

STATE OF OKLAHOMA



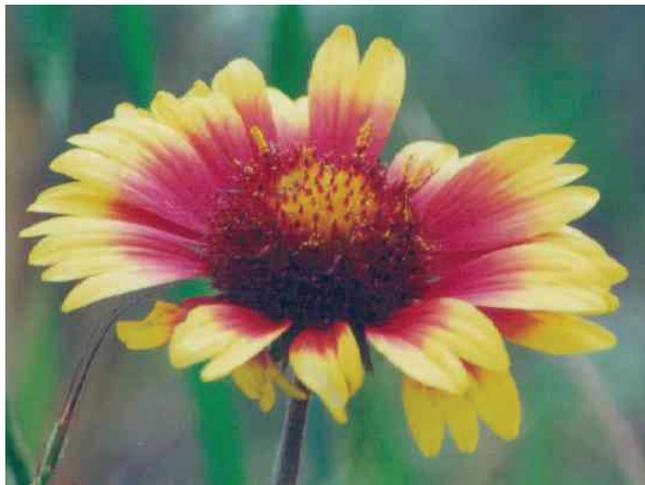
DEPARTMENT OF CENTRAL SERVICES



Oklahoma Housing Finance Agency

Purchase Card Audit

Report Released
April 30, 2008



JOHN S. RICHARD
Director



BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

April 30, 2008

**TO DENNIS SHOCKLEY, EXECUTIVE DIRECTOR, AND BOARD MEMBERS OF
THE OKLAHOMA HOUSING FINANCE AGENCY**

With this letter, we transmit the report of the Oklahoma Housing Finance Agency purchase card program audit for the audit period November 5, 2006 through October 4, 2007.

We performed our audit in accordance with professional auditing standards to ensure that programs administered by the Department of Central Services are conducted in accordance with the laws and regulations and used in an ethical, effective and efficient manner.

The accompanying report presents our findings and recommendations, as well as management's responses and corrective action plans. This report is available to the public on the Department of Central Services website, www.dcs.ok.gov.

Sincerely,

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

John S. Richard
Director of the Department of Central Services

"SERVICE, QUALITY, INTEGRITY"

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OKLAHOMA HOUSING FINANCE AGENCY
PURCHASE CARD AUDIT
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PURPOSE, OBJECTIVE AND SCOPE

The Department of Central Services has completed an audit of the Oklahoma Housing Finance Agency, hereinafter referred to as the "Agency", purchase card program for the period November 5, 2006 through October 4, 2007. The purpose of this report is to communicate the results of the audit.

The objective of this audit was to:

- ❖ determine if the Agency has implemented internal controls and if your Agency's controls are operating effectively in relation to the purchase card program;
- ❖ determine if the Agency's purchase card program is in compliance with laws and regulations promulgated by the Department of Central Services; and
- ❖ 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.

This audit was performed pursuant to 74 O.S. § 85.5.E., the State of Oklahoma Purchase Card Procedures and the Approved Internal Purchasing Procedures in accordance with generally accepted *Government Auditing Standards*.

METHODOLOGY

- ❖ Interviews and observations 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.
- ❖ A judgmental sample of transactions from cardholders, selected by the Audit Unit, was examined.
- ❖ Overall program compliance with the State of Oklahoma Purchase Card Procedures and rules promulgated thereto was evaluated.

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EXECUTIVE SUMMARY

Organization

Recognized as the industry leader, OHFA makes a difference in the lives of Oklahomans by fulfilling their housing needs and dreams. OHFA offers nine housing programs ranging from a homeless program and rental assistance to housing development and home ownership.

The mission of Oklahoma Housing Finance Agency is to help place people in homes.

Many families face difficult financial times each year, and OHFA is there to help by providing affordable housing to working Oklahomans, help families with their housing needs by enabling them to buy homes through special financing opportunities, rent homes in safer neighborhoods and rehabilitate existing homes.

OHFA is entrusted with hundreds of millions of dollars in federal funds and other authorizations each year to address the affordable housing needs of many Oklahomans.

At the time of the audit, there were 2 regular purchase cardholders and 1 individual acting as an approving official in the Agency.

Board of Trustees

Richard Lillard, Chairman
Joe Shockley, Vice-Chairman
Steve Ganzkow, Secretary/Treasurer
Marolyn Pryor, Trustee
Billy Mickle, Trustee
Bertha Lacy, Resident Board Member

Key Personnel

Dennis Shockley, Executive Director
John Marshall, Housing Development Team Leader
Deborah Jenkins, Rental Assistance Team Leader
Eldon Overstreet, Finance Team Leader
Holley Mangham, Communications Director
Linda Sargent, Human Resources Director
Nelson Morgan, Information Technology Team Manager
Kay Newell, Financial Services Supervisor (Purchase Card Administrator)
David Young, Procurement Officer

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AUDIT RESULTS

Audit Finding Summary

(Error rates are based on transactions and memo statements reviewed.)

- The individual acting as the entity's approving official has not attended purchase card training. Finding [08-922-01](#)
- Out of 13 memo statements, 13 (100 percent) memo statements were not signed by the individual acting as an approving official. Finding [08-922-01](#)
- For 9 of 41 (21 percent) transactions were purchased from an outside vendor not listed on the State Use contract. Finding [08-922-02](#)
- Three (3) of 49 transactions did not have a supporting credit receipt for transactions that were credited back to the Agency's account. Finding [08-922-03](#)
- For 4 of 4 (100 percent) registration documentation related to conferences did not meet state purchase card standards or rules. Finding [08-922-04](#)
- The receipts or receiving documents did not contain the signature, date, or annotation "received" on the document for goods or services received at the time of purchase for 6 of 8 (75 percent) transactions. Finding [08-922-05](#)
- The receiving documents did not contain the signature, date, or annotation "received" on the document for good or services received subsequent to the time of purchase for 14 of 30 (47 percent) transactions. Finding [08-922-05](#)
- Three (3) of 30 (10 percent) purchases were not supported by a receiving document to show that the Agency received the purchased items. Finding [08-922-05](#)
- Based upon our substantive testing, we noted 13 of 13 (100 percent) memo statements reviewed were not signed by the cardholder. Finding [08-922-06](#)
- All cardholders did not reconcile their monthly memo statements during the audit period. Finding [08-922-06](#)
- For 13 of 47 (28 percent), The Credit Card Purchase Request form contained errors where the form should have been sent back the requestor. Finding [08-922-07](#)
- A team leader or designated approver did not approve the Credit Card Purchase Request form for 31 of 40 (78 percent) applicable transactions. Finding [08-922-07](#)
- On 38 applicable Credit Card Purchase Request, 25 (66 percent) forms did not contain the signature and date or the date in which the items were received. Finding [08-922-07](#)

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Audit Finding Details

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

Finding No: 08-922-01: Approving Official Training & Responsibilities

Criteria:

1. State of Oklahoma Purchase Card Procedures (9/6/2005) § **3.9 Training** states, in part:

Entity Purchase 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 purchase card...

2. State of Oklahoma Purchase Card Procedures (9/6/2005) § **6.9.2 Entity Approving Official(s) Responsibility** states, in part:

State Entity Approving Official(s) shall review the regular purchase card, Statewide Contract Purchase Card, or Travel Purchase 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 memo statement...

Condition:

1. Upon review of the training records provided by the State Purchase Card Administrator, it was noted that the individual acting as the entity's approving official has not attended purchase card training. This is also found in internal controls.
2. We statistically sampled 45 purchase card transactions (15 percent) totaling \$10,796.98 (20 percent) and judgmentally sampled 4 purchase card transactions (1 percent) totaling \$2,577.66 (5 percent) out of 299 transactions totaling \$53,433.63 during the audit period for review. All 49 purchase card transactions were done with the regular purchase card. Within this sample, there were a total of 13 memo statements reviewed.

Based upon our substantive testing, we noted:

- 13 of 13 (100 percent) memo statements were not signed by the individual acting as an approving official.

Two of two memo statement reviewed during internal controls were not signed and dated by the approving official.

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Cause:

1. The individual acting as Approving Official has not attended Purchase Card Training.
2. The Agency uses another credit card tracking system (PVS Net) which does not supply an electronic version of the memo statement. Instead, the Agency receives a paper copy of the memo statement by mail, usually right before or after the payment date.

Effect or Potential Effect:

1. By not attended the mandatory purchase card training, the individual acting as approving official may not participate in the purchase card program.
2. By not reviewing the reconciled monthly memo statement to the transactions, unauthorized transactions could be charged on the Entity's purchase cards.

Recommendation:

1. We recommend that the individual acting as Approving Official attend the next purchase card training class.
2. We also recommend that the Agency reconcile their weekly reports printed from PVS Net to the mailed monthly memo statement.

Management's Response

Date: April 8, 2008

Response: *Partially Concur.* (Entity Purchase Card Administrator) As an Approving Official, I signed off on the transactions made by the primary card holder. In addition, I did reconcile every monthly summary memo statement to the total report printed from PVS Net for each monthly period but did not sign and date the memo statement. In the approved Request for Exception to State Purchase Card Procedures, we stated "OHFA uses the attached form (Credit Card Purchase Request) for all p/card purchases, returns, credits and disputed transactions as the transactions are made. A weekly PVS Net report is used along with these forms for review and approval by the approving officials..." With the exceptions that were requested and approved for PVS Net, we felt the reports being printed were the equivalent of the mailed memo statement and the PVS reports were to be signed off by one of the approving officials (the Finance Director did need training in order to assume this duty). Based on our review process, no unauthorized transactions could have been charged on the purchase card without being detected. The payment of the purchase card was set up as an ACH withdrawal which occurs automatically. The PVS Net memo statement is usually received after our General Ledger cutoff date for posting the previous months transactions, not right before or after the payment date which is at least a week later.

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Corrective Action Plan

Anticipated Completion Date: In progress and subject to procedure revisions

Corrective Action Planned: The Finance Director has obtained all currently required training. In the future, an Approving Official will sign and date the reconciled memo statement (unless exception approved) as documentation of the reconciliation. I will also work on additional exceptions in order to better clarify our process and to meet audit expectations.

Finding No: 08-922-02: Merchant Preferences & Fair and Reasonable

Criteria: State of Oklahoma Purchase Card Procedures (9/6/2005) § 6.2.5 **Merchant Preferences** states, “state entities shall make purchase card purchases from merchant on the State Use Committee procurement schedule unless the State Use Contracting Officer has issued a waiver to the entity prior to the purchase. State Use Committee statewide contracts are mandatory use. State entities shall reference the State Use Committee procurement schedule to ensure purchase card procedures are pursuant to 74 O.S. § 3007.”

According to **74 O.S. § 3007.A.**, state agencies shall “secure the product or service from a qualified nonprofit Agency providing employment to people with severe disabilities at the fair market price determined by the [State Use] Committee if the product or service is available within the period required by the entity.”

Condition: We statistically sampled 45 purchase card transactions (15 percent) totaling \$10,796.98 (20 percent) and judgmentally sampled 2 purchase card transactions (1 percent) totaling \$2,577.66 (5 percent) out of 299 transactions totaling \$53,433.63 during the audit period for review. All 49 purchase card transactions were completed with the regular purchase card. Six (6) transactions did not apply to this finding.

Based upon our substantive testing, we noted 9 of 41 (21 percent) transactions were purchased from an outside vendor not listed on the State Use contract.

SUMMARY OF COSTS

Non-State Use VENDOR	COST	STATE USE COST	DIFFERENCE (OV – SU)	
Office Depot	\$588.04	\$475.60	\$112.44	Cost to Agency
Home Depot	<u>9.91</u>	<u>12.68</u>	<u>-\$2.77</u>	Savings to Agency
TOTAL	<u>\$597.95</u>	<u>\$488.28</u>	<u>\$109.67</u>	Cost to Agency*

* This is an estimated cost to the Agency. The actual purchase descriptions on the detailed receipt were compared to those on the State Use Contract to determine the cost of the item if it were purchased from a State Use Vendor.

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Cause: According to the Agency, they were able to obtain the products from the outside vendors in a timely manner and save the Agency's employee time through the reconciliation process of partial shipments and backordered items than from State Use Vendors.

Effect or Potential Effect: Approved products from the qualified nonprofit entities for the severely handicapped were not purchased by the Agency. Also, overall, the items purchased from the non-state use vendor cost more than then state use items.

Recommendation: We recommend that the Agency use the State Merchant preferences. We also recommended for those times that the Agency is not able to obtain the requested products in a timely manner document that fact and seek an exception from the State Use Contracting Officer.

Management's Response

Date: April 8, 2008

Response: *Concur.* (Purchase Card Administrator)

Corrective Action Plan

Anticipated Completion Date: Done

Corrective Action Planned: Strive to ensure that State Use items are purchased properly or request exception, if valid and necessary.

Finding No: [08-922-03](#): Adequate Documentation – Sales Tax & Credit Receipts

Criteria: State of Oklahoma Purchase Card Procedures (9/6/2005) § 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..."

State of Oklahoma Purchase Card Procedures (9/6/2005) § 6.8.1 Processing returns, credits, and disputes, states in part, "Documentation of the credit receipt should be issued by the merchant. Keep on file all documentation pertaining to returns, credits, and disputes for reconciliation to the memo statement... and attach copies of the documentation."

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Condition: We statistically sampled 45 purchase card transactions (15 percent) totaling \$10,796.98 (20 percent) and judgmentally sampled 4 purchase card transactions (0.3 percent) totaling \$2,577.66 (5 percent) out of 299 transactions totaling \$53,433.63 during the audit period for review.

Based upon our substantive testing, we noted:

The purchase did not contain adequate documentation to support the transaction for 4 of 49 (8 percent) transactions.

- Three (3) transactions did not have a supporting credit receipt for transactions that were credited back to the Agency's account.
- One (1) transaction did not have documentation as proof the purchase was made. The transaction amount was \$802.99.

Cause: The Agency stated that the merchant does not always give a credit receipt for items returned. Most times, the credit just appears on their memo statement and then the adjustments are made in the accounting system.

Effect or Potential Effect: By not providing adequate documentation to support a transaction, we were unable to determine what was purchased or returned, at what cost and quantity, if sales tax was paid on the purchase, and if the purchase was made for legitimate and valid governmental purposes.

Recommendation: We recommend that the Agency obtain credit and purchase receipts as proof for the transactions. If the Agency cannot obtain a receipt for the transaction and attempts have been made to obtain one from the vendor, it is recommended contact the bank for a copy of the receipt.

Management's Response

Date: April 8, 2008

Response: *Partially Concur.* (Purchase Card Administrator) It was a business decision to not pursue the credit receipts from the bank for pure economic reasons. The cost to obtain the receipt from the bank could be higher than the sales tax credit we are requesting from the vendor. The stores I contacted do not issue credit receipts unless it is done in the store. The receiving document for \$802.99 has just recently been located and placed in the correct file. It was misfiled and found when the Bookkeeper was looking through our p/card files. When an item is returned or a sales tax credit is requested, our procedure is to hold the cost in the p/card clearing account until the credit is received. Copies of the original order were in the file with the credit on the returned item so there is no question what was returned and at what cost. In the approved

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Request for Exception to State Purchase Card Procedures, we stated "OHFA uses the attached form (Credit Card Purchase Request) for all p/card purchases, returns, credits and disputed transactions as the transactions are made. A weekly PVS Net report is used along with these forms for review and approval by the approving officials..."

Corrective Action Plan

Anticipated Completion Date: Done

Corrective Action Planned: In the review of transactions, verify that returned items are being held in the clearing account until the credit is received and to continue trying to obtain credit receipts from the vendors.

Finding No: [08-922-04](#): Adequate Documentation - Conferences

Criteria: According to the State of Oklahoma Purchase Card Procedures (9/6/2005) **5.12 Advance (pre-) payments**, it states, "P/Card purchases are subject to Office of State Finance Procedures Manual, Section 319, Special Procedures. A copy of the applicable page is attachment 7 of these procedures."

The Attachment 7, Office of State Finance - Procedures Manual 7/01 – Chapter 300 (Pages 20-21), **L. Advance (Pre-) Payments** states, in part:

4. Registration fees for conferences, meetings, seminars, and similar events whereby in special situations an organization required preregistration along with payment and by standard policy will not accept a state purchase order in lieu of payment, documentation on the vendor's stationary describing this fact ...
5. Registration fees when a discounted fee is offered if registration is paid in advance. To qualify, the registration fee must, 1) result in a discount to the state, 2) allow for substitution of participants, and 3) provide 100% refund should the event be cancelled.

Condition: We statistically sampled 45 purchase card transactions (15 percent) totaling \$10,796.98 (20 percent) and judgmentally sampled 4 purchase card transactions (1 percent) totaling \$2,577.66 (5 percent) out of 299 transactions totaling \$53,433.63 during the audit period for review. The Agency had 4 conference transactions that were tested.

Based upon our substantive testing, we noted:

- 4 of 4 (100 percent) registration documentation related to conferences did not meet state purchase card standards or rules.

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Cause: Agency misunderstood the state purchase card pre-payment requirement for registration fees for conferences, meetings and seminars.

Effect or Potential Effect: By not obtaining the adequate documentation with regards to conferences, the Agency risks a financial loss if the scheduled person is unable to attend and no substitutions are allowed and conference event is cancelled and no refunds are allowed by the conference holder.

Recommendation: We recommend that the Agency maintain the required conference documentation and that the documentation contain the proper statements from the vendor on their letterhead as required by state purchase card procedures.

Management's Response

Date: April 8, 2008

Response: *Partially Concur.* (Purchase Card Administrator) Office of State Finance (OSF) told us how the pre-payments were being handled which was not specifically by the rules as discussed above. Number 4 of the procedures referenced above also seems to be open to interpretation. We do believe that the vendor's registration and information forms are documentation on the vendor's stationary; and that the statement "Purchase orders are not recognized as full payment" is very clear that a purchase order will not meet the discount requirement when full payment must be received in order to receive a discount. We do agree that we were not meeting all three requirements and this was based on the discussion with OSF.

Corrective Action Plan

Anticipated Completion Date: In progress

Corrective Action Planned: We are continuing to have problems in this area, especially when it will cost the Agency money (for example, \$100 per person) to not make the pre-payment and when the training may not be available if we delay paying until the last minute. OHFA has a lot of required training and even though we are attempting to obtain all the proper documentation, not all vendors are complying with our requests. In addition, OHFA has never lost any money because of pre-paying a registration. OHFA will continue to make every attempt to obtain all required documentation.

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Finding No: [08-922-05](#): Receiving Documents

Criteria: State of Oklahoma Purchase Card Procedures (9/6/2005) § 6.7 Receiving goods and services states:

1. (6.7.1 - Received at the time of purchase) *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.*
2. (6.7.2 - Received subsequent to the time of purchase) *The document accompanying the good or services serves as the receiving document and is processed as described in 6.7.1 above.*

Condition: We statistically sampled 45 purchase card transactions (15 percent) totaling \$10,796.98 (20 percent) and judgmentally sampled 2 purchase card transactions (0.7 percent) totaling \$2,577.66 (5 percent) out of 299 transactions totaling \$53,433.63 during the audit period for review. The Agency had 8 transactions that the purchase was received at the time of purchase, 30 transactions that the purchase was received subsequent to the time of purchase, 9 transactions that did not apply because the transactions were a credit to the account or the purchase was never received.

Based upon our substantive testing, we noted:

- The receipts or receiving documents did not contain the signature, date, or annotation "received" on the document for goods or services received at the time of purchase for 6 of 8 (75 percent) transactions.
- The receiving documents did not contain the signature, date, or annotation "received" on the document for good or services received subsequent to the time of purchase for 14 of 30 (47 percent) transactions.
 - Eight (8) of those transactions did not have the signature, date and annotation "received"
 - Six (6) did not have the date and annotation "received".
- Three (3) of 30 (10 percent) purchases were not supported by a receiving document to show that the Agency received the purchased items.

During the review of Internal Controls, it was noted that the Agency did not have a receiving date for three documents, one of which was not signed received.

Cause: The Credit Card Request Form is sometimes signed in place of the actual receiving document.

Effect or Potential Effect: By not requiring receiving employees to sign, date or annotate "Received" on the receiving document, there is no verification that goods and/or services

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purchased were actually received. Also, by not having a proper receiving document, we were unable to determine if the Agency received the items that were purchased. In addition, insufficient receipting documentation creates an opportunity for unauthorized transactions to occur and go undetected.

Recommendation: We recommend that the Agency develop internal processes to properly receive goods and services to include proper in-house training to those individuals who will be part of the receiving process. We also recommend that the Agency annotate "received" on the receiving documents for goods received subsequent to the purchase. In addition, we recommend that the Agency obtain a receiving document for all items received as proof that Agency have the items or received the service.

Management's Response

Date: April 8, 2008

Response: *Partially Concur.* (Purchase Card Administrator) It is very difficult to get packing slips for everything or to obtain them after the item is received. In the approved Request for Exception to State Purchase Card Procedures, we stated "OHFA uses the attached form (Credit Card Purchase Request) for all p/card purchases, returns, credits and disputed transactions as the transactions are made. A weekly PVS Net report is used along with these forms for review and approval by the approving officials..." Our internal form was intended to satisfy the Purchase Card Procedures by having a received by line. We are completely confident that all items purchased were in fact received.

Corrective Action Plan

Anticipated Completion Date: Done

Corrective Action Planned: A "received" date stamp has been acquired to be used on all receiving documents. In addition, we are working with the department that receives the bulk of our purchases to be sure that they understand that Procurement must receive all packing slips and that they must be signed and imprinted with the "received" date stamp.

Finding No: [08-922-06](#): Cardholder's Responsibility

Criteria: State of Oklahoma Purchase Card Procedures (9/6/2005) § 6.9. **Cardholder Responsibility** states, in part:

... The memo statement shall be reconciled by the cardholder and submitted to the cardholder's approving official... and the cardholder shall also sign and date

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the memo statement verifying that the transaction log [Credit Card Purchase Request form] and memo statement have been reconciled.

Condition:

1. We statistically sampled 45 purchase card transactions (15 percent) totaling \$10,796.98 (20 percent) and judgmentally sampled 4 purchase card transactions (0.3 percent) totaling \$2,577.66 (5 percent) out of 299 transactions totaling \$53,433.63 during the audit period for review. Within this sample, there were a total of 13 memo statements reviewed.

Based upon our substantive testing, we noted 13 of 13 (100 percent) memo statements reviewed were not signed by the cardholder

2. All cardholders (#247 & #341) did not reconcile their monthly memo statements during the audit period.

Cause:

1. The Agency uses another credit card tracking system (PVS Net) which does not supply an electronic version of the memo statement. Instead, the Agency receives a paper copy of the memo statement by mail, usually right before or after the payment date.
2. A non-cardholder employee reconciles the cardholder's transactions and memo statements.

Effect or Potential Effect: By not having the cardholder reconcile their own statement, the Agency could have charges not authorized by the cardholder be posted to their account.

Recommendation: We recommend that each cardholder reconcile their memo statement each month. We also recommend the cardholders sign and date the memo statement to reflect that the reconciliation has been completed, and the transactions match the purchases listed on the memo statement.

Management's Response

Date: April 8, 2008

Response: *Partially Concur.* (Purchase Card Administrator) In our process and as stated in our procedures, a form has to be signed by the cardholder for every one of their purchases. If the cardholder has not signed this form for an item, it will be investigated. Therefore, any unauthorized charges will be immediately identified. In the approved Request for Exception to State Purchase Card Procedures, we stated "OHFA uses the

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attached form (Credit Card Purchase Request) for all p/card purchases, returns, credits and disputed transactions as the transactions are made. A weekly PVS Net report is used along with these forms for review and approval by the approving officials..."

Corrective Action Plan

Anticipated Completion Date: Done

Corrective Action Planned: Each individual will sign off on their own summary memo statement verifying transactions on the PVS Net report. We will also be more specific in our requests for exceptions to avoid misunderstandings. The reconciliations performed by the non-card holder actually provide a better degree of internal control and guards against fraudulent purchases.

Finding No: [08-922-07](#): Internal Polices & Procedures

Criteria:

1. According to OHFA Purchase Card Procedures (4a), in part, the Credit Card Purchase Request "form shall be completed by the requestor. Any information left off shall be cause for the form to be returned to the requestor."
2. The OHFA Purchase Card Procedures (4b) states, "Team Leader/Designed approver shall approve the use of the P-Card for the purchase(s)."
3. According to the OHFA Purchase Card Procedures (4f), the "Requestor signs [the] CCPR form for receipt of items requested."

Condition: We statistically sampled 45 purchase card transactions (15 percent) totaling \$10,796.98 (20 percent) and judgmentally sampled 2 purchase card transactions (0.3 percent) totaling \$2,577.66 (5 percent) out of 299 transactions totaling \$53,433.63 during the audit period for review. All 47 purchase card transactions were completed with the regular purchase card.

1. Based upon our substantive testing, we noted:
 - 13 of 47 (28 percent) The Credit Card Purchase Request form contained errors where the form should have been sent back the requestor. The errors are the following:
 - 1 form had the request date missing
 - 6 forms had the cost center information missing
 - 4 forms had the requestor's signature missing
 - 2 forms had the requestor's name at the top missing

2.

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- A team leader or designated approver did not approve the CCPR form for 31 of 40 (78 percent) applicable transactions.

This was also found during internal controls. For 3 of 7 (43%) transactions reviewed, the team leader or designated approver did not approve the CCPR form.

3.

- 25 of 38 (66 percent) applicable CCPR forms did not contain the signature and date or the date in which the items were received
 - 9 CCPR forms were missing the signature and date received
 - 16 CCPR forms were missing the date received

This was also found during internal controls. For 1 of 7 (14 percent) transactions reviewed, the CCPR form did not contain the signature to show that it had been received. Also, for 2 of 7 (29 percent) transaction reviewed, the CCPR form did not contain a date the item was received.

Cause:

1. The Agency's internal controls are relaxed with regards to this procedure.
2. The Agency recognizes other individuals in being Team Leaders or designated approvers besides upper management positions.
3. This is management and cardholder oversight.

Effect or Potential Effect:

The Agency is not complying with their internal procedures related to their purchase card program.

Recommendation: We recommend the Agency comply with their internal purchasing procedures, although the Agency should review, evaluate and consider revising their current internal purchasing procedures and controls to reflect their current purchasing practices.

Management's Response

Date: April 8, 2008

Response: *Partially Concur.* Every approver is considered to be a person with appropriately assigned approving authority. There is nothing in our procedures that indicates a designated approver for our request form has to be upper management. We feel that this finding continues to be an interpretation issue of the intent of our internal procedures and use of our request form.

**STATE OF OKLAHOMA
OKLAHOMA HOUSING FINANCE AGENCY
PURCHASE CARD AUDIT
FOR THE PERIOD NOVEMBER 5, 2006 THROUGH OCTOBER 4, 2007**

Corrective Action Plan

Anticipated Completion Date: In progress

Corrective Action Planned: Internal procedures will be revised to be more in line with our actual practices. Forms will be more closely reviewed for completeness before processing.

OVERALL CONCLUSION

Based upon our audit, we have determined the Oklahoma Housing Finance Agency has significantly complied with the implementation of internal controls and are operating effectively in relation to the purchase card program. Exceptions were noted related to their internal processes which were reviewed under internal controls.

Also, we have determined that the Agency has significantly complied with compliance to laws and regulations promulgated by the Department of Central Services; however, some exceptions were noted. Some of these notable exceptions were signing the memo statement and signing, dating, and notating "received" on receiving documents.

During the audit period, Oklahoma Housing Finance Agency had approved internal purchasing procedures but the procedures did not contain any special requirements under purchase card purchases or for purchases under \$2,500; therefore, we do not draw any conclusions to compliance to their approved internal purchasing procedures as it relates to the Purchase Card Program.

The Oklahoma Housing Finance Agency has implemented corrective actions for all exceptions noted, which we believe will ensure the Agency will comply, in all material respects, with the aforementioned requirements.