



Oklahoma Department of Career and  
Technology Education  
Procurement Audit

*Report Released  
July 11, 2007*

STATE OF OKLAHOMA  
OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION  
PROCUREMENT AUDIT  
FOR THE PERIOD NOVEMBER 1, 2005 THROUGH OCTOBER 31, 2006

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**PURPOSE, OBJECTIVE AND SCOPE**

The Department of Central Services' Audit Unit has completed an audit of the Oklahoma Department of Career and Technology Education, hereinafter referred to as the "Agency", procurement program for the period November 1, 2005 through October 31, 2006. The purpose of this report is to communicate the results of the audit.

The objectives of this audit were to:

- Ensure the Agency is in compliance with provisions of the Oklahoma Central Purchasing Act;
- Ensure the Agency is in compliance with purchasing rules promulgated by the Department of Central Services;
- Ensure the Agency is in compliance with the State of Oklahoma's Purchase Card Procedures;
- Ensure the Agency is in compliance with approved internal purchasing procedures; and
- Determine if the Agency has implemented internal controls and if the Agency's controls are operating effectively in relation to the procurement program.

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*.

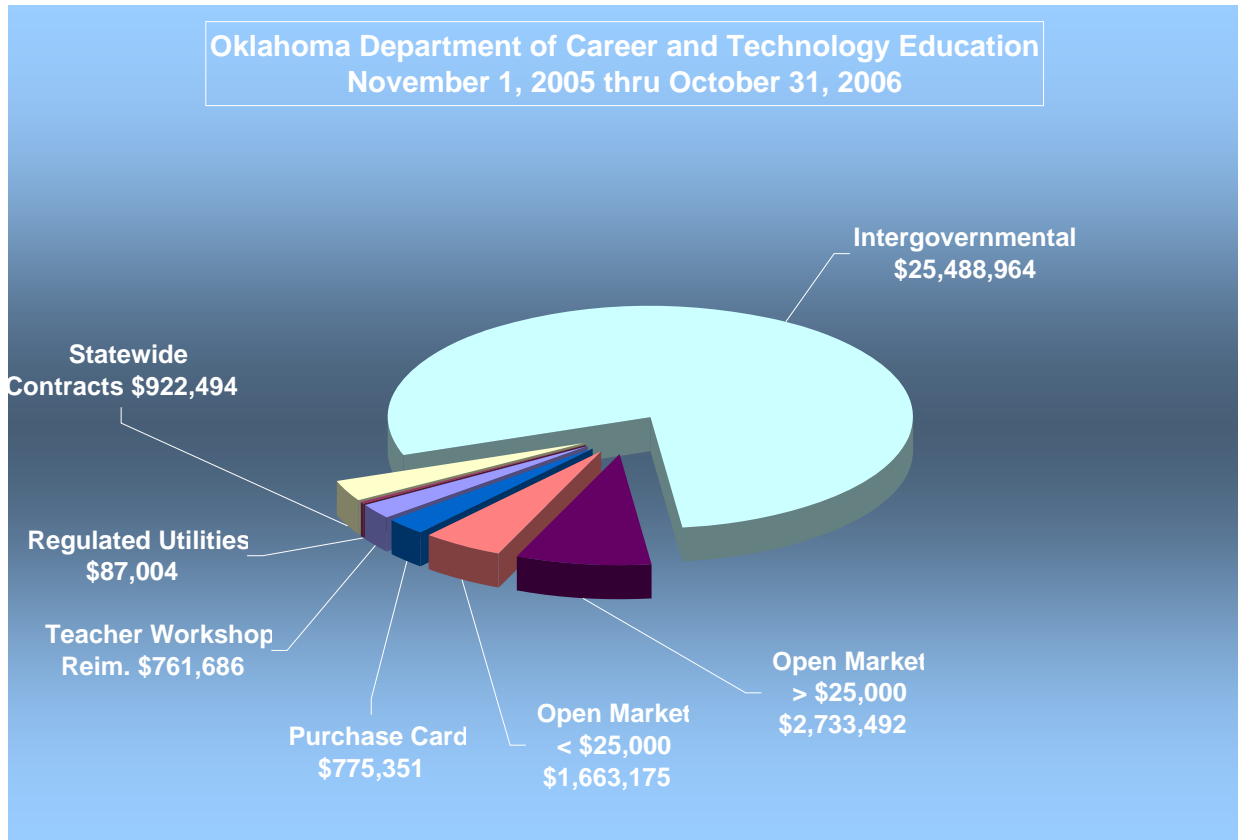
**METHODOLOGY**

- Interviews were conducted with the Agency's staff members.
- Internal controls over the procurement program (including the purchase card program) were documented and evaluated.
- Procurement transactions (including purchase card transactions from the active cardholders) were examined.
- Overall compliance with the rules related to the audit objectives was evaluated.

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The chart listed below indicates the total value of specific types of purchases made by the Oklahoma Department of Career and Technology Education during the audit period.



The acquisition amount of \$2,438,536 (\$1,663,175 + \$775,351) was the agency's primary purchasing responsibility in accordance with the Oklahoma Central Purchasing Act and purchasing rules. These acquisitions were the focus of our audit based upon the audit objectives.

Within our procurement audit we tested a sample of acquisitions totaling \$4,616,327.21 and a sample of purchase card transactions totaling \$48,870.11.

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**EXECUTIVE SUMMARY**

**Organization**

The Department provides leadership, resources, and assures standards of excellence for a comprehensive statewide system of career and technology education. That system offers programs and services in 29 technology center districts operating on 56 campuses, 398 comprehensive school districts, 25 skill centers and three juvenile facilities.

The Agency vision is: We are securing Oklahoma's future by developing a world-class workforce.

Governed by the State Board of Career and Technology Education, the Agency works closely with the State Board of Education and the State Regents for Higher Education to provide a seamless education system for all Oklahomans.

**Agency**

The Agency is made up of 358 unclassified and 8 temporary employees as of September 1, 2006. At the time of the audit, there were eight Certified Procurement Officers, 66 purchase cardholders and 4 approving officials in the agency.

Board Members

Sandy Garrett, Chairperson  
Phil Berkenbile, Executive Officer  
Debbie Blue, District 5  
Sue Arnn, District 4  
H.C. "Will" Williams, District 1  
Nevyle R. Cable, District 2  
Harold Anglin, District at Large  
Marilyn Harrel, District 3  
Randy Gilbert, District 5  
Major General (Ret.) Toney Stricklin

Key Personnel

Phil Berkenbile, State Director  
Bruce DeMuth, Chief of Staff  
Jim Aulgur, Director of Purchasing

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### Economy Results

Estimated Savings - The purchase card program saved the Agency an estimated net savings of \$231,527.40 for the period November 1, 2005 through October 31, 2006. This is 23% (\$231,527.40 / \$1,006,047.01) of the total dollars expended using the purchase card. This is an average estimated savings of \$69.57 per transaction for the Agency. Per 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 RESULTS

### Audit Finding Summary

- The purchase of one mini camcorder was separated into four transactions in the amounts of \$1,000 on 6/26/06 at 6:04 pm, \$1,000 on 6/26/06 at 6:05 pm, \$1,000 on 6/26/06 at 6:08 pm, and \$67.99 on 6/26/06 at 6:08 pm (a total of \$3,067.99). Ref [07-800-02](#)
- One airline ticket was purchased by the Travel Coordinator, through a contracted travel agent, for an employee. The employee chose to extend the trip an additional three days and paid the agency the additional airfare costs associated with the different return flight. The additional cost was \$100.00 and was paid to the Agency prior to the trip. The Agency did not use or obtain ownership of the additional purchase made with the travel purchase card. Ref [07-800-01](#)

### Audit Finding Details

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#### [Finding No: 07-800-02](#)

**Criteria:** 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:

...-Any transaction exceeding a total of \$2500.00. (State entities may establish lower dollar levels.) This limitation does not apply to the Statewide Contract p/card or the Travel p/card.

-Any transaction or series of transactions, which exceed the limits established on an individual p/card....

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Oklahoma State Statute 74 O.S. § 58.5L 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).

Department of Career and Technology Education Internal Purchasing Procedures – Departmental Purchase Card Program Policies and Procedures User Guide (Career Tech Users Guide), Non-Allowable Purchases states in part: As a reminder, these items are excluded by law or other rule:

- ... Purchases cannot be split in order to exceed the single transaction dollar limit specified on your card....

Department of Career and Technology Education Internal Purchasing Procedures – Departmental Purchase Card Program Policies and Procedures User Guide (Career Tech Users Guide), Consequences for Cardholder Violation states:

Split Purchases: Transactions are items purchased for a single project costing more than \$2500, which are split between multiple transactions.

Violation: Cardholder are circumventing the \$2500 bid threshold or exceeding individual cardholder limits.

Consequence: Card may be revoked and the Cardholder will be required to obtain further training before the card is reinstated.

**Condition:** The Agency had 3,328 purchase card transactions in the amount of \$1,006,047.01 during the audit period. We statistically sampled 79 standard purchase card transactions in the amount of \$48,870.11 for review.

During substantive testing, we noted there were four transactions in the amounts of \$1,000 on 6/26/06 at 6:04 pm, \$1,000 on 6/26/06 at 6:05 pm, \$1,000 on 6/26/06 at 6:08 pm, and \$67.99 on 6/26/06 at 6:08 pm (a total of \$3,067.99) for the purchase of one mini camcorder. The purchase was divided into four separate transactions in order that the purchase card may be used to make the purchase.

**Cause:** The cardholder inadvertently allowed the vendor to charge the total purchase amount as separate amounts in order to process the payment.

**Effect:** There exists the potential for the cardholder to bypass the requirements to solicit quotes for purchases greater than the single purchase transaction limit and, thereby, increasing the possibility that the Agency may not obtain goods at the lowest or most economical price. Also, excessive amounts of spending and bypassing purchasing rules at or close to fiscal year end

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gives the appearance that cardholders may be making unnecessary purchases to avoid the expiration of funds.

**Recommendation:** We recommend the Agency provide additional training to the affected cardholder, either in-house or through the Department of Central Services purchase card training.

This finding will be forwarded to the appropriate officials for possible further review.

**Management's Response**

**Date:** 6/27/07

**Response: Concur-** This was an inadvertent use of Pcard and when the vendor attempted to run the card, it failed. Consequently they, without notification to cardholder, reran the card in smaller increments. When cardholder discovered the error, the vendor denied the request to back it out and to accept a PO. The issue was noted to file immediately at that time.

**Corrective Action Plan**

**Anticipated Completion Date:** 6/28/07

**Corrective Action Planned:** Cardholder notified Pcard Administrator immediately when this situation occurred. Attempts to correct it failed. Pcard Administrator discussed in detail how it occurred and both were satisfied no corrective action would be required.

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**Finding No: 07-800-01**

**Criteria:** The Department of Career and Technology Education Internal Purchasing Procedures – Departmental Purchase Card Program Policies and Procedures User Guide (Career Tech Users Guide), Consequences for Cardholder Violation states:

**Personal Purchases:** A personal purchase is anything that is not purchased for use and ownership by the Agency.

**Violation:** It is a Cardholder violation to make ANY personal purchases or transactions with the P/card or on any other purchase method. It is against the law to use government funds, state or federal, to purchase items for personal use. Even though the cardholder may have paid the Agency back, or intends to pay back the amount of the purchase, it may be considered a fraudulent act.

**Consequence:** The Agency must be reimbursed immediately for the amount of the personal purchase. The Card may be canceled. Any violation of this policy may be investigated and could result in termination and/or criminal prosecution. In the event of willful or neglectful default of these obligations, the Agency shall take any recovery action deemed appropriate, as deemed by law.



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**Condition:** The Agency had 3,328 purchase card transactions in the amount of \$1,006,047.01 during the audit period. We statistically sampled 25 travel purchase card transactions in the amount of \$11,943.30 for review. Based upon our testwork we noted:

One airline ticket was purchased by the Travel Coordinator, through a contracted travel agent, for an employee. The employee chose to extend the trip an additional three days and paid the agency the additional airfare costs associated with the different return flight. The additional cost was \$100.00 and was paid to the Agency prior to the trip. The Agency did not use or obtain ownership of the additional purchase made with the travel purchase card.

**Cause:** An employee, who was previously scheduled to attend an out-of-state meeting, received approval to extend her stay an additional three days for personal business. The employee was allowed to pay the agency the additional amount from personal funds.

**Effect:** The Agency may not be complying with its internal purchasing policy that describes personal purchases within the Agency's purchase card program.

**Recommendation:** We recommend the Agency adhere to the internal purchasing procedures as defined by the Agency's management. We further recommend the Agency review and evaluate the definition of a personal purchase with the use of the purchase card. In final, we recommend the Agency evaluate the operating efficiencies and the increased risk of state funds being used for personal use when the employee is paying the Agency for the anticipated personal travel cost rather than reimbursing the employee for only the portion of the travel that was used for official state business.

**Management's Response**

**Date:** 6/27/07

**Response:** Concur- No additional response.

**Corrective Action Plan**

**Anticipated Completion Date:** 6/26/07

**Corrective Action Planned:** Memo "New Travel Guidelines" to all staff from Agency Director: Effective immediately, all out of state travel to conferences and meetings will not be approved if it includes personal travel time. This includes not only trips to additional destinations but also employees taking annual leave at the conference/meeting destination. Employees must return from the business portion of their trip prior to taking personal leave.

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**OVERALL CONCLUSION**

Based upon our audit, we have determined the Oklahoma Department of Career and Technology Education has materially complied with the audit objectives. There were no reportable findings noted in relation to the procurement portion of the audit; however, some purchase card findings were noted. The Oklahoma Department of Career and Technology Education has implemented corrective actions, which we believe will ensure the Agency will comply, in all material respects, with the aforementioned requirements.



JOHN S. RICHARD  
Director



BRAD HENRY  
Governor

STATE OF OKLAHOMA  
DEPARTMENT OF CENTRAL SERVICES

July 11, 2007

To Phil Berkenbile, Director

With this letter, we transmit the report of the Oklahoma Department of Career and Technology Education procurement audit for period November 1, 2005 through October 31, 2006.

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

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

Sincerely,

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

John S. Richard  
Director of the Department of Central Services

*"Committed to Quality"*