. State of Oklahoma Purchase Card Procedures § 6.7.1 **Goods or services received at the time of purchase**, states, "The receipt for purchase (see 6.5 above) also serves as the receiving document. It should be annotated 'Received' and signed and dated by the receiving employee. The combination purchase receipt/receiving document shall be attached to the transaction log."

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 a packing slip or service order) serves as the receiving document and is processed as described in 6.7.1 above."

***Condition*:** There were 2,261 transactions totaling $347,246.64 made by Agency cardholders who were not in exempt status for state fiscal year 2006. We statistically sampled 61 transactions (3%) totaling $13,698.52 (4%) to test. There were a total of 47 memo statements from which transactions were tested. We noted the following:

1. 31 of 47 (66%) memo statements were not signed and dated by the cardholder.

2. 30 of 47 (64%) memo statements were not signed and dated by the cardholder's approving official.

3. 30 of 47 (64%) receipts for transactions for goods or services received at the time of purchase were not signed, dated and annotated received.

   4 of 14 (29%) receipts for transactions for goods or services received subsequent to the time of purchase were not signed, dated and annotated "Received".

***Cause:*** The Agency management controls do not adequately test and document purchase card transactions which would assure adequate management oversight of these expenditures.

***Effect:*** In the absence of approving officials' and cardholders' signatures on memo statements, there is no support showing that the memo statement and supporting documentation was reconciled or independently reviewed for accuracy, completeness, appropriateness of the purchase and whether the transactions were conducted according to State statutes, rules, procedures and sound business practices. Also, if the receiving employee does not perform all required tasks related to the receiving document or the receiving document is not with the supporting documentation, there is no complete verification that goods and/or services were actually received.

An overall effect is a material internal control weakness has occurred due to insufficient participation from the Agency's approving officials or cardholders to perform their minimum required duties and responsibilities.

***Recommendation: :*** We recommend that the Agency communicate to all Agency cardholders the importance of properly collecting and documenting receiving documents; reconciling the memo statements each cycle; and, signing all appropriate documentation indicating these procedures were performed by the cardholder. We also recommend the Agency notify all approving officials of the requirements each cardholder is to perform and the approving officials' responsibility to ensure these requirements have been fulfilled.

We further recommend that the purchase card program management verify and monitor the compliance progress of the Agency's purchase card program. If the Agency identifies cardholders or approving officials who continuously do not comply with the purchase card rules, program officials should appropriately discipline the individuals.

### *Management's Response*

**Date:** 6-22-07
**Response:** Partially Concur

**Response to "Conditions" Portion.**

The initial comment in this condition appears to be in in error. It references 61 transactions which were not exempt. We disagree. It appears that the bulk of the transactions were exempt.

1. Concur.

2. Concur.

3. 1st ¶ - Concur.
   2nd ¶ - Partially Concur. Virtually all are dated and none were signed or annotated with "Received".

**Response to "Recommendation" Portion:**

There has been oversight in cardholders and authorizing officials signing both the transaction logs and memo statements. They will continue to be counseled and trained. Continued violation by either cardholders or approving officials will result in card deactivations.

***Corrective Action Plan***

**Anticipated Completion Date:** Ongoing
**Corrective Action Planned:** See Recommendation above.

## Finding No: 05-585-12: Statewide Card

***Criteria:***

1. State of Oklahoma Purchase Card Procedures § 6.9.1, **Cardholder responsibility** states in part, "…The cardholder shall also sign and date the memo statement verifying that the transaction log and memo statement have been reconciled…"

2. State of Oklahoma Purchase Card Procedures § 6.9.2, **Entity approving official(s) responsibility** states in part, "…To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the statement and forward the memo statement and supporting documentation for payment..."

3. State of Oklahoma Purchase Card Procedures § 6.9.1, **Cardholder responsibility** states in part, "…Regular p/card, Statewide Contract p/card, and Travel p/card holders shall obtain an electronically generated memo statement upon closing of the bank's monthly billing cycle from the Pathway Net System. The memo statement shall be reconciled by the cardholder and submitted to the cardholder's designated State Entity Approving Official. In reconciling the statement, cardholders should use appropriate documents (i.e. transaction log, purchase receipts, receiving documents, credit receipts) to verify that purchases and returns are accurately listed on the memo statement..."

4. 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, or a different amount if approved by the Director of Central Purchasing, are added to the inventory schedule pursuant to 74 O.S. § 110.1."

5. 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 can also serve as the receiving document. The receiving document should be annotated "Received" and signed and dated by the receiving employee…"

***Condition*:** During state fiscal year 2006, there were 78 transactions totaling $243,847.08 that were charged to the statewide contact purchase card. The approving official for the statewide contract card is also the Entity Purchase Card Administrator. We tested a statistical sample of 7 (9%) transactions totaling $43,312.04 (18%). The following was noted:

1. 2 of 5 (40%) memo statements were not signed by the cardholder.

2. 2 of 5 (40%) memo statements were not signed by an approving official.

3. 2 of 5 (40%) transaction logs did not reconcile to the memo statement for the monthly billing cycle.

4. Of the 7 statewide contract transactions, there were 2 transactions that included tangible assets that exceeded $500. These two items (100%) were not reported on the Agency's inventory schedule. The total cost of both items is $12,110.20 and are detailed below.

| P/Card # | Purchase Amount | Transaction Date | Item Description. |
|---|---|---|---|
| **********147984 | $2,239.20 | 5/03/06 | 17HP Lawn Tractor |
| **********147984 | $9,871.00 | 6/01/06 | Proliant servers |
| TOTAL | $12,110.20 | | |

5. 1 of 7 (14.3%) receiving documents was not signed, dated, or annotated "Received" by the receiving employee.

***Cause:*** The Agency management controls do not adequately test and document purchase card transactions which would assure adequate management oversight of these expenditures.

***Effect:*** 1. Without a cardholder signature on the memo statement there is no indication that the cardholder reviewed purchases charged to the card or reconciled the supporting documentation to the memo statement.

2. Without an approving official signature on cardholder memo statements it cannot be determined if the cardholder's purchase documentation was sufficiently reviewed and approved.

3. A transaction log that does not reconcile to the memo statement illustrates the possibility that an unauthorized transaction may have been made on the card, which is not reflected in the transaction log. If the reconciliation is not performed, unauthorized purchases could go unnoticed.

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

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

***Recommendation****:* We recommend the Agency:

Provide refresher training or counseling from the Department of Central Services for the statewide contract cardholder and approving official regarding how to properly and accurately perform the reconciliation process including signing documentation indicating reconciliation and the review of reconciliation was performed.

We recommend the Agency report and properly tag the inventory items noted in the condition and to perform a review of other acquisitions that are similar to determine the completeness of the inventory schedule.

We also recommend the Agency evaluate the current controls and process for collecting, tagging, and reporting inventory items purchased by the Agency and make the necessary corrections to the controls and process that would ensure all tangible assets purchased exceeding $500 are adequately inventoried.

### *Management's Response*

**Date:** 6-22-07
**Response:** Partially Concur

**Response to "Conditions" Portion.**

1&2. Concur.

3. Partial Concur. Because multiple purchases were made near the end of 1 monthly billing cycle [Oct. '05], but not noted by the bank on the Memo Statement until the following monthly cycle [Nov. '05] a $50 credit incurred in October was not noted by the bank until December. To properly reconcile, October and November Transaction Logs and the November and December Memo Statements to determine a reconciliation between the Transaction Logs and the Memo Statements. The combination of these 2 transaction logs [Oct & Nov of 05] and these 2 memo statements [Nov. & Dec. of 05], do reconcile.

   There were $25,287.84 of Oct.'05 Transaction Log referenced purchases carried over to the November Memo Statement. Therefore, once that $25,287.84 is added to the additional $3,174.51 of purchases referenced on the November Transaction Log, then that $28,462.35 figure is $50 shy of reconciling with the November, '05 Memo Statement's figure of $28,512.35. However, the November Memo Statement is in error in the amount of $50., as it fails to reflect the $50 credit as a part of a tire purchase entered on the Nov. Memo Statement and also included on the Oct. Trans. Log. This "credit" was finally entered by the bank card company on its December Memo Statement.

   Though all of these notations were entered on the various memo statements and transaction logs, perhaps the Department's records could have been a little more clear in that regard, and we will continue to instruct our employees to make any and all appropriate entries to reconcile the Transaction Log [or the receipts when there are no transaction logs in the future] with the Memo Statement.

4. Non-Concur. We have reviewed the 2 transactions specifically referenced in ¶ 4. The agency's inventory contains both items listed as not being on the agency's inventory.

On 1/17/07, we requested a copy of the inventory they examined which does not contain these items but did not receive the information.

5. Partially Concur. The failure to annotate "Received" is accurate. However, while the date was not handwritten in, the date was on the receipt that was signed by the receiving employee. Signing a dated receipt is the normal commercial manner of evidencing the reception of the described good or service by the party signing and on the date so included on the receipt. The signing and dating of the "receipt" is the evidence the goods or services were "Received", and the failure to place the word "Received" thereon is not a material violation of the P/card procedures, and is a *de minimis* violation at best. Failure to sign the receiving document is another issue, however.

   It should be noted that all of the credit cards purchases by a contracts & acquisitions officer in DPS Procurement, are purchases on statewide contracts and he was the only authorized agency cardholder for the statewide purchases credit card, and these purchases are frequently accomplished over the telephone and the product purchased ["lawn tractor" here] is not delivered to procurement but to another facility which can be located any number of places throughout the state. When that occurs, not infrequently the credit card receipt and certainly the receiving document is delivered with the product to the remote location. In the future, the agency's procurement office will endeavor to follow up on the purchase and initially advise the receiving individual to date, sign and annotate 'Received" on the receiving documentation. Furthermore, when the delivery documentation is obtained in procurement, along with its copy of the credit card receipt, the cardholder will then again review same for proper annotation and if it is missing, he will then make the appropriate annotation after again checking with the receiving person, and then place the properly annotated receiving documentation in procurement's file.

***Corrective Action Plan***

**Anticipated Completion Date:** Ongoing

**Corrective Action Planned:** In service training and directives concerning the proper reconciliation and execution of memo statements. See above statement concerning procedures to be used in accepting delivery of products purchased over the telephone through the use of a centrally located p/card and delivered elsewhere.

**Auditors Response:**

4. Additional documentation requested from the agency supports our finding. Inventory items were added after the auditors discovered they were not reported. We recommend the agency to create a process to timely report inventoriable items when purchased with a purchase card.

## Finding No: 06-585-05: Non-Restricted Purchase Cards

***Criteria:***
1. State of Oklahoma Purchase Card Procedures § 6.9.2 **Entity approving official(s) responsibility**, states in part, "…To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement and forward the memo statement and supporting documentation for payment as required by entity p/card procedures."

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 cardholder's designated State Entity Approving Official…The cardholder shall also sign and date the memo statement verifying that the transaction log and memo statement have been reconciled..."

3. State of Oklahoma Purchase Card Procedures § 3.9 **Training** states in part, "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…"

***Condition*:** During state fiscal year 2006, there were 3,630 purchase card transactions totaling $368,932.40 made by Agency cardholders who were in exempt status. A statistical sample of 91 (3%) transactions totaling $33,655.64 (9%) was tested. These 91 transactions were included in a total of 81 memo statements. We noted the following during our testwork:

1. 63 of 81 (78%) memo statements were not signed and dated by an approving official.

   We were unable to determine the identity of the approving official for 9 of 81 (11%) memo statements.

2. 61 of 81 (75%) memo statements were not signed and dated by the cardholder.

3. 2 of 72 (81-9) (3%) memo statements were signed by an individual acting in the capacity of an approving but had not attended mandatory purchase card training.

***Cause:*** The Agency management controls do not adequately test and document purchase card transactions which would assure adequate management oversight of these expenditures.

***Effect:***
1. Without an approving official signature on cardholder's memo statement or the ability to determine who the approving officials is weakens controls for the proper review and approval process of purchase card expenditures and monthly reconciliations.

2. Without a cardholder signature on the memo statement there is the potential for unauthorized transactions to go undetected and thus, result in the forfeiture of the cardholder's right to dispute those transactions through JPMorgan Chase Bank.

3. It is likely that an approving official, who has not yet attended the mandatory purchase card training, knows or fully understands their duties and responsibilities as an approving official which creates an opportunity for unauthorized transactions to occur.

***Recommendation**:* We recommend the Agency:

- Establish and implement procedures that address the responsibilities of cardholders and approving officials, to include the reconciliation process, receiving, review and approval of the reconciliation process. The Agency should perform periodic reviews of reconciled memo statements to ensure that cardholders and approving officials adequately comply with the procedures.

- Communicate to all agency cardholders through refresher training their responsibility to provide detailed receipt information for each purchase.

- Devise and implement a process and procedure that ensures potential approving officials are at least one level above the cardholder before designation.

- Immediately remove all individuals who have not attended the state purchase card training and are acting as approving officials from their duties until after they successfully complete purchase card training.

We recommend the Agency to perform regular reviews of purchases made by cardholders in exempt status to ensure that purchases made by these cardholders are for an expense allowable under the terms of the exception granted by the Department of Central Services. Disciplinary actions must occur for cardholders that do not comply with the procedures.

We also recommend the State Purchase Card Administrator to review the exceptions noted in the finding to determine if any additional action may need to occur based on the terms and conditions stated in the State of Oklahoma Purchase Card Employee Agreement.

In final, we recommend the State Purchasing Director to review and evaluate the Department of Public Safety exceptions from the purchase card procedures. We recommend these exceptions to be updated or canceled.

### *Management's Response*

**Date:** 6-22-07
**Response:** Partially Concur

**Response to "Conditions" Portion.**

1. Concur.

   1st part:

   Concur.

   2nd part:

   Concur.

   DPS has discovered that many of the cardholders have limited access to an adequate computer because of the nature of their job, making the printing of a memo statement problematic. The agency is working on resolving that issue.

2. Partially Concur.

3. Partially Concur.

   It appears that only 2 approving officials, the current agency comptroller and the former OHP Chief, failed to attend the mandatory training.The Chief of Patrol has since retired and the agency's comptroller, and only for the briefest of times as he was "transitioning" into the agency.

***Corrective Action Plan***

**Anticipated Completion Date:** A Continuing Action

**Corrective Action Planned:** Additional in service training for all cardholders and approving officials, along with increase computer support for cardholders in the field for better and more timely memo statement download. Deactivation of cards whose transaction logs and memo statements are not properly reviewed and reconciled on a consistent basis, or fail to consistently follow purchase card rules.

**Auditors Response:**

3.

| Card # | Trans Date | Trans Amt | Merchant Name | Approving Official | Date Attended Training |
|---|---|---|---|---|---|
| **********844681 | 9/7/2005 | $440.30 | DELTA 00613265693541 | JOHNSON | ? |
| **********447593 | 6/7/2006 | $140.30 | FEDEX PAY-BY-PHONE | Jerry Garcia | 11/16/2006 |

## Finding No: 05-585-10: Coffee House

***Criteria:***

1. 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 Contract p/card, or 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 practice. … To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the statement and forward the memo statement and supporting documentation for payment..."

2. State of Oklahoma Purchase Card Procedures § 6.9.1 **Cardholder responsibility** states in part, "The cardholder shall also sign and date the memo statement verifying that the transaction log and memo statement have been reconciled."

3. State of Oklahoma Purchase Card Procedures § 6.5, **Receipts for purchase** states in part, "Receipts shall be obtained for purchases. The receipt shall give an itemized and detailed description of the purchase."

4. State of Oklahoma Purchase Card Procedures § 6.2.3, **Other prohibited purchases** states in part, "The p/card, Statewide Contract p/card, and Travel p/card shall NOT be used for the following types of purchases: …Purchase of any goods or services for personal use and not for official State use..."

   State of Oklahoma Purchase Card Procedures § 1.6 **Condition of participation** states in part, "State entities, as a condition of participation in the program and use of the statewide contract, shall abide by the terms of these procedures unless a written exception is requested of and approved by the State Purchasing Director…"

   An exemption has been granted to the Department of Public Safety by the Central Purchasing Director of the Department of Central Services. The exemption was signed on 9/08/03. The exemption was for travel-related expenses for Executive Security, assigned Troopers and Executive Security pilots. This exemption was allowed by statute for actual and necessary travel expenses.

The approval statement stated in part, "Also, this approval does not waive any statutory compliance, but is directed at purchase card procedures and guidelines."

***Condition*:** For the period July 1, 2005 to June 27, 2006, the Agency had 93 total transactions to coffee house vendors in the amount of $718. A statistical sample was extracted for substantive testing. The sample extracted was 10 (11%) transactions in the total amount of $68.76 (10%). Exceptions noted were:

1. 6 of 9 (67%) memo statements in which the approving official did not sign and date the cardholder's memo statement.

2. 6 of 9 (67%) occasions in which the cardholder did not sign and date the memo statement.

3. 1 of 10 (10%) receipts was not itemized to provide specific details of the items purchased. Receipt was for a purchase in the amount of $5.42. This will be considered questioned cost.

4. 1 of 10 (10%) purchases appeared to be for an individual not assigned to the Executive Security on the day of the purchase for coffee and a bagel. The purchase was made at 7:49 AM at 63rd and Western. A questioned cost in the amount of $2.98 was noted.

***Cause:*** The Agency management controls do not adequately test and document purchase card transactions which would assure adequate management oversight of these expenditures.

***Effect:***

1. Without an approving official signature on cardholder memo statements, controls in relation to the proper review and approval process of purchase card expenditures and monthly reconciliations are weakened.

2. Governmental purchases are not adequately supported and verified. Also, without adequate documentation and oversight of purchase card activity, inaccurate or unauthorized charges may occur and go undetected. The Agency may miss the opportunity to dispute such a transaction and/or prevent any additional inaccurate or unauthorized charges from being made on the affected purchase card.

3. A lack of itemized detail on receipts could allow for personal purchases to occur and go undetected during the reconciliation review process.

Purchases for personal use result in an inappropriate use of state funds, and increase the potential for waste, misuse and abuse.

***Recommendation****:* We recommend the following to the Agency:

- Establish and implement procedures to ensure that all monthly memo statements are signed and dated upon concurrence of the reconciliation performed by the cardholder. Further, we recommend that purchase card management monitor such memo statements to ensure adherence to the established procedures.

  If the Agency determines approving officials continuously do not comply with the purchase card rules, program officials should appropriately discipline the offenders.

- Communicate to all agency cardholders the importance of reconciling the cardholder's statements each cycle and signing the documentation that indicates these procedures were performed by the cardholder. We also recommend the Agency to notify all approving officials of the requirements each cardholder is to perform and the approving officials' responsibility to determine the requirements have been followed. We also

recommend that the purchase card program management verify and monitor the progress of performing and documenting the reconciliation requirements.

- We recommend that the Agency make a reasonable attempt of retrieving an itemized receipt for the purchase noted in the condition from the vendor or purchase card provider 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 officials review the supporting documentation for completeness during their review.

- Review the purchase noted in the finding and determine if recoupment or disciplinary action is necessary.

### *Management's Response*

**Date:** 6-22-07
**Response:** Partially Concur

**Response to "Condition" Portion:**

1 & 2: Concur.
3. Concur. The $5.42 receipt from Starbucks Coffee for a cup of coffee was not itemized.
4. Non-Concur. Our documentation provided to the auditor, reflects that the cardholder was in fact on duty and with the Governor of the Gansu Province in China [pronounced "Kan-su"], and the $2.98 purchase incidental thereto was reported as such. However he was out scheduled for duty that day.

***Corrective Action Plan***

**Anticipated Completion Date:** None.
**Corrective Action Planned:** As stated throughout these responses, even though in large part the transactions are exempt from the p/card procedures, the agency will send written directives and conduct in-service training on the proper review and reconciliation and signing of receipts, memo statements and transaction logs. This will be an on going action.

**Auditors Response:**

4. A review of documentation received to support the agency response indicates the individual's badge number was not reported on the Executive Security Work Schedule for 11/4/2005.

## Finding No: 05-585-14: Non-Restricted Purchase Cards - Receiving

***Criteria:*** The State of 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. It should be annotated 'Received' and signed and dated by the receiving employee. The combination purchase receipt/receiving document shall be attached to the transaction log."

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 a packing slip or service order) serves as the receiving document and is processed as described in 6.7.1 above."

***Condition*:** During state fiscal year 2006, there were a total of 3,630 purchase card transactions totaling $368,932.40 made by Agency cardholders who were in exempt status. A statistical sample of 91 (3%) transactions totaling $33,655.64 (9%) was tested. We noted the following during our testwork:

- 4 of 91 (4%) transactions reviewed did not have a receiving document.

- Receiving documents for 64 of 80 (80%) transactions for goods or services received at the time of purchase did not meet all the requirements by the receiving employee to sign, date, and annotate "Received" on the receiving document.

Receiving documents for 3 of 7 (43%) transactions for goods or services received subsequent to the time of purchase did not meet all the requirements by the receiving employee to sign, date, and annotate "Received" on the receiving document.

***Cause:*** The Agency management controls do not adequately test and document purchase card transactions which would assure adequate management oversight of these expenditures.
***Effect:*** If the receiving employee does not perform all required tasks related to the receiving document or the receiving document is not with the supporting documentation, there is inadequate verification or documentation that goods and/or services were actually received.

***Recommendation****:* We recommend that the Agency develop, implement and communicate:

- to all cardholders the importance of collecting and maintaining receiving documentation,
- to all anticipated receiving employees a process to ensure that receiving employees sign, date, and annotate "received" on the receiving document.

We also recommend the Agency review its process for returning receiving documentation to the cardholder to properly support the product or service was received.
We recommend the approving officials review the supporting documentation for completeness during their review. In final, we recommend the Agency create procedures to conduct

monitoring activities to autonomously review the supporting documentation to determine continued compliance with the purchase card requirements.

***Management's Response***

**Date:** 6-22-07
**Response:** PartiallyConcur

**Response to "Conditions" Portion.**

In our initial response on January 17, we noted that the auditor admitted in the first sentence of the "Condition" portion of the finding, that all transactions referenced therein were by "cardholders who were in exempt status". Therein we queried, "does this mean all transactions referenced therein were exempt transactions? Without a review of the specific transactions, DPS is left to guess what exactly is meant by a cardholder being in an 'exempt status'." DCS has failed to respond to this request for information.

1st Bullet: Partially-Concur. Two of the 4 transactions do have receipts. The 3rd transaction's receipt is missing; however, p/card procedure was followed and a missing receipt form was filled out and therefore, it is in compliance with p/card procedures. The fourth transaction fails to have a receipt in violation of the p/card procedures.

2nd Bullet: Concur.

3rd Bullet: Concur.

***Corrective Action Plan***

**Anticipated Completion Date:** None.
**Corrective Action Planned:** None, other than above.

## OVERALL CONCLUSION

We performed a purchase card program audit of the Oklahoma Department of Public Safety for the period of July 1, 2004 through June 27, 2006. The objectives of our audit were to: determine if the agency's purchase card program is in compliance with laws and regulations; determine if the Agency complied 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; and determine the relative cost benefits the purchase card program has on the agency.

Based upon our audit, we have identified significant deficiencies pertaining to compliance with the requirements of the State of Oklahoma Purchase Card Program and rules promulgated thereto. During our audit, we have also identified a misinterpretation or confusion of the exemptions that were granted to the Agency prior to the audit period. This resulted in unanticipated noncompliance with Oklahoma State Purchase Card program compliance requirements. We recommend these exemptions be evaluated and revised. We also recommend these exemptions be clear and understood by all parties involved before implementing revised exemptions.

In relation to the internal control structure, we state repeated nonadherence to established internal control policies and procedures, such as inadequate documentation of purchase card transactions or supervisory reviews, may not constitute a violation of law or regulation. However, if allowed to continue, they will contribute to an erosion and weakening of the control system.

## OVERALL RECOMMENDATION

Base upon the audit:

- We recommend additional internal and external purchase card training.

- We recommend DPS to clearly define allowable and prohibited purchases for when the purchase card is used in exempt status. We also recommend this policy be made part of the agency's internal purchasing procedures and be in alignment with state law.

- We recommend DPS to create a method of adequately documenting when an employee was assigned to a protectee. This documentation should include actual time periods, supervisors written approval and be available to the individuals responsible for monitoring the purchase program. The agency should consider maintaining this documentation with the purchase card transaction files. We also recommend the agency to review and possible create a policy and procedure to clearly define and document when an individual is in travel status with a protectee.

- We recommend DPS to establish adequate management controls which would include but not limited to: monitoring, proper authorizations, approved internal purchase card procedures, disciplinary actions and minimizing the number of unrestricted cards in use.

- We recommend DPS to create and enforce disciplinary policy and procedures for the misuse of the purchase card and approving official duties. The policy and procedures should be structured, immediate and consistent. The disciplinary action plan should include deactivating the purchase card for misuse.

- We recommend DCS to review, evaluate and revise the purchase card exemptions granted to DPS. We recommend these exemptions to be clear and understood by all parties involved.

## OVERALL DPS MANAGEMENT RESPONSE

In 2003, DCS entered into a pilot program with DPS that gave approved DPS card holders greater flexibility in using the newly implemented state purchase card program. Basically, some of the DCS purchasing restrictions of the purchase cards were removed for those cardholders, with a business necessity for greater flexibility.

At the core of many of this audit's findings are dispute about the breadth and depth of those exemptions. After the pilot program was implemented in 2003, the two agency's directors, the DCS state purchase card administrator and also the DPS comptroller left their respective agencies, exasperating efforts to determine the extent of the vaguely written granted exemptions. Currently, DPS, DCS, and the Office of State Finance are working to clarify those exemptions.

This audit revealed the need for additional agency policies and some omissions to properly document all necessary information regarding purchased and or received items. This audit was also instrumental in DCS amending some of the program's rules that provide more efficient and less burdensome practices without compromising the program's integrity.

We have addressed some of the finding's recommendations and are working on others. We continue working with DCS to continue improve our agency's purchase card program including clarification of granted exemptions and additional written departmental policies.