



BUREAU OF NARCOTICS AND DANGEROUS DRUGS CONTROL
PURCHASE CARD PROGRAM AUDIT
FOR THE PERIOD JANUARY 16, 2008 TO AUGUST 27, 2008

Oklahoma Bureau of Narcotics and Dangerous Drugs Control

State of Oklahoma
Department of Central Services
Audit Unit

Report Release Date
June 15, 2009

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AUDIT PERFORMED BY

Peggy A. Beaty, CFE- Auditor
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JoRay McCoy- Chief Auditor

This audit was performed pursuant to 74 O.S. § 85.5.E. and the State of Oklahoma Purchase Card Procedures in accordance with general-

AUDIT CONCLUSION

Based on our audit, we have determined the Bureau of Narcotics and Dangerous Drugs Control (hereinafter referred to as 'Agency') has significantly complied* with our audit objectives. Our audit objectives are :

- (1) determine if the Agency has implemented internal controls and if the Agency's controls are operating effectively in relation to the purchase card program, and
- (2) determine 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.

There were deficiencies noted during the audit. These deficiencies include improper reconciliation method of memo statements, not receiving and maintaining receiving documents, inventory not properly maintained. The Agency has provided corrective action plans, which we believe will ensure the Agency complies, in all material respects, with the aforementioned requirements.

*The agency made substantial changes in internal procedures and control structure prior to the conclusion of this audit.

AUDIT FINDING SUMMARY

(Error rates are based on transactions reviewed.)

(Only significant audit findings are detailed in the audit report. Below we have listed a summary of the remaining findings. The detail information for these findings has been provided to the agency's management.)

- [Finding 08-477-01](#) Missing Receipts- Management is not enforcing their internal controls regarding obtaining and retaining receipts to document purchases. **Questioned Costs: \$6,093.49**
- [Finding 08-477-01](#) Missing Receipts- Approving Officials are approving reconciliations of cardholders without verifying the accuracy or completeness of the reconciliation.
- [Finding 08-477-06](#) Internal Controls - A purchase cardholder circumvented the procurement approval controls.
- [Finding 08-477-08](#) Card Security/Account - A purchase cardholder was not properly securing his/her purchase card and password to Pathway Net
- [Finding 08-477-08](#) Card Security/Account - There are no written internal policies/procedures to retrieve state purchase cards from terminating employees.
- [Finding 08-477-07](#) Inventory Control - The Agency does not have any written procedures or controls to ensure all items acquired with a cost exceeding \$500.00 are included in the Agency's inventory schedule.
- [Finding 08-477-04](#) Purchase Card Management – The agency allowed an unauthorized staff member to obtain administrative rights to perform administrative duties within Pathway Net.



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- Finding 08-477-03 Purchase Card Monitoring & Internal Controls - Purchase Card Administrator did not receive the statutory mandated training, did not track cardholder training or replacement cards, and did not adequately monitor card transactions during the approval process.

NOTE: We did not issue the following findings to the Agency: 08-477-02 & 08-477-05. These findings were cleared prior to report publication.

AUDIT OVERVIEW

The purchase card program of the Agency has 3 individual cards and 3 individual cardholders. There are no statewide or travel cards within this agency.

For the audit period January 16, 2008 to August 27, 2008, there were 244 purchase card transactions. The total dollar value of the purchase card transactions is \$94,495.35. Break-down of the purchase card transaction population and sample is detailed below:

Card Type	Total Pop Units	Sample Units	Percentage	Total Pop Dollars	Sample Dollars	Percentage
Regular	244	20	8%	\$94,495.35	\$13,937.59	15%
Credit Trans	7	7	100%	(\$1,119.34)	(\$1,119.34)	100%
Judgmental	244	16	7%	\$94,495.35	\$11,562.31	12%

After the appropriate population size was determined, a classical random sample was obtained through IDEA Data Analysis Software.

DETAILED FINDINGS

Finding 08-477-01- Internal Controls

Questioned Costs - \$6,093.49

Criteria: State of Oklahoma Purchase Card Procedures

§ 6.4 Receipts for purchase, states:

Receipts shall be obtained 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.

§ 6.4.1 Receipts not furnished by Merchant states:

If a receipt is not furnished by the merchant (as may be the case with a phone or internet order), an order confirmation or packing slip shall be obtained and shall contained an itemized and detailed description of the purchase;

§ 6.4.2 Itemized Receipt Unobtainable states:

If the receipt is not a detailed and itemized receipt, the cardholder shall:

6.4.2.1 request the vendor attach a written itemization of the charges to the receipt showing at a minimum: (1) vendor name; (2) transaction or purchase date; (3) description of each item purchased, including unit price and quantity; and (4) transaction total. The written itemization shall be signed by the vendor or its authorized designee.

or, in the event all attempts to obtain an itemized receipt from the vendor have failed,

6.4.2.2. attach a written itemization of the charges to the receipt showing at a minimum: (1) vendor name; (2) transaction or purchase date; (3) description of each item purchased, including unit price and quantity; and (4) transaction total and (5) statement explaining why all other methods of obtaining an itemized receipt were not available. The written itemization shall be signed by the cardholder's Approving Official or designated back-up.

Condition: For the period reviewed, we statistically sampled 20 purchase card transactions totaling \$13,937.59 and 16 judgmental sample units totaling \$11,562.31 for a total of \$25,499.90. Sample reviewed represents 15% of the Agency's total purchase card transactions (244 purchase card transactions) and 27% of total dollars expended (\$94,495.35) for the audit period reviewed.

During our review and testing of the Agency's transactions and review of the Agency's reconciliation process, we noted the following:

Inadequate Receipt- Non-detailed

Card Number	Trans Date	Amount	Vendor	
*****613512	2/7/2008	\$ 86.50	YOUNG'S TAILOR	
*****613512	3/14/2008	\$ 222.00	YOUNG'S TAILOR	
*****613512	4/14/2008	\$ 10.00	YOUNG'S TAILOR	
*****756332	5/28/2008	\$ 54.22	R&N QUICK STOP #2	
*****613512	06/18/08	\$2,499.80	AMAZON	
	TOTAL	\$2,872.52		

In addition to the substantive and judgmental units tested above, a number of other transactions were reviewed during the course of the substantive testwork. The following exceptions were noted.

Missing or Inadequate Receipts

Date of Section Request	Cardholder	Vendor Name	Acquisition Amt	Reason
04/01/2008	*****61351 2	Chief	\$ 445.82	No receipt
7/15/2008	*****61351 2	US Calvalry	\$ 599.90	No receipt
1/10/2008	*****61351 2	FirstAidS-tore.com	\$ 350.00	No receipt
3/4/2008	*****61351 2	IRA Green	\$ 57.50	No receipt
02/02/2008	*****61351 2	Young's Alternation	\$ 518.75	Receipt not detailed
6/6/2008	*****20123 5	Microsoft Corp	\$ 259.00	No receipt
03/21/2008	*****61351 2	Concept 2	\$ 890.00	No receipt
		TOTAL	\$ 3,220.97	

Cause: Management is not enforcing their internal procedures or internal controls regarding obtaining and retaining receipts to document purchases and reconcile transaction logs.

Approving Officials are approving reconciliations of cardholders without verifying the accuracy or completeness of the reconciliation.

Effect or Potential Effect: By not providing documentation to support a purchase, the Agency is unable to provide documentation to determine what was purchased, at what cost and quantity, and if the purchase was made for legitimate and valid governmental purposes. In addition, insufficient receiving documentation creates an opportunity for unauthorized transactions to occur and go undetected.

Recommendation: We recommend the Agency develop and implement a process at the cardholder and Approving Official level that ensures all purchase card transactions are supported by a receipt and the receipt is detailed and itemized. The Approving Official should not approve the reconciliation until all supporting documentation, which provides sufficient detail, for the transaction has been submitted.

Management Response: Concur

Date: 5/5/2009

Respondent: Purchase Card Administrator

Response: The card for the cardholder responsible for the transactions listed was inactivated on 11/6/2008. Remaining cardholders were reminded of the requirement to have detailed receipts for each transaction.

Corrective Action Plan

Contact Person: Director of Finance

Anticipated Completion Date: 12/12/2008

Corrective Action Planned: Proper receipts have been obtained for all transactions listed with the exception of those for Young's Tailor. An approving official different from the Purchase Card Administrator has been assigned for the one remaining cardholder. This additional layer of review has aided in ensuring detailed and itemized receipts are obtained for each transaction.

Finding 08-477-06- Internal Controls

Criteria: Oklahoma State Bureau of Narcotics and Dangerous Drugs Control Approved Internal Purchasing Procedures (effective September 2001) Section G – Request for Acquisition Form states:

1. Form: The Procurement Officers shall develop and the Director shall approve a request for acquisition form.
2. Use: All divisions shall use the form for all internal division product acquisitions that exceed the division purchase authority dollar limit, and for all service acquisitions.

3. Data Elements: The form shall contain routing instructions. Each section request for acquisition form shall indicate routing options.

a. Requesting Division:

The form shall contain data elements the requesting division completes. The elements shall include:

- Identification of requesting employee or unit requesting the acquisition;
- Acquisition price estimate;
- Acquisition justification narrative;
- Specification of product or service;
- Whether acquisition is a sole source/sole brand;
- Specification of fund;
- Signature of Agent-In-Charge or immediate supervisor;
- Division Director and/or in case of absence, a designee shall be appointed.

b. Director of Oklahoma Bureau of Narcotics and Dangerous Drugs Control:

The form shall contain data elements the Director completes. The elements shall include:

- Statement of approval of acquisition with the Director's initials or signature or statement of denial of acquisition;
- Optional comments of the Director;
- Signature of the Director;
- Date of the signature of the Director;
- In the case of the Director's absence, the signature of his designee.

c. Accounting Division:

The form shall contain data elements the Accounting Division completes. The elements shall include:

- Possible certification of available funds and accounting fund/s;
- Possible certification that funds are not available;
- Signature of the Accounting Division official that provides certification;
- Date of the signature of this official.

d. Certified Procurement Officer:

The form shall contain data elements the Certified Procurement Officer completes. The elements shall include:

- Statement that data elements are complete;
- Statement that elements are incomplete;
- Comments of the Certified Procurement Officer;
- Signature and date of Certified Procurement Officer.

Condition: The Agency is utilizing the approval basics of previously approved internal controls implemented in September 2001. The agency is seeking approval for purchase card acquisitions utilizing the Section Request form. However, there appears to be regular circumventing of approval controls. The original request is approved obtaining the required approval signatures but the purchase card- holder is changing the order in terms of quantity or cost of items.

The Agency's required Section Request Form is being adequately approved, however, the cardholder is not purchasing the items or services requested until a questionable amount of time has lapsed.

During additional substantive testwork, the following exceptions were noted:

Section Req. Approval Differs from Items Purchased
(NCI):

Cardholder	Section Request Date	Vendor	Approval Amount	Dollar Amount Spent	Dollar Difference
*****613512	4/11/2008	Uline	\$ 466.20	\$ 577.54	(\$111.34)
*****613512	6/9/2008	Walmart-Belle Isle	\$ 80.00	\$ 153.33	(\$73.33)
*****613512	1/10/2008	FirstAidStore.com	\$ 350.00	Receipt not detailed	
*****613512	4/13/2008	The Blade Shop	\$ 1,520.00	\$ 1,712.00	(\$192.00)
*****613512	3/20/2008	Academy	\$ 419.96	\$ 614.90	(\$194.94)
*****613512	1/3/2008	Special-Ops Uniforms	\$ 1,560.00	\$ 1,959.50	(\$399.50)
*****613512	3/21/2008	Concept 2	\$ 870.00	Receipt not detailed	
			\$ 4,046.16	\$ 5,017.27	(\$971.11)

Note: Approval amount was not included in the grand totals for items purchased without a detailed receipt.

Acquisitions not approved by Agency Director (ANA):

Cardholder	Section Request Date	Vendor	Dollar Amt Spent
*****613512	5/23/2008	Reliable Wrecker Ser	\$ 153.83
*****613512	1/3/2008	WalMart / Corp Exp	\$ 40.44
*****201235	5/5/2008	Tulsa World	\$ 187.44
*****613512	3/31/2008	Tractor Supply	\$ 455.88
*****201235	08/27/2008	Wireless G	\$ 400.16
*****201235	08/27/208	Office Depot	\$ 159.96
*****201235	09/11/2008	Lowe's	\$ 7.52
			\$ 1,405.23

Cause: The Agency Purchase Card Administrator is not performing adequate oversight and monitoring activities to ensure the approval process of procurement dollars is operating effectively.

Effect or Potential Effect: The Agency could experience inappropriate or fraudulent procurement activities.

Recommendation: We recommend the Agency review current procurement approval processes and procedures; determine what additional procedures should be implemented to prevent any circumvention of those controls, and perform re-training to ensure all purchase cardholders are aware of the Agency's policies and procedures.

Management Response: Concur

Date: 5/5/2009

Respondent: Purchase Card Administrator

Response: The card for the cardholder referred to in this finding was inactivated on 11/6/2008. Remaining cardholders were reminded of the need to obtain proper approvals prior to purchase and to only purchase what has been approved.

Corrective Action Plan

Contact Person: Director of Finance

Anticipated Completion Date: 6/30/2009

Corrective Action Planned: The agency has developed and implemented an on-line section request program that is intended to prevent circumvention of controls. Additionally, the agency's procurement policies and procedures, including purchase card procedures, have been revised and are currently under agency review. The revised procedures will soon be submitted to the Department of Central Services for approval.

Finding 08-477-08- Card Security/Account

Criteria: State of Oklahoma Purchase Card Procedures § 6.9 Card Security states in part:

Use of the Standard P/Card, Travel P/Card and Statewide Contract P/Card is limited to the person whose name is embossed on the card... The cardholder shall assure that the card is kept in a secure manner and that the p/card account number on the card is not posted or left in a conspicuous place... The Entity is responsible for maintaining adequate security of purchase card account numbers and related information...

State of Oklahoma Purchase Card Procedures § 6.9 Card Security states in part, "... In the event a cardholder becomes no longer employed by the issuing state entity, the P/Card shall be returned to the State Entity P/Card Administrator... State Entities shall establish a written internal procedure to ensure a P/Card held by a terminated or separated employee or an employee who no longer has a job function requiring a P/Card is promptly provided to the State Entity P/Card Administrator.."

Condition: During our review of internal controls, we noted the following:

- One regular cardholder interviewed was not properly securing his or her purchase card from unauthorized usage.
- The same regular cardholder posted his or her password to Pathway Net on a sticky note beside his or her computer, which was easily accessed by all staff of the Agency.
- There are no written internal policies/procedures to retrieve state purchase cards from terminating employees.

Cause: Internal controls are not enforced to ensure that cards and card account information are appropriately protected from unauthorized use.

The Agency P/Card Administrator was not aware written procedures needed to be developed for retrieving purchase cards from terminating employees.

Effect or Potential Effect: Without adequate controls over purchase cards and card account information, there is a potential for unauthorized use by persons other than the cardholder to make inappropriate acquisitions.

Without written internal procedures to retrieve cards from terminating employees, the agency incurs risk of unauthorized charges on the state purchase cards.

Recommendation: We recommend the Agency review present internal controls and determine what additional controls should be implemented to ensure all purchase cards and card account information are maintained in a consistent secure state.

In addition, we recommend the purchase card administrator develop and implement written procedures to ensure all purchase cards are surrendered by employees at the time of their employment termination.

Management Response: Concur

Date: 5/5/2009

Respondent: Purchase Card Administrator

Response: The card for the cardholder referred to in this finding was inactivated on 11/6/2008. Remaining cardholders were reminded of the need to properly secure the purchase card and account information.

Corrective Action Plan

Contact Person: Director of Finance

Anticipated Completion Date: 6/30/2009

Corrective Action Planned: The agency's procurement policies and procedures, including purchase card procedures, have been revised to include processes for purchase cardholders that leave the agency. The procedures are currently under agency review and will soon be submitted to the Department of Central Services for approval.

Finding 08-477-07- Inventory Control

Criteria: State of Oklahoma P-Card Procedures § 6.3 Inventory states:

State entities shall establish procedures to ensure items acquired using the P/Card and exceeding \$500.00 in cost, or a different amount if approved by the Director of the Department of Central Services, are added to the entity's inventory schedule pursuant to OAC 580:70-1-3.

Condition: The Agency does not have any written procedures or internal controls to ensure all items acquired with a cost exceeding \$500.00 are included in the Agency's inventory schedule.

Cause: The Agency lost key personnel who had been in charge of the inventory system. In addition, the Agency recently moved office locations and has not implemented controls or assigned personnel resources to actively and effectively identify, record, and update the extensive tangible asset inventory list.

Effect: The Agency cannot adequately safeguard the Agency's assets if the inventory records do not accurately document tangible inventory items. The Agency cannot materially determine the value of fixed inventory items if there are no controls to ensure the inventory records are accurate. There is a possibility that fraud and abuse of Agency assets could occur.

Recommendation: We recommend the Agency:

- reconcile the Agency's tangible asset inventory,
- determine the actual value of the assets,
- document the physical location of all tangible assets in an effort to accurately update the inventory master list and submit to the state inventory officer.

We also recommend that the Agency implement controls to ensure that all newly acquired tangible assets shall be reported and documented in a consistent manner.

Management Response: Concur

Date: 5/5/2009

Respondent: Inventory Officer

Response: The agency Headquarters recently moved and the asset inventory was updated at that time. The District Offices also inventoried their offices and provided Headquarters with the listing. The IT department inventoried all of the computer related equipment and maintains that inventory. The Property section is still in the process of a complete inventory and the results will be added to a program developed by the IT department to track incoming and assigned property.

Corrective Action Plan

Contact Person: Inventory Officer

Anticipated Completion Date: August 1, 2009

Corrective Action Planned: We are currently reviewing and evaluating all of our inventory policies and procedures and the personnel that are and should be involved in the inventory process. New policy will be written which details a written process for the receiving of products in the agency, determination of the need to place products on inventory listing, and the distribution of products throughout the agency. The new policy will identify those positions responsible for each step in the process.

APPENDIX

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

The regulatory functions of the Office of the Commissioner of Narcotics and Dangerous Drugs Control (under the Oklahoma Attorney General) merged with the Oklahoma State Bureau of Investigation's Drugs Enforcement/Narcotics Unit in 1975 to create the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control. The Oklahoma Bureau of Narcotics & Dangerous Drugs Control (OBN) is responsible for drug enforcement in Oklahoma. The strength of OBN lies in the unique skills and abilities of dedicated agents and support staff. They conduct a wide variety of specialized programs to combat the local availability of various domestic and foreign produced drugs. Enforcement, intelligence, diversion, regulatory, wire intercept, legal, analytical, and educational activities are directed from OBN headquarters in Oklahoma City; five district offices located in Tulsa, McAlester, Ardmore, Lawton, and

Woodward; and nine regional offices in Ada, Altus, Clinton, Duncan, Enid, Guymon, Henrietta, Idabel, and Muskogee. OBN maintains an aggressive and proactive approach toward reducing the local availability of drugs and addressing the ever-changing climate of narcotics distribution and abuse. This combined with future strategies defines the character of OBN and drives this agency toward its ultimate quest of creating a “drug-free” Oklahoma.

History

1953 - The Oklahoma State Legislature created the agency specifically to enforce drug laws. Designated the Division of Narcotics Enforcement, the agency operated under the State Attorney General for the next decade.

1964 - The Division of Narcotics Enforcement became a casualty of political conflict between the Attorney General and the Speaker of the House of Representatives. The agency was abolished, but received new life under the name of the Oklahoma State Bureau of Narcotics and was made directly responsible to the Governor's Office.

1968 - The Oklahoma Bureau of Narcotics was merged with the Oklahoma Bureau of Investigation. By the end of the decade, despite a crucial and building need for drug enforcement, there was only one full-time narcotics agent in the state.

1971 - In a bold, forward move the State Legislature created and passed the Uniform Control Dangerous Substances Act of 1971. The Act established the Office of the Commissioner of Narcotics and Dangerous Drugs Control. It was placed under the direction of the State Attorney General.

1975 - The Oklahoma Bureau of Narcotics was reconstituted, more adequately staffed and equipped, and given the necessary autonomy to operate as a single most effective weapon in the struggle against those who would violate the law. With original jurisdiction statewide, OBN's performance under these new and unfettered conditions has been a tremendous success.

Agency Information

Per Oklahoma Agencies, Boards, and Commissions (ABC) Book, the Agency is made up of 86 classified, 14 unclassified, and 1 temporary employee as of September 1, 2008.

Mission Statement

COMMITTED TO HONOR, INTEGRITY, AND EXCELLENCE,
THE OKLAHOMA BUREAU OF NARCOTICS WILL SERVE
THE CITIZENS OF OKLAHOMA IN THE QUEST FOR A
DRUG FREE STATE.

Key Staff

(During the Audit Period)

- R. Darrell Weaver, Director
- Pam Birdsong, Director of Fiscal Services and Program Administrator
- Richie Cook, CPO

JOHN S. RICHARD
Director



BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

June 15, 2009

**TO R. DARREL WEAVER, DIRECTOR OF OKLAHOMA BUREAU OF NARCOTICS
AND DANGEROUS DRUGS CONTROL:**

With this letter, we transmit the purchase card program audit report for the Oklahoma Bureau of Narcotics and Dangerous Drugs Control.

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.

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"

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