



OKLAHOMA OFFICE OF JUVENILE AFFAIRS
PROCUREMENT AUDIT REPORT
FOR THE PERIOD MARCH 1, 2008 THRU FEBRUARY 28, 2009

State of Oklahoma

Department of Central Services

Audit Unit

Report Released January 5, 2010

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AUDIT PERFORMED BY

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

AUDIT CONCLUSION

Based on our audit, we have determined the Oklahoma Office of Juvenile Affairs has *significantly* complied with the objectives audited. Our audit objectives were to:

- determine if the Agency has implemented internal controls and if the Agency's controls are operating effectively in relation to the procurement program;
- determine if the Agency's procurement program is in compliance with the Agency's approved internal purchasing procedures, the Central Purchasing Rules, and the Oklahoma Central Purchasing Act;
- and determine if the Agency's purchase card program is in compliance with the Oklahoma State Purchase Card Procedures.

AUDIT RECOMMENDATION

Based on the audit performed, we recommend the agency's purchasing limit be raised from \$10,000 to the maximum amount allowed by the Central Purchasing Act or \$50,000.00.



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The Department of Central Services, Auditing Unit has completed an audit of the Office of Juvenile Affairs referred to as the "Agency" during the audit report. Our audit was to determine if the agency's procurement program for the period March 1, 2008 through February 28, 2009 complied with the audit objectives.



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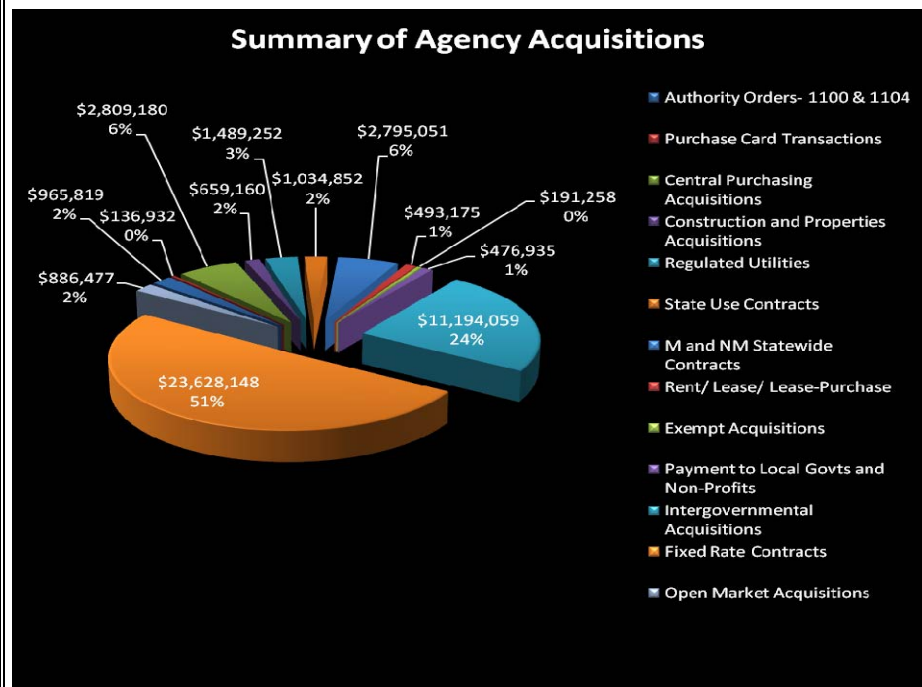
This audit was performed pursuant to 74 O.S. § 85.5.E. and the State of Oklahoma Purchase Card Procedures in accordance with generally accepted Government Auditing Standards.

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 transactions were selected for the 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 transactions to examine based on the type of goods or services purchased by the agency.

For the audit period March 1, 2008 to February 28, 2009, there were a total of 2,265 transactions in the total amount of \$46,760,299.21. Breakdown of the transaction population is detailed below:

Acquisitions by Dollar Amount



The agency's open market acquisitions and purchase card transactions totaling \$1,023,409 was the primary focus of our audit.



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DETAILED FINDINGS

Finding 09-400-01: Professional Services Contracts – Audit Clause

Criteria: Oklahoma Statute Title 74. State Government The Central Purchasing Act (74 O.S. § 85.41.E) states “ A professional services contract shall include an audit clause which provides that all items of the supplier that relate to the professional services are subject to examination by the state agency, the State Auditor and Inspector, and the State Purchasing Director.”

Condition: During our substantive tests of transactions, we noted that the agency did not have the audit clause for four of four (100%) professional service contracts files reviewed. We sampled 5 professional service contracts totaling \$9,076.00 to review from 39 contracts totaling \$58,107.24 during the audit period. Of the 39 contracts in the population 5 of them were above \$2,500. One of the 5 sampled contracts was miscoded as a professional service therefore only four units were applicable to the audit clause requirement. These four contracts are:

PO_NO	AMOUNT	PO_DATE
4009012530	\$2,915.00	3/4/2008
4009012883	\$750.00	4/11/2008
4009013226	\$2,500.00	5/23/2008
4009013874	\$2,250.00	8/27/2008

Cause: The agency believed the audit clause was only applicable to items costing \$2,500.00 or more.

Effect or Potential Effect: By not including an audit clause in the professional services contract, there is a potential for the various auditing entities to be unable to gain access to the necessary information to perform an audit.

Recommendation: We recommend the agency to insert into the contract all required audit clause information.

Management's Response

Date: 12/28/2009

Respondent: Contracts, Procurement, and Support Services Administrator

Response: Concur

OJA was made aware of the finding during the audit, and took immediate steps to ensure all OJA procurement personnel were informed. The professional service contracts under \$2500 were awarded by our institutions that have authority to process purchases under that threshold.



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Corrective Action Plan

Contact Person: Primary Certified Procurement Officer

Anticipated Completion Date: Immediately

Corrective Action Planned:

OJA conducted two training sessions with the institution business offices that addressed adding the audit clause to these professional service contracts. The Contracts and Procurement Unit will also include these contracts in our Contracts Control Tracking Log to ensure both the audit clause is added and a professional service evaluation is completed at the end of the contract.



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APPENDIX

DIRECTOR'S TRANSMITTAL LETTER

JOHN S. RICHARD
Director



BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

January 5, 2010

**TO MR. ROBERT E. CHRISTIAN, EXECUTIVE DIRECTOR, AND THE BOARD OF
THE OKLAHOMA OFFICE OF JUVENILE AFFAIRS**

With this letter, we transmit the report of the Oklahoma Office of Juvenile Affairs Procurement audit for the audit period March 1, 2008 through February 28, 2009.

We performed our audit in accordance with professional auditing standards to ensure that programs and contracts administered by the Department of Central Services are conducted in accordance with laws and regulations and used in an ethical, 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 Department of Central Services website, www.dcs.ok.gov.

Sincerely,

John S. Richard
Director of the Department of Central Services

"Committed to Quality"

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METHODOLOGY

- Interviews were conducted with the Agency's staff members.
- Internal controls over the procurement program were documented and evaluated. Procurement transactions were examined.
- Overall program compliance with the rules related to the audit objectives was evaluated.

EXECUTIVE SUMMARY

Organization

The Office of Juvenile Affairs is a state agency entrusted by the people of Oklahoma to provide professional prevention, education, and treatment services as well as secure facilities for juveniles in order to promote public safety and reduce juvenile delinquency.

Agency Information

Per Oklahoma Agencies, Boards, and Commissions (ABC) Book, the Agency is made up of 933 classified, 48 unclassified, and 43 temporary employees, as of September 1, 2009.

Board Members

Gary A. Taylor, Edward L. Smith, George W. Lindley, Dr. Linda Ware Toure, T. Hastings Siegfried, Deanna Hartley-Kelso and Donnie L. Nero

Key Staff

(During the Audit Period)

Robert Christian, Executive Director
Shantha Varahan, Chief Financial Officer
Kevin Clagg, Assistant Administrator of Finance Division, Primary CPO, Purchase Card Administrator
Laura Drexler, Contracts, Procurement, and Support Services Administrator