

The background of the page is a large, faded seal of the State of Oklahoma. The seal is circular with a yellow outer ring containing the text "SEAL OF THE STATE OF OKLAHOMA". Inside the ring is a blue field with a white star. In the center is a shield with a green wreath, a white building, and a red sun. The shield is flanked by two blue wings.

STATE OF OKLAHOMA

Department of Central Services

Audit Unit

Statewide
Purchase Card Continuous Monitoring

*Report Released
April 28, 2008*

State of Oklahoma
Statewide Purchase Card Continuous Monitoring
For the period of November 28, 2007 through January 29, 2008

TABLE OF CONTENTS

OVERVIEW.....	1
OVERALL SUMMARY.....	1
FINDING #1	1
FINDING #2	2
FINDING #3	3
FINDING #4	4
FINDING #5	4

This publication is issued by the Department of Central Services, as authorized by the Department of Central Services. Copies have not been printed but are available through the agency website. Two printout copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

OVERVIEW

We performed monitoring that included all state Purchase Card transactions for the period of November 28, 2007 through January 29, 2008 from all state agencies. There were 15,306 transactions completed during this time period totaling \$5,905,819.03. During this continuous monitoring, we noted transactions that did not appear compliant with either the State of Oklahoma Purchase Card Procedures or Oklahoma State Law.

OVERALL SUMMARY

As a result of this monitoring:

- One individual Purchase Card was suspended
- Three Purchase Cards (one Standard, one Statewide, and one Travel) were cancelled
- One cardholder and one approving official from an agency are required to attend training again in order to participate in the Agency Purchase Card Program
- In two instances, the Agency's Executive Director was directly involved with DCS Audit staff to remedy the problem

During our review of the State of Oklahoma Purchase Card transactions, we found instances of dividing purchases to use a Statewide vendor as well as other vendors, exceeding Purchase Card limits using the Standard Purchase Card, receipts that were not detailed, and a lodging purchase on a Standard Purchase Card.

Since these items have been brought to each agencies' attention, corrective actions for the findings have occurred.

Monitoring of the cardholders reviewed as well as statewide Purchase Card transactions will continue.

FINDING #1

We reviewed the transactions for one cardholder, looking specifically for dividing transactions. The cardholder in this agency used the Standard Purchase Card to purchase similar items from a vendor with multiple transactions that exceeded the Standard Purchase Card single purchasing limit. These items appeared to be a division of purchases.

According to the State of Oklahoma Purchase Card Procedures § 2.0 Definitions:

“Single Purchase Limit” means the maximum spending (dollar) limit a cardholder is authorized to charge in a single transaction. Purchases shall not be split with the intent of and for the purpose of evading (1) the P/Card statutory single purchase limit of

State of Oklahoma
Statewide Purchase Card Continuous Monitoring
For the period of November 28, 2007 through January 29, 2008

\$2,500.00; and/or (2) limit(s) established for individual P/Card; and/or (3) a competitive bidding requirement.

OUTCOME: Agency administration addressed the issue stating that the cardholder and the approving official have been notified that the practice of dividing transactions is prohibited. As the transactions did not follow agency or DCS purchasing policies, the cardholder's card was suspended by the Agency. The cardholder and approving official must attend training again in order to participate in the Agency's Purchase Card Program.

FINDING #2

We reviewed the transactions for the Standard Purchase Card of one cardholder looking specifically for dividing transactions. The vendor used was a Statewide Contract vendor. The agency's Purchase Card management believed that these transactions were appropriate, since having a Statewide Contract Purchase Card is not necessary to purchase from this contract vendor. The agency divided Statewide Contract purchases into multiple transactions in order to use the standard Purchase Card to make the purchase. The Statewide Contract Purchase Card should have been used to make these purchases.

The Oklahoma Central Purchasing Act, 74 § 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).

Furthermore:

- (1) dividing up an acquisition for purposes of evading competitive bidding requirements is a felony, even if the acquisition is purchased with the p-card;
- (2) dividing up a non-Statewide Contract acquisition for the purpose of avoiding the \$2,500.00 limit on the Standard P/Card is a violation of Title 74, Section 85.5(L), which is a misdemeanor according to Title 74, Section 85.15;
- (3) dividing up an acquisition on a Statewide Contract for purpose of evading the \$2,500.00 limit on a Standard P/Card violates the p-card procedures that are in place (which prohibit transactions over \$2,500.00 on the Standard P/Card for any reason); and
- (4) dividing up an acquisition to avoid both competitive bidding and the \$2,500.00 limit on non-Statewide Contract acquisitions violates both split purchasing law [Title 74, Section 85.7(A)(2)(a)] and laws limiting non-Statewide Contract transactions to \$2,500.00 [Title 74, Section 85.5(L)].

State of Oklahoma
Statewide Purchase Card Continuous Monitoring
For the period of November 28, 2007 through January 29, 2008

Also, the State of Oklahoma Purchase Card Procedures state in § 2.0 Definitions:

“Single Purchase Limit” means the maximum spending (dollar) limit a cardholder is authorized to charge in a single transaction. Purchases shall not be split with the intent of and for the purpose of evading (1) the P/Card statutory single purchase limit of \$2,500.00; and/or (2) limit(s) established for an individual P/Card; and/or (3) a competitive bidding requirement.

OUTCOME: An Agency administration official contacted the Department of Central Services (DCS) Audit Unit to discuss the two transactions that occurred. This official further explained that the Agency would stop the practice of purchasing in this manner and will consider obtaining a Statewide Contract Purchase Card for the offsite locations.

FINDING #3

During our monitoring, we reviewed the transactions from one cardholder from one agency looking for purchases that exceed the \$2,500 purchase limit on the Standard Purchase Card. There were two instances when purchases exceeded this limit. One purchase was with a Statewide Contract vendor and the other purchase was with an open market vendor.

The Oklahoma Central Purchasing Act, 74 § 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 Agency did not address this issue during correspondence. Therefore, further inquiry into these transactions was necessary.

AUDIT FINDING RESPONSE: DCS Audit Unit staff met with the Executive Director and the cardholder for the agency reviewed. The cardholder, who is also the Purchase Card Administrator, described how the above incident occurred.

The Agency purchases from this particular statewide vendor often. During a particular time period, the cardholder believed that payments were made to this vendor based on Purchase Card information in the vendor's system. However, the payments were not automatically drafted because the vendor does not retain the Purchase Card information in their payment system. The vendor issued an invoice that covered the multiple payments. The cardholder paid with the Standard Purchase Card; since the limit was set above the \$2,500 single purchase limit, the transaction completed. Normally, the system would reject a purchase of this size, but the higher limit allowed the transaction to occur.

State of Oklahoma
Statewide Purchase Card Continuous Monitoring
For the period of November 28, 2007 through January 29, 2008

The reason the card limit was set at \$5,000 rather than \$2,500 was because the card limit was accidentally set the same limit as the cardholder's Statewide Purchase Card. As of April 2, 2008, the single purchase limit for the card was reduced to \$2,500 through the State Purchase Card Administrator.

OUTCOME: Through further discussion, it was found that this cardholder does not have an approving official. In order to remedy this situation, the cardholder offered to close all three open Purchase Cards and convert the purchasing responsibilities to a Certified Purchasing Officer (CPO) one level lower than the current Purchase Card Administrator within the Agency. This structure would allow for internal controls to be in place for the Agency's Purchase Card Program.

FINDING #4

There were six instances (or 12 percent) in our monitoring when the receipts received were not detailed. The details missing were items purchased and whether or not sales tax was paid. This happened for two different agencies with five different cardholders.

According to the State of Oklahoma Purchase Card Procedures:

6.4. Receipts for purchase. Receipts shall be maintained for all purchases regardless of the order method. The receipt shall give an itemized and detailed description of the purchase and must include at a minimum: (1) vendor; (2) date of purchase; (3) description; (4) unit price and quantity; and (5) transaction total. A detailed and itemized carbon copy or NCR copy is acceptable.

OUTCOME: The Audit Unit strongly recommends all agencies to request and file detailed receipts of purchase.

FINDING #5

A purchase for lodging was made by one cardholder in an effort to reserve a room for an agency employee attending training. Due to the policies of the hotel, the nights that were meant to be charged to a personal card for reimbursement were charged to the Standard Purchase Card.

According to the State of Oklahoma Purchase Card Procedures:

6.1.5.3 Travel P/Card. The Travel P/Card...shall be used for the purchase of airfare and lodging only...

State of Oklahoma
Statewide Purchase Card Continuous Monitoring
For the period of November 28, 2007 through January 29, 2008

OUTCOME: The Agency understood that this was prohibited purchase on the Standard Purchase Card due to the State of Oklahoma Purchase Card Procedures. Attached to the documentation requested, in addition to an email description, the Executive Director addressed the issue and stated that the cardholder will review the procedures to ensure this type of purchase does not occur again with the Standard Purchase Card.