



# OKLAHOMA STATE BOARD OF PHARMACY PURCHASE CARD PROGRAM AUDIT FOR THE PERIOD JANUARY 15, 2008 TO AUGUST 27, 2008

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State of Oklahoma

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Department of Central Services

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Audit Unit

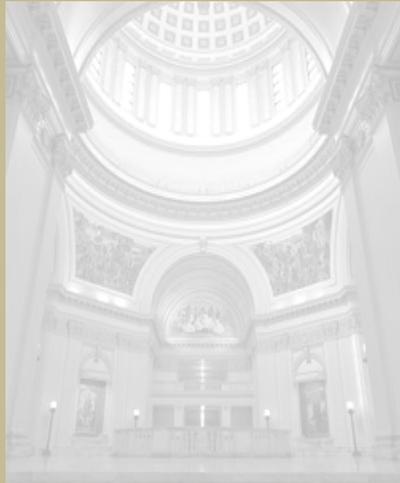
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Report Release Date: October 30, 2009

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## AUDIT PERFORMED BY

JoRay McCoy, Chief Auditor  
Lisa A. White, MBA, Audit Manager  
Joe Birley, CPA, Auditor

## AUDIT CONCLUSION

The purchase card programs of five state agencies were examined collectively due to the relatively small size of each agency's purchase card program and in an effort to increase audit efficiencies. The state agencies that were included in this audit were Oklahoma State Banking Department, Oklahoma Department of Consumer Credit, Oklahoma State Board of Pharmacy, Oklahoma Firefighters Pension and Retirement System, and Oklahoma Commission for Teacher Preparation. All purchase card types (standard, statewide contract, and travel) were reviewed.

Based on our audit, we have determined the state agencies collectively have *significantly* complied with our audit objectives. Our audit objectives are (1) determining if the Agency has implemented internal controls and if the Agency's controls are operating effectively on relation to the purchase card program and (2) determining if the Agency's purchase card program is in compliance with Oklahoma State Purchase Card Procedures and approved internal purchasing procedures as they relate to the acquisition process through the use of purchase cards. Specific to this Agency, there were deficiencies noted. The deficiencies noted were segregation of duties and a missing credit memo.

*Individual audit reports for each Agency's purchase card program have been issued for all state agencies previously mentioned with an overall conclusion as to their compliance with the audit objectives. All audit reports are posted on the website of the Department of Central Services at [www.dcs.ok.gov](http://www.dcs.ok.gov).*

## AUDIT FINDING SUMMARY

(Error rates are based on transactions reviewed.)

- **Finding 08-560-03 Segregation of Duties:** Purchase Card Administrator is the cardholder and the primary Certified Procurement Officer for the Agency.
- **Finding 08-560-02 Credit Transactions:** 50% of credit transactions were not supported by a credit receipt or other supporting documentation.



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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.



The Department of Central Service, Auditing Unit has completed an audit of the Oklahoma State Board of Pharmacy, referred to as the 'Agency' within the audit report. Our audit was to determine if the Agency's purchase card program for the period January 16, 2008 to August 27, 2008 complied with the audit objectives.

*(The most significant audit findings are detailed in our audit reports. The detailed information for the remaining findings was provided to the Agency's management.)*

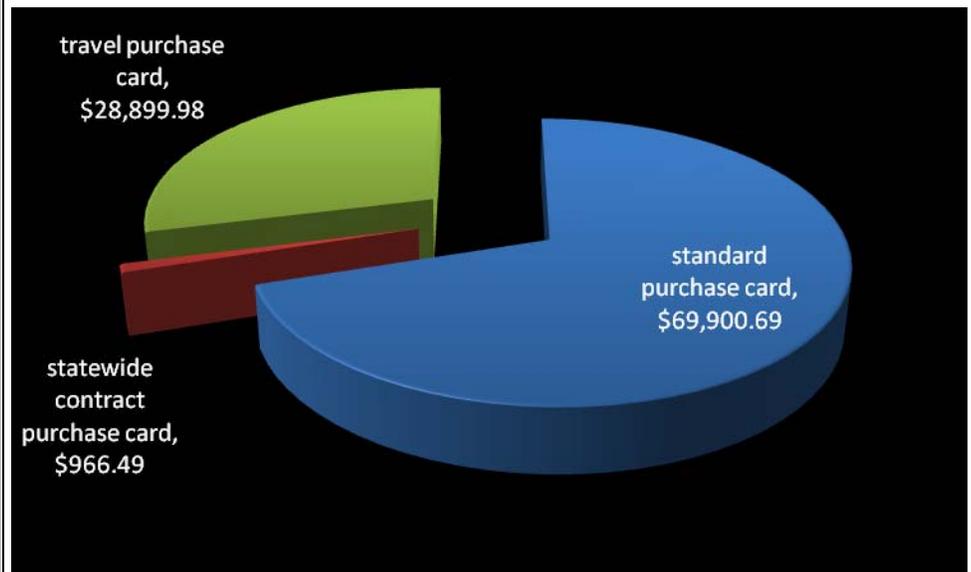
- **Finding 08-560-01 Pathway Net Access:** A cardholder for the Agency did not have access to Pathway Net System.

## AUDIT OVERVIEW

IDEA Data Analysis Software was used to determine a statistical sample for examination. Minimums were set for sample size and the number of errors in the sample. The setting of minimums was to ensure that a minimum number of purchase card transactions were selected for each agency and to ensure that a targeted exception percentage rate was in line with the exception rate experienced in previous audits. Judgmental sampling was also used to identify additional purchase card transactions to examine based on the merchant and/ or the type of goods or services purchased by the cardholder.

For the audit period January 15, 2008 to August 27, 2008, there were a total of 523 purchase card transactions in the total amount of \$99,767.16. For this audit period, we examined purchase card transactions of a total of eight (8) purchase card cardholders. Breakdown of the purchase card transaction population by card type and by agency is detailed below:

### By card type:



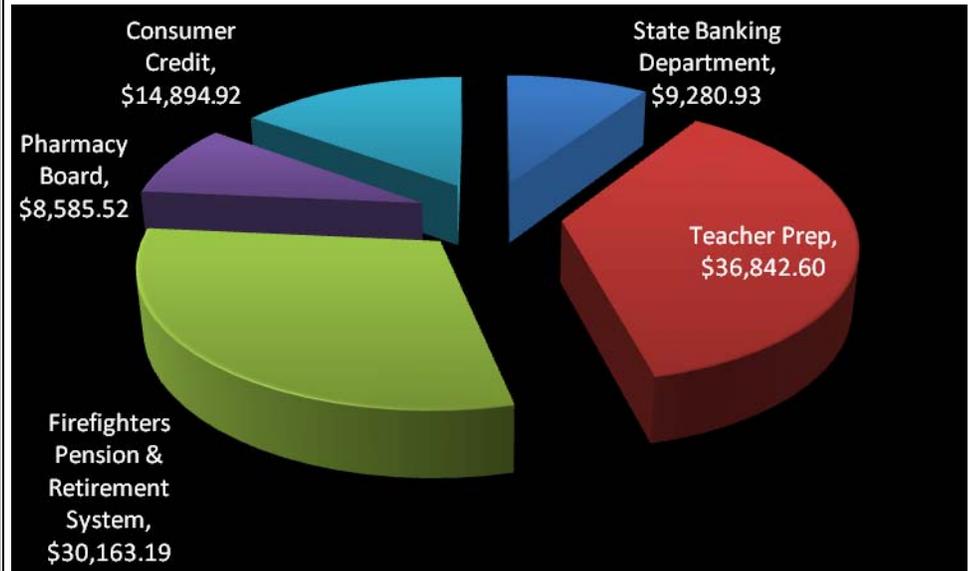


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### By agency:



From this population, a total of 71 purchase card transactions in the total amount of \$21,594.34 were examined. Purchase card transactions and total amount are as follows:

	Sample (in dollars)	Sample (in transactions)
<b>State Banking Department</b>	\$403.38	7
<b>Commission on Consumer Credit</b>	\$2,101.04	5
<b>State Board of Pharmacy</b>	\$150.00	8
<b>Firefighters Pension &amp; Retirement</b>	\$10,232.01	23
<b>Commission for Teacher Preparation</b>	<u>\$8,707.91</u>	<u>28</u>
<b>Totals</b>	<b><u>\$21,594.34</u></b>	<b><u>71</u></b>

Overall, the exceptions noted fell into one of three categories- internal controls, financial operations, and purchase card operations. The most significant exceptions were:

#### Internal Controls:

- Segregation of duties
- Signing of memo statement by signature stamp
- Timely approval of reconciled memo statements

#### Purchase Card Operations:

- Missing credit receipt documentation for credit transactions
- Missing receipt and receiving documentation



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## DETAILED FINDINGS

### Finding 08-560-03: Segregation of Duties

**Criteria:** State of Oklahoma Purchase Card Procedures § 6.11 **P/Card Management** states in part:

**6.11.1.2** Processing authorized requests for procurement cards, maintaining control over active cards (i.e. card controls and limits, card maintenance, etc.) with adjustments being made as needed, and closing accounts in accordance with operating procedures;

**6.11.1.3** Establishing and maintaining usage controls (i.e., creating/ designating MCCGs, setting transaction limits, etc) for each card as well as determining if cardholder still has justified need for the P/Card;

**Condition:** The Purchase Card Administrator is also a cardholder and the primary Certified Procurement Officer (CPO) for the Agency. The duties and the responsibilities of the Purchase Card Administrator for the Agency include:

- Orders new purchase cards for the Agency's purchase card program;
- Maintains all purchase card documentation and records;
- Reviews Pathway Net for unauthorized use;
- Periodically 'auditing' random selection of cardholder's monthly bank statements;
- Cancels purchase cards and closes accounts;
- Ensures account codes are correct before the purchase card edit deadline;
- Initiates the authority orders for purchase cards;
- In the capacity of CPO, approves all purchases \$250 and under;
- In the capacity of CPO and along with the Agency's Chief Financial Officer, approves all purchases in the \$251 to \$10,000 dollar threshold;
- And, prepares the payment voucher for purchase card transactions.

As a Purchase Card Administrator, the cardholder also has the ability to make changes to card controls and limits, making changes to the MCC codes blocked at the agency level, and setting transaction limits.

Aside from the Purchase Card Administrator, the Agency's headquarters has two other individual purchase card cardholders.

**Cause:** As the primary CPO for the Agency, P-Card Administrator is the main procurer of goods and services for the Agency.

**Effect or Potential Effect:** By not separating the duties and responsibilities of purchase card program management and cardholder, an opportunity is created whereby the cardholder can make unauthorized and inappropriate transactions.

**Recommendation:** We recommend the Agency review their purchase card program and identify an existing



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cardholder who has the ability to make the majority of the purchase card purchases. This will allow the Purchase Card Administrator to focus on administrating the purchase card program.

***Management's Response: Non-Concur***

**Date:** 08-31-2009

**Respondent:** Executive Director

**Response:** The small size of our agency does not allow us to re-assign the duty of making p-card purchases to another employee. This would be equivalent to creating a second purchasing position under the CPO since our current back-up CPO is the agency AP position who is also the back-up P-Card Administrator. We do not currently have the FTE to segregate these duties. All purchases currently require the completion of a Request for Acquisition Form which, depending on amount, requires CPO, AP and Executive Director approval. This process of checks and balances is in place to prevent unauthorized and inappropriate transactions.

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### **Finding 08-560-02: Credit Transactions**

**Criteria:** State of Oklahoma Purchase Card Procedures § 6.7.1 **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.

**Condition:** We reviewed 8 purchase card transactions for the audit period reviewed. The total dollar amount of these transactions is \$150.00. Of the 8 transactions, 2 transactions were credit transactions. We noted the following:

- 1 of 2 credit transactions (50%) was not supported by a credit receipt or any documentation pertaining to the credit. The credit was in the amount of \$43.98 for copy and reproduction services.

**Cause:** The Agency did not ask for a written confirmation of the credit.

**Effect or Potential Effect:** By not providing adequate documentation to support a credit transaction, we were unable to verify that the vendor acknowledged its obligation to the State until after the credit posted. There is potential for the vendor to deny its obligation without a written credit memo. There is also increased potential for the Agency to forget that the credit is due.

**Recommendation:** We recommend the Agency communicate to all cardholders the importance of collecting and maintaining credit memos. In addition, the Agency should develop and implement a process whereby all approved purchases are reviewed to ensure transactions are appropriately supported. For those transactions without support, a process is followed to obtain proper receipting documentation.



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*Management's Response: Concur*

**Date:** 08-31-2009

**Respondent:** Executive Director

**Response:** The missing credit documentation was clearly an oversight on the part of the cardholder, cardholder approver and P-card Administrator. The cardholder noted that the credit was due and matched the credit to the memo statement. The only thing missing was a credit receipt from the vendor.

*Corrective Action Plan*

**Contact Person:** P-Card Administrator

**Anticipated Completion Date:** 09-30-2009

**Corrective Action Planned:** A memo will be sent to all cardholders regarding the importance of collecting and maintaining credit memos. All approved transactions will continue to be reviewed by the cardholder, cardholder approver and P-card Administrator for the proper receipting documentation.

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## APPENDIX

### DIRECTOR'S TRANSMITTAL LETTER

JOHN S. RICHARD  
Director



BRAD HENRY  
Governor

STATE OF OKLAHOMA  
DEPARTMENT OF CENTRAL SERVICES

October 30, 2009

**TO MR. JOHN A. FOUST, D.Ph, EXECUTIVE DIRECTOR:**

With this letter, we transmit the purchase card program audit report for the Oklahoma State Board of Pharmacy.

We performed our audit in accordance with professional auditing standards to ensure that programs and contracts administered by the Oklahoma Department of Central Services are conducted in accordance with laws and regulations and used in an ethical, economical, equitable, effective and efficient manner while limiting exposure to fraud, waste, mismanagement, or abuse.

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 Oklahoma Department of Central Services website, [www.dcs.ok.gov](http://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



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## **METHODOLOGY**

- Interviews were conducted with the Agency's staff members.
- Internal controls over the purchase 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.

## **EXECUTIVE SUMMARY**

### **Organization**

Authorized by the Oklahoma Constitution under Article V, Section 39 and implemented by acts of the Oklahoma Legislature, the board is the regulatory agency for the practice of pharmacy and for the sale, storage, and handling of prescription drugs, medicines, chemicals, and poisons. One of the chief board function is to conduct examinations for the granting of licenses to pharmacists. The board is responsible for licensing and inspection of premises where pharmaceuticals are dispensed, sold, or stored.

### **Agency Information**

Per Oklahoma Agencies, Boards, and Commissions (ABC) Book, the Agency is made up of 2 classified and 7 unclassified employees as of September 1, 2008.

### Board Members

Mr. James O. Spoon, D.Ph., President  
Mr. William "Bill" Osborn, D.Ph., Vice-President  
Mr. Gordon Richards, D.Ph., Member  
Mr. John Lassiter, D.Ph., Member  
Mrs. Dorothy Gourley, D.Ph., Member  
Dr. Diana Hampton, Public Member

### Key Staff

**(During the Audit Period)**

Bryan Potter, D.Ph., Executive Director  
Mary Ann Terral, Business Manager  
Susan Dozal, Administrative Programs Officer