



OKLAHOMA TEACHERS RETIREMENT SYSTEM
PURCHASE CARD AUDIT
FOR THE PERIOD FEBRUARY 7, 2011 THRU MAY 28, 2013

State of Oklahoma Office of Management and
Enterprise Services

**** Audit and Internal Investigations Division ****
Report Released October 29th, 2013

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AUDIT PERFORMED BY

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AUDIT CONCLUSION

Based on our audit, we have determined the Oklahoma Teachers Retirement System has significantly complied with the following audit objective:

- Determine if the Agency has implemented internal controls and if the Agency's controls are operating in relation to the purchase card program, and;

We determined based on our audit, that the Oklahoma Teachers Retirement System did not significantly comply with the following audit objective:

- 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.

AUDIT RECOMMENDATION

Based on the audit performed, the OMES Audit Division recommends the following to the State Purchasing Director:

- Retraining for all participants
- Reduction in purchase card transaction limit for all cardholders to \$2,500



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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 Office of Management and Enterprise Services, Audit and Internal Investigations Division has completed an audit of the Oklahoma Teachers Retirement System, referred to as the "Agency" within the audit report. Our audit was to determine if the agency's purchase card program for the period February 7, 2011 through May 28, 2013 complied with the audit objectives.



AUDIT FINDING SUMMARY

FINDING 13-715-06 Six transactions were prohibited or questionable.

FINDING 13-715-03 Duplicate vendors and possible split purchasing.

FINDING 13-715-01 Lack of purchase card management oversight.

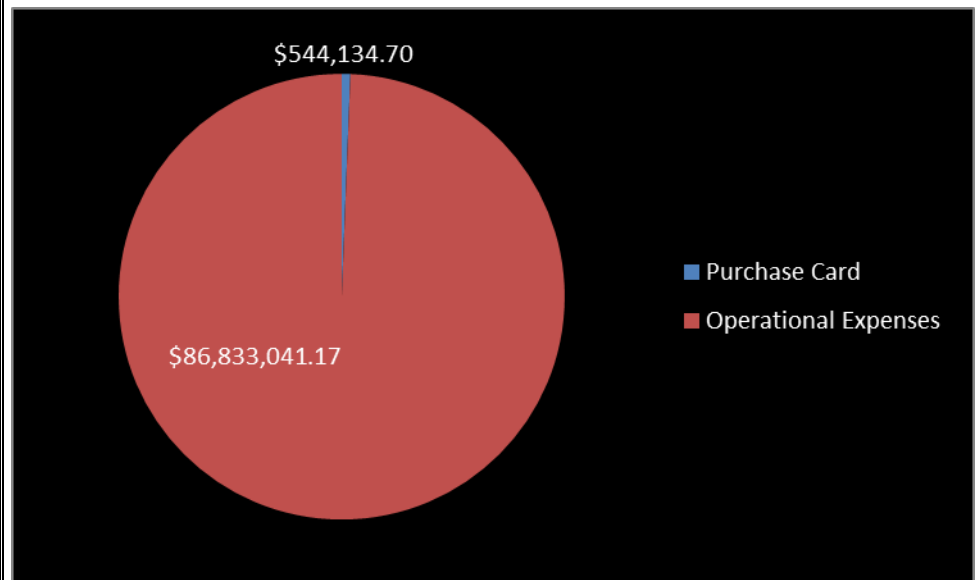
FINDING 13-715-05 Approving Official not one level higher than cardholder.

FINDING 13-715-04 Cardholders did not perform all assigned duties.

FINDING 13-715-02 Receiving documents were not properly handled.

AUDIT OVERVIEW

As of May 28, 2013, the Agency has four cardholders and one approving official. In total, the Agency had \$544,134.70 in purchase card spend during the audit period. The Agency's Purchase Card Program has grown in recent years. The following chart depicts the expenditures by purchase card compared to voucher or wire transfer for operational cost made by the Agency during the audit period.



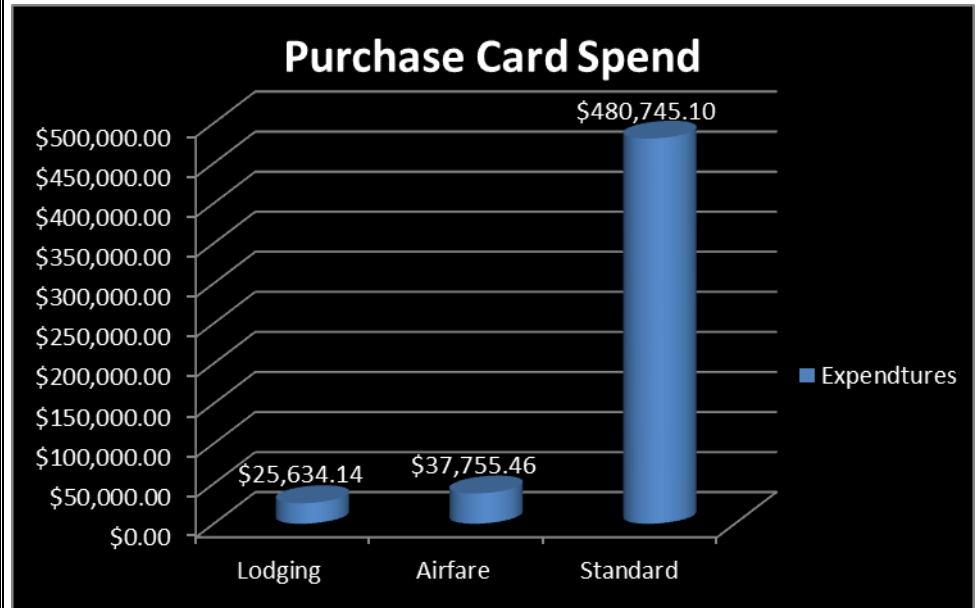


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The Agency uses the purchase card for standard low dollar purchases, lodging and airfare. The Agency's purchase spend is categorized in the following table.



Sampling Methodology

The population for substantive test work was 1,262 transactions totaling \$544,134.70. We used the classical variable sampling method with a minimum confidence level of 98.50% for transactions under \$5,000. We also used the classical variable sampling method with a confidence level of 99.50% for lodging transactions. We then randomly selected 10 airfare transactions totaling \$4,067.65 and 3 transactions over \$5,000 totaling \$21,716.67. We tested 100% of inventory transactions which resulted in 3 transactions totaling \$40,352.40. In addition, twenty transactions were selected at the auditor's discretion and tested against selected attributes.

	# of Transactions	(\$) Amount
Total Expenditures	1,262	\$544,134.70
Filtered Population	1,167	\$551,872.29
Sub – Populations:		
Lodging	42	\$25,634.14
Lodging Sample	8	\$22,532.61
Airfare	72	\$36,058.83
Airfare Sample	10	\$4,067.65



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Under \$5,000	1,046	\$422,553.25
Under \$5,000 Sample	20	\$20,898.69
Over \$5,000	7	\$67,626.07
Over \$5,000 Sample	3	\$21,716.67
Inventory	4	\$43,172.40
Auditor's Discretion	15	\$12,378.82

DETAILED FINDINGS

Finding 13-715-06: Prohibited/Questionable Purchases

Criteria: State of Oklahoma Purchase Card Procedures § **6.2.4 Other prohibited purchases** states in part:

The P-Card shall NOT be used for the following types of purchases unless a state entity submits a request for such use to the State P-Card Administrator for approval by the State Purchasing Director in accordance with Section 1.5. (Conditions of Participation):

6.2.4.1 Entertainment;

6.2.4.2 Per Diem food and beverages as authorized by the State Travel Reimbursement Act, OMES State Travel Procedures, and any other statute pertaining thereto;

6.2.4.3 Cash, cash advances, and automatic teller machine (ATM) transactions.

6.2.4.4 Purchase of any goods or services for personal use

6.2.4.5 Purchase of any goods or services not for official State use.

...

6.2.4.10 Gift certificates. This does not apply to gift certificate purchases made for employee performance recognition pursuant to 74 O.S. § 4121. Gift certificates are a taxable, reportable item for the recipient.

State of Oklahoma Purchase Card Procedures § **6.2.9 OSF Agency Acquisition Request, Form 115** states:

Information technology and telecommunication acquisitions are subject to 62 O.S. §34.12 and §34.21 and may require prior approval from OSF and execution of OSF Form 115. (OSF Form 115 is located on the OSF website at http://www.ok.gov/OSF/Information_Services/Information_Services_Forms.html):

State of Oklahoma Purchase Card Procedures § **6.1.6 P-Card Purchases** states in part:

There is no limit on the amount of a P-Card transaction for purchase from a Statewide Contract and payment of regulated utilities. For any other transaction with a state purchase card, the transaction shall not exceed Five Thousand Dollars (\$5,000). ...



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State of Oklahoma Purchase Card Procedures § 6.8.1.2 **Travel Acquisitions** states in part:

Except for airfare and lodging, all other travel-related expenses are prohibited on the P/Card (i.e., meals – including room service, hotel telephone or internet service, parking, cabs, etc.). State employees and authorized non-state personnel traveling on official business are responsible for paying out-of-pocket for all other travel-related expenses. A travel claim may be submitted by the Traveler for reimbursement of travel-related purchases prohibited on the P/Card which are directly associated with State official business in accordance with the State Travel Reimbursement Act. ...

Condition: During our audit we reviewed 15 transactions as a part of our discretionary sample and 8 transactions as part of our lodging sample. During our testing, we discovered the following:

- One prohibited purchase included catering for 35 meals in the amount of \$348.25. This portion of the purchase was for meals to an employee’s meeting. These meals were provided to the employees at the central office location and the meeting was not open to the public. This transaction was not associated with overnight travel.

TRANSACTION NUMBER	AMOUNT	LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00203953	\$604.50	7249	7/17/12	Running Wild Catering

- One purchase for gift cards is prohibited. The gift cards purchased from a food establishment were for retirement seminar door prizes.

TRANSACTION NUMBER	AMOUNT	LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00137094	\$75.00	2399	1/26/12	Quizno’s Sub #12786

- Two information technology related purchases were not pre-approved to be purchased by the State Information Services Division (ISD). There was a total of twenty-five (25) 7” Kindle Fire tablets’ purchased. The tablets were door prizes for clients attending retirement seminars presented by the Agency.

TRANSACTION NUMBER	AMOUNT	LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00134350	\$1,624.91	1258	1/19/12	Amazon.com
TXN00246355	\$2,039.83	5696	10/30/12	Best Buy 00017871



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- One purchase for a hotel conference fee in the amount of \$7,209.07 is prohibited on the purchase card. The open market purchase exceeded the single transaction limit of \$5,000.

TRANSACTION NUMBER	AMOUNT	LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00293885	\$7,209.07	5696	3/4/13	Renaissance Hotels

- One lodging purchase included the payments in the amount of \$54.00 for valet overnight parking. Valet overnight charges were charged on purchase card for three consecutive nights. Transaction would be considered allowable under updated purchase card procedures as of 1/22/13.

TRANSACTION NUMBER	AMOUNT	LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00242012	\$502.50	5696	10/17/12	Omni Fort Worth

Cause: The Agency understanding that if non-appropriated funds were used to purchase some of the items stated above that the purchase would be allowable. Policy may have been overlooked or misunderstood by the Agency.

Effect or Potential Effect: Agency loss or reduction of the purchase card program.

Recommendation: We recommend the card holder to discontinue using the purchase card for prohibited or questionable purchases. We also recommend additional training for Agency cardholders, approving officials and the purchase card administrator.

Management's Response – Concur in part

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: All agency cardholders will discontinue use of the p-card for prohibited and/or questionable purchases. All agency cardholders, approvers and P-card Administrators will attend refresher p-card training as soon as possible. We do not concur with the finding on TXN00203953. This meeting was an employee recognition meeting and as such is not a prohibitive or questionable transaction. The agency recognized the employee of the quarter who was presented with the right to park in a preferred parking space. No other awards were given but the luncheon was held to recognize the hard work and dedication of all agency employees.

Corrective Action Plan

Contact Person: Assistant Executive Director

Anticipated Completion Date: 09/20/2013

Corrective Action Planned: All agency cardholders will discontinue use of the p-card for prohibited and/or questionable purchases. All agency cardholders, approvers and P-card Administrators will attend refresher p-card training as soon as possible.



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Auditors Response: A request was made for the receipt of the employees' recognition award purchased, names of individuals recognized and the reason they were recognized. No supporting documentation was provided.

Finding 13-715-03: Contentious Purchases

Criteria: State of Oklahoma Purchase Card Procedures § 2 **DEFINITIONS** states in part:

“Single Purchase Limit” means the maximum spending (dollar) limit a P-Card holder is authorized to charge in a single transaction. Purchases shall not be split with the intent of and for the purpose of evading (1) the P-Card statutory single purchase limit of \$5,000.00 (does not include Statewide Contract or payment of regulated utility transactions); and/or (2) limit(s) established for an individual P-Card; and/or (3) a competitive bidding requirement.

“Split Purchase” means dividing a known quantity or failing to consolidate a known quantity of an acquisition for the purpose of evading a competitive bidding requirement. Conviction for making an acquisition by split purchase is a felony pursuant to the Oklahoma Central Purchasing Act.

State of Oklahoma Central Purchasing Act § **85.44B Payment for Goods or Services Pursuant to Contract** states:

Payment for products or services pursuant to a contract executed by a state agency, whether or not such state agency is subject to the Oklahoma Central Purchasing Act, Section 85.1 et seq. of this title, shall be made only after products have been provided or services rendered. This section shall not prohibit the payment for subscriptions to magazines, periodicals, or books or for payment to vendors providing subscription services. This section shall not prohibit payment for services provided by the United States Army Corp of Engineers prior to the services being rendered if the action is taken pursuant to a cooperative agreement between a state agency and the Corp to provide emergency response or to protect the public health, safety, or welfare.

Condition: While performing test work in our discretionary sample, we noted two purchases made on the same day, to the same vendor using the same purchase card. The two individual transactions were for \$2,450 and \$2,800, together totaling \$5,250. The two transactions have the appearance of being split to avoid the \$5,000 threshold.

Upon further review, the written invoices supporting the purchases were provided by two different companies. The two companies are Ecapitol, LLC and FSM Group. Based upon additional review we noted:

Both invoices have the exact same FEI number, both invoices were prepared on the same day and back to back, the invoice numbers are exactly one digit apart from each other. The two invoices were almost identical in format. The post office box numbers are exactly one digit apart from each other. The purchase card payments for these invoices were both processed through the same Ecapitol merchant credit card machine. In addition, we discovered documents with the same physical address used by both vendors.

We were unable to locate “FSM Group” by internet search. According to the Oklahoma Tax Commission (OTC) records, FSM Group LLC does not appear on the list of Oklahoma income tax filers. The only difference found between the two vendors was the corporation filing with the Secretary of State. Based upon our review, the services reported on the invoice of FSM Group have the appearance to be services rendered by Ecapitol.



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Ecapitol

Invoice FEI Number – 26-046805 7
Invoice Number- 201012032
Invoice Date – 11/30/2010
Contract Term – Feb 11 – Jan 12
Invoice Address – PO Box 3366
Oklahoma City, OK 73101

FSM Group

Invoice FEI Number – 26-046805 7
Invoice Number - 201012033
Invoice Date – 11/30/2010
Contract Term – Feb 11 – Jan 12
Invoice Address – PO Box 3365
Oklahoma City, OK 73101

We interviewed Agency personnel in regards to these transactions. We learned the Executive Director initiated the contract, procured the contract and required a purchase card holder to pay for the invoices related to the contract.

While reviewing the invoices, we also noted the payment date for the two transactions is two months after the contract term began. The payment was not made after the services were rendered.

Cause: Management override and/or vendor distortion.

Effect or Potential Effect: No other vendors are being considered for the acquisition of legislative tracking services.

Recommendation: We recommend the current contract be evaluated by Central Purchasing and future contracts for this service to the Agency be competitively bid through Central Purchasing. We also recommend payment for contracts be paid only after services are provided.

The OMES Audit Division will perform further review on acquisitions made with Ecapitol and FSM Group statewide. Based on our findings we will make further recommendations to the State Purchasing Director.

Management's Response – Non-Concur

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: We disagree with this finding. The two companies in question each have two different vendor IDs in the Peoplesoft system. In prior years OTRS used PeopleSoft vouchers to pay these invoices. The services provided by the two companies are separated and distinct from each other. The agency is responsible for not paying invoices incorrectly or in duplicate to the same vendor.

The payment of a subscription such as these is authorized six weeks in advance as per OSF Procedures Manual Chapter 319 L Advance (Pre) Payments: In addition, pursuant to Title 74 O.S., Sec. 85.44B, payment of goods and services by a state agency, whether or not such state agency is subject to the Oklahoma Central Purchasing Act, shall be made only after products have been provided or services rendered. The exception is payments for subscriptions to magazines, periodicals, or books or for vendors providing subscription services. OSF will allow a six (6) week lead time in submitting the payment prior to the subscription commencement or expiration period, unless service is at risk of being interrupted, then payment will be accepted at a reasonable period of time in advance of the six (6) weeks

While we disagree with this finding the agency in the future will competitively bid this service.

Corrective Action Plan

Contact Person: Assistant Executive Director

Anticipated Completion Date: None

Corrective Action Planned: The agency will competitively bid this service in the future.



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Finding 13-715-01: Administration

Criteria: State of Oklahoma Purchase Card Procedures § **6.11.1 P-Card Management** states in part:

P-Card Management. The State Entity P-Card Administrator is responsible for performance or appropriate delegation of the following duties:

6.11.1.1 Establishing written P-Card Program policies and procedures;

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 P-Card holder still has a justified need for the P-Card;

6.11.1.4 Processing and retaining P-Card Program reports and State P-Card Employee Agreements, such as P-Card holder statements, invoices, level 3 reports, transaction summary reports, etc.;

State of Oklahoma Purchase Card Procedures (Effective January 22, 2013) § **3.8 Training** states in part:

Training is required every two (2) years from the date of the last training session or after a contract vendor change, whichever is first; however, State Entities are encouraged to send employees to training more often. It is the responsibility of the State Entity P-Card Administrator to ensure employees are re-trained in accordance with OMES requirements.

Condition: During the planning phase of our audit, we noted the following:

- We discovered a purchase card in “open suspended” status for an employee who was no longer with the Agency. Purchase card (7576) was not properly closed. The employee left August 25, 2011 and the card was not closed until notified by OMES Audit. Card was closed on April 4, 2013.
- A spend analysis was performed and compared with cardholder credit limits. Three cardholders appear to have excessive credit limits.

	Credit Limit	Mths	Total	Avg	Highest Cycle
#1	\$10,000.00	11	\$3,135.78	\$285.07	\$1,015.44
#2	\$10,000.00	2	\$3,193.34	\$1,596.67	\$1,109.50
#3	\$15,000.00	20	\$34,748.04	\$1,737.40	\$6,497.74

- The Agency was unable to locate purchase card employee agreement forms for three of the five participating employees. Two cardholders and the Purchase Card Administrator.
- Two employees have not completed the purchase card refresher training. As of May 28, 2013 a p/card holder and the Purchase Card Administrator have not completed the purchase card refresher course.

Cause: There is a lack of p/card management oversight. Purchase Card Administration was unaware of how to log on to the Issuing Bank’s system and properly close down a purchase card.



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The Back Up Purchase Card Administrator in charge of all p/card documentation did not receive the employment agreement forms from the three individuals stated above. They were given the forms to sign and return, but the forms were not returned.

Effect or Potential Effect: Card stayed in suspended status and is not permanently closed.

When cardholder agreement forms are not obtained, the Agency increases their liability if a cardholder misuses the State purchase card.

Setting the transaction and card limits in excess of the individual cardholders' needs, places unnecessary risk on the cardholder and the Agency.

There is an opportunity for cardholders and Agency administration to miss updates and important card information related to the usage of the purchase card.

Recommendation: We recommend the Agency Purchase Card Administrator obtain signed cardholder agreement forms and maintain them on file.

We recommend the Purchase Card Administrator seek guidance from the State Purchase Card Administrator on how to properly close purchase cards. We also recommend that the Purchase Card Administrator evaluate the usage of each purchase card, adjust card and transaction limits as needed and temporarily increase the limits if an unusually large purchase is required.

In addition, we recommend that the Purchase Card Administrator provide or send all participants to refresher training courses as needed to comply with purchase card training requirements.

Management's Response – Concur

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: Management concurs with this finding.

Corrective Action Plan: The agency will have all cardholders sign cardholder agreements. All cardholders will attend the monthly p-card training as soon as possible.

Contact Person: Assistant Executive Director

Anticipated Completion Date: December 31, 2013

Corrective Action Planned: Agency will obtain signed cardholder agreements by September 30, 2013 and require refresher training by December 31, 2013. Cardholders that refuse to comply will have their purchase cards suspended.



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Finding 13-715-05: Approving Official

Criteria: State of Oklahoma Purchase Card Procedures §6.8.2 State Entity Approving Official(s) responsibilities, states in part:

6.8.2.1 State Entity Approving Official(s) shall review the P-Card holder's reconciled statement and transaction 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.

...

6.8.2.3 To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement. (Signature stamps are not acceptable.)

State of Oklahoma Purchase Card Procedures § 3.6 State Entity Approving Officials states in part, "State Entity Approving Officials must be at least one level above the P-Card holder's position and be current with P-Card training."

Condition: We tested 27 cardholder statements as a part of our random sample for support of the Approving Official's signature and date. We noted the following during our test work:

- 2 of 27 (7% error rate) cardholder statements were missing.
 - o Out of the remaining 25 statements, 4 cardholder statements (16% error rate) did not contain Approving Official's signature and date.
 - o Out of the remaining 21 statements, one cardholder statement (5% error rate) contained Approving Official's signature, however it was not dated.

A total of 8 of 27 (30% error rate) cardholder statements contained errors.

We tested 14 cardholder statements as a part of our judgmental sample for support of Approving Official Signature and date. We noted the following in our test work.

- 4 of 14 cardholder statements (29% error rate) were missing;
 - o Out of the remaining 10 statements, 4 cardholder statements (40% error rate) did not contain Approving Official's signature and date

A total of 8 of 14 (57% error rate) cardholder statements contained errors.

The Purchase Card Administrator, who serves as the approving official of the Director of Client Services is not one level above the cardholder. Also, the only Approving Official for the Agency is the Purchase Card Administrator. The Purchase Card Administrator, when in the capacity as cardholder, does not have an approving official one level above.

Cause: The Approving Official does not sign and date cardholder statements on a consistent basis.

The Agency and/or the Purchase Card Administrator only assigned one Approving Official for all cardholders.



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Effect or Potential Effect: An incomplete cardholder statement reconciliation process creates an opportunity for unauthorized transactions to go undetected.

By not having an approving official that is at least one level above the cardholder’s current position, there exists an opportunity for compromise in the ability to have effective oversight for all of the cardholder’s purchase card transactions. By the Purchase Card Administrator being a card holder and an Approving Official with no Approving Official above him, the opportunity for abuse exists. Misuse of the purchase card may occur and go undetected by agency management. One individual can control key aspects of a transaction or event.

Recommendation: We recommend the Approving Official ensures there is a process in place for review of cardholder statements at the end of billing cycle and indicate completion by signature and date.

We recommend the Agency structure their purchase card program so that the Approving Official is at least one level above all cardholders in the Agency’s purchase card program. We also recommend the Agency designate an Approving Official at least one level above the Purchase Card Administrator if the Administrator plans to continue being a cardholder.

Management’s Response – Non - Concur

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: During the time in question the P-card Administrator was one level above the Director of Client Services. We have provided a organizational chart that supports this and ask that this finding be removed.

Corrective Action Plan:

Contact Person: Assistant Executive Director

Anticipated Completion Date: 09/20/2013

Corrective Action Planned:

Auditor’s Response: The organizational chart provided by the Agency has a revision date of 2/15/13. The audit period is from February 7, 2011 to May 28, 2013. Prior to 2/15/13 the Agency was in compliance with the requirement, however after 2/15/13 the organizational chart reflects the Approving Official (Assistant Executive Director) and the Cardholder (Director of Client Services) on the same line. At this time, the approving official is not one level above the cardholder as stated in the organizational chart below.





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Finding 13-715-04: Cardholder Responsibilities

Criteria: 1. State of Oklahoma Purchase Card Procedures § 6.8.1. **P-Card holder responsibility** states in part:

- The P-Card holder shall generate, from the Issuing Bank's transaction system, an electronic statement after closing of the Bank's monthly billing cycle.
- The statement shall be reconciled by the P-Card holder. In reconciling the statement, P-Card holders shall use transaction documents to verify purchases and returns are accurately listed on the statement.
- The statement shall be signed and dated by the P-Card holder verifying responsibility for purchases and proper reconciliation (signature stamps are not acceptable).

State of Oklahoma Purchase Card Procedures § 6.4 **Receipts for Purchase** states in part:

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 is acceptable.

2. State of Oklahoma Purchase Card Procedures § 6.6.1 **Goods or services received at the time of purchase** states:

The receipt for purchase shall serve as the receiving document. The receipt must contain the P-Card holder's signature and date. A carbon copy of the receipt containing the P-Card holder signature and date meets this requirement. (Annotating the document "Received" is NOT required.) The receiving document shall be retained by the P-Card holder for the monthly reconciliation process. Although not required, it is recommended the State Entity have a second person verify receipt of goods or services upon P-Card holder's return to the State Entity.

3. State of Oklahoma Purchase Card Procedures § 6.8.1 **P-Card holder responsibilities** states in part:

6.8.1.1 P-Card transaction documentation and reconciliation

- The P-Card holder shall make purchases of goods or services in compliance with these Procedures and retain all transaction documentation for reconciliation at the end of the cycle.
- The P-Card holder shall update the note field on the Issuing Bank's transaction system for each transaction made:
 - o from a Statewide Contract with a brief description of the goods or services purchased, including the Statewide Contract number;
 - o for a regulated utility, indicating it was a regulated utility; and,
 - o for airline or lodging purchases [See Section 6.8.1.1].

Condition:

1. We tested 27 cardholder statements as a part of our random sample. During our test work we noted the following:

- 2 of 27 cardholder statements (7% error rate) were not located.



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o Out of the remaining 25, 9 cardholder statements (36% error rate) were not signed and dated by the cardholder.

A total of 11 of 27 cardholder statements (41% error rate) were not located or contained errors.

We tested 14 cardholder statements as a part of our judgmental sample. While performing test work we noted the following:

- 4 of 14 cardholder statements (29% error rate) were not located.
 - o Out of the remaining 10 statements, 8 cardholder statements (80% error rate) were not signed and dated by the cardholder.
 - o Out of the remaining 2 statements, 1 cardholder statement (50% error rate) was signed, but not dated.

A total of 12 of 13 cardholder statements (92% error rate) were not located or contained errors.

2. We tested 55 transactions in our random and judgmental sample for itemized and detailed receipts. While performing test work we noted three transactions (5% error rate) did not contain an itemized and detailed receipt.

There were 29 applicable transactions for receipts for goods or services received at the time of purchase as a part of our random and judgmental samples. Due to the three exceptions noted above, there are 26 remaining transactions. While performing test work we noted the following:

- 6 of 26 receipts (23% error rate) obtained at the time of purchase did not contain the cardholder's signature and date.
 - o Of the remaining 20 receipts, 3 (15% error rate) were dated, but not signed by the cardholder. A total of 9 of 26 (35% error rate) transactions contained errors.

3. We tested 17 transactions that correlated with our random sampling to ensure the cardholder entered the adequate information into the notes field for airfare and lodging purchases. While performing test work we noted the following:

- All 8 lodging transactions (100% error rate) reviewed did not contain some or all the required information in the notes field.
- 2 of 17 airfare transactions (12% error rate) did not contain information in the notes field.

Cause: Cardholders are not held responsible for reconciling their purchases at the end of each billing cycle and the cardholders were not aware that they had to print, sign and date their own statements. The back-up Purchase Card Administrator prints one statement that includes all purchases for the Agency in place of cardholders printing their own cardholder statement each month.

In addition, the cardholders were not fully aware of the requirements for entering information into the notes field in the Issuing Bank's system for lodging and airfare purchases.

Effect or Potential Effect:

1. By not requiring cardholders to sign and date their cardholder statements, it cannot be determined if the reconciliation process occurred and that the purchases are appropriate as they relate to the mission of the Agency, in accordance with sound business practices, or in accordance with statutory and rule requirements.



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2. Unable to support if the cardholder was present at the time of purchase or authorized the transaction.
3. Essential information regarding the use of the State's purchase card to purchase travel related expenses is undocumented and accountability within the system is weakened.

Recommendation:

1. We recommend the Agency develop a procedure and process that ensures cardholders properly complete their reconciliation process. This process includes reviewing all supporting transaction documentation for completeness prior to submission. At the end of the reconciliation process, cardholders should sign and date the statement then forward it on to the Approving Official for further review.
2. We recommend the Agency develop a procedure and process that ensures the completion and reconciliation of purchases and retention of all purchase card documentation.
3. We recommend the Agency develop a procedure and process for cardholders that ensure the completion of the notes field when required.

We further recommend every cardholder have access to the purchase card system and complete necessary tasks within the system when required.

Management's Response – Concur

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: We concur

Corrective Action Plan:

Contact Person: Assistant Executive Director

Anticipated Completion Date: 09/20/2013

Corrective Action Planned: The agency will put in place procedures for each cardholder to have access to the "works" system. Each cardholder will be trained to review transactions on-line and how to print bank statements for reconciliation. Cardholder will be required to complete, sign and submit for approval their bank statement each month. Should the cardholder not have transactions for the month being reconciled the cardholder will be required to notify the P-card Administrator and their approver that they do not have transactions for the month.

Finding 13-715-02: Receiving Documents

Criteria: State of Oklahoma Purchase Card Procedures § 6.6 **Receiving Goods and Services** states in part:

6.6.2 Goods or services received subsequent to the time of purchase. The document accompanying the goods or services (such as a packing slip or service order) serves as the receiving document. The receiving document shall be signed and dated by the receiving employee. A carbon copy of the receipt containing the receiving employee signature and date meets this requirement. The itinerary shall serve



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as the receiving document for airfare (traveler's signature is not required). The receiving document shall be retained by the P-Card holder for the monthly reconciliation process.

Condition: We reviewed six purchases for goods totaling \$13,715.20 for items received subsequent to the time of acquisition to ensure the receiving document was signed and dated by the receiving employee. Five transactions were a part of our random sample within our general purchase card sub-populations and one transaction was judgmentally selected.

During our test work we noted three of these transactions (50%) were not accompanied with a packing slip or proof of delivery. One of these purchases was for 7" kindle fires from Amazon.com for door prizes.

Out of the remaining three, we noted two purchases (33%) contained a packing slip that was not signed and dated by the receiving employee.

A total error rate of 83% (5 of 6) related to receiving documentation was noted.

Cause: Cardholders forward all purchase card documentation to back up Purchase Card Administrator once purchase has been made. Back up Purchase Card Administrator retains all purchase card documentation.

Effect or Potential Effect: When the cardholder is not collecting the receiving documentation, there is no documentation to support the products were received by the Agency. When the receiving employee is not signing and dating the receiving document, there is no support for who received the items and the items were received.

Recommendation: We recommend the Agency develop, implement and communicate:

- to all cardholders the importance of collecting and maintaining receiving documentation,
- to all anticipated receiving employees a process to ensure that receiving employees obtain, sign, and date receiving documents.

We also recommend the Agency review its process for returning receiving documentation to the cardholder to properly support the product was received. In final, we recommend the Agency create procedures to conduct monitoring activities to autonomously review the supporting documentation to determine continued compliance with the purchase card requirements.

Management's Response –Concur

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: We concur with this recommendation

Corrective Action Plan: The agency will become more diligent in monitoring that the cardholders are signing and dating the receiving documents. These documents should be returned by the cardholder when their reconciliation is submitted for approval. The agency now opens the issuing banks "works" system and reviews p-card transactions daily. The p-card approver will verify that the receiving documents as well as receipts are included in the reconciliation.



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Contact Person: Assistant Executive Director

Anticipated Completion Date:

Corrective Action Planned: The agency will become more diligent in monitoring that the cardholders are signing and dating the receiving documents. These documents should be returned by the cardholder when their reconciliation is submitted for approval. The agency now opens the issuing banks “works” system and reviews p-card transactions daily. The p-card approver will verify that the receiving documents as well as receipts are included in the reconciliation.

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

Mission Statement

It is the mission of the Oklahoma Teachers Retirement System to provide outstanding customer service to all of our active and retired Clients.

Mission Plan

Provide excellent communication and education to our Clients

Protect and promote the financial interest of our Clients

Consistently improve performance

Pursue pro-active solutions and innovation

Promote an environment of trust and cooperation where colleagues are encouraged to reach their potential

History and Overview

The Teachers' Retirement System of Oklahoma was created by an act of the Oklahoma Legislature in 1943 after citizens amended the state constitution allowing the creation of a public retirement program for educators. TRS began operations on July 1, 1943, and began paying retirement checks to the first retirees on January 1, 1947. Membership in TRS is available to all public school employees working half-time or more. Teachers and administrators are required to be members and support staff may join voluntarily. Employees of more than 600 local school districts, career technology schools, public colleges and universities are enrolled as members of the TRS. As of April 30, 2010, TRS had 168,965 members (109,611 active contributing, 11,829 inactive and 47,525 retired members).



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Agency Information

The Agency is made up of 3 classified and 29 unclassified employees. [Oklahoma Agencies, Boards, and Commissions Book](#) as of September 1, 2012.

Board Members

Mr. James Dickson, Chairman
Mr. William L "Bill" Peacher, Vice Chairman
Ms. Elizabeth H. Kerr, Secretary
Ms. Sherrie Barnes, Trustee
Mr. Vernon Florence, Trustee
Mr. Roger Gaddis, Trustee
Ms. Jill Geiger, Trustee
Dr. Phillip V. Lewis, Trustee
Mr. Stewart E. Meyers, Jr., Trustee
Mr. Jonathan Small, Trustee
Ms. Billie Stephenson, Trustee
Dr. Gary Trennepohl, Trustee
Dr. Greg Winters, Trustee

Key Staff

(During the Audit Period)

James R. Wilbanks, Executive Director (As of October 2, 2013)
Joe Ezzell, Assistant Executive Director & P/Card Administrator
Donna Spurrier, Business Manager & Back up P/Card Administrator



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DIRECTOR'S TRANSMITTAL LETTER

Carol McFarland
Director
Performance and Efficiency Division



Preston L. Doerflinger
Director and Secretary
of Finance, Administration,
and Information Technology

State of Oklahoma
Office of Management and Enterprise Services

October 22, 2013

**TO JOE EZZELL, ASSISTANT EXECUTIVE DIRECTOR AND THE BOARD OF THE
OKLAHOMA TEACHERS RETIREMENT SYSTEM**

With this letter, we transmit the report of the Oklahoma Teachers Retirement System purchase card program audit for the period February 7, 2011 through May 28, 2013.

We performed the audit in accordance with professional auditing standards to ensure the Oklahoma Teachers Retirement System purchase card program administered by the Office of Management and Enterprise Services is conducted in accordance with laws and regulations.

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 Office of Management and Enterprise Services website, <http://omes.ok.gov>.

Respectfully,

A handwritten signature in black ink, appearing to read "Preston L. Doerflinger".

Preston L. Doerflinger
Director and Secretary of Finance, Administration and Information Technology