

OKLAHOMA

DEPARTMENT OF CENTRAL SERVICES AUDIT UNIT



OKLAHOMA DEPARTMENT OF HEALTH

Purchase Card Program Audit

Report Released
MARCH 7, 2008

JOHN S. RICHARD
Director



BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

March 7, 2008

TO THE COMMISSIONER OF HEALTH, James Michael Crutcher, MD, MPH, FACPM,
THE AUDIT COMMITTEE, AND MEMBERS OF THE BOARD

With this letter, we transmit the report of the Oklahoma Department of Health purchase card program review for July 28, 2006 through July 27, 2007.

We performed our audit in accordance with professional auditing standards to ensure that programs administered by the Department of Central Services are conducted in accordance with the laws and regulations and used in an ethical, effective and efficient manner.

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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This publication is issued by the Department of Central Services, as authorized by the Department of Central Services. Copies have not been printed but are available through the agency website. Two printout copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

PURPOSE, OBJECTIVE AND SCOPE

The Department of Central Services has completed an audit of the Oklahoma Department of Health, hereinafter referred to as the "Agency", purchase card program for the period July 28, 2006 through July 27, 2007. The purpose of this report is to communicate the results of the audit.

The objective of this audit was to:

- determine if the agency's purchase card program is in compliance with laws and regulations;
- determine if the agency's purchase card program is in compliance with approved internal purchasing procedures as they relate to the acquisition process of using purchase cards;
- and, determine if the agency has implemented internal controls and if the agency's controls are operating effectively in relation to the purchase card program.

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

METHODOLOGY

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

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OKLAHOMA DEPARTMENT OF HEALTH
PURCHASE CARD AUDIT
FOR THE PERIOD 7/28/06 THROUGH 7/27/07**

EXECUTIVE SUMMARY

Organization

The Oklahoma State Department of Health, through its system of local health services delivery, is ultimately responsible for protecting and improving the public's health status through strategies that focus on preventing disease. Four major service branches, [Community Health Services](#), [Family Health Services](#), [Disease & Prevention Services](#) and [Protective Health Services](#), provide technical support and administrative guidance to 69 [county health departments](#).

The Agency is made up of 1864 classified, 629 unclassified, and 124 temporary employees as of September 1, 2007. At the time of the audit, there were 22 purchase cardholders and 22 approving officials in the Agency.

BOARD MEMBERS:

| NAME | DISTRICT | TERM DATES |
|---------------------------|-----------------|-----------------------------------|
| Glen Diacon, Jr., M.D. | District #1 | May 1, 2000 thru June 30, 2009 |
| Ann A. Warn, M.D. | District #2 | May 22, 2001 thru June 30, 2010 |
| Ron Graves, D.D.S. | District #3 | May 21, 2002 thru June 30, 2011 |
| Alfred Baldwin | District #4 | June 21, 2005 thru June 30, 2012 |
| Barry L. Smith | District #5 | May 19, 2004 thru June 30, 2013 |
| Jenny Alexopoulos, D.O. | District #6 | May 17, 2005 thru June 30, 2014 |
| Gordon H. Deckert, M.D. | District #7 | May 10, 1999 thru June 30, 2008 |
| Cris Hart Wolfe | District #8 | March 23, 2007 thru June 30, 2016 |
| Haskell Evans, Jr., R. Ph | District #9 | April 13, 2006 thru June 30, 2015 |

KEY PERSONNEL:

| | |
|---------------------------------|--|
| James M. Crutcher, M.D., M.P.H. | Commissioner of Health & State Health Officer |
| Rocky McElvany, M.S. | Chief Operating Officer |
| Tim Tall Chief | Deputy Commissioner, Administrative Services |
| Tina Hicks, CPO | Chief of Procurement (during the audit period) |
| Lisa Martin, CPPO, CPO | Chief of Procurement (Effective 01-02-08) |
| Angela Andrews, B.B.A., CPO | Supervisor, Purchasing Unit |
| Crystal Spriggs | Purchase Card Administrator |

AUDIT COMMITTEE MEMBERS:

| NAME | TITLE | TERM DATES |
|----------------------|----------------|---------------------------------|
| Barry L. Smith, J.D. | President | May 19, 2004 thru June 30, 2013 |
| Jenny Alexopoulos | Vice-President | May 17, 2005 thru June 30, 2014 |

Purchase Card Program Economy Results

Estimated Savings - The purchase card program saved the Agency an estimated net savings of \$253,766.11 for the audit period of July 28, 2006 through July 27, 2007. This is 9.65% (\$253,766.11 / \$2,629,189.52) of the total dollars expended using the purchase card. This is an average estimated savings of \$ 73.47 from economy calculation per transaction for the Agency. A majority of the savings was contributable to the cost associated with the time saved by using the purchase card rather than traditional governmental purchasing methods.

AUDIT RESULTS

Audit Finding Summary

(Error rates are based on transactions and memo statements reviewed.)

- During a review of the agency's monthly purchase card reconciliations, we noted:
 - 12 of 17 (71%) monthly reconciliations for the statewide purchase card did not reconcile due to missing receipts.
 - 1 of 22 (5%) monthly reconciliations for the standard purchase card did not reconcile due to missing receipts.

Subsequent to the initial review, the Agency provided additional receipts, in part or in total, that supported some of the transactions noted as deficient during our monthly reconciliation testwork. The remaining transactions not supported by a receipt resulted in a *Questioned Cost of \$84,253.02 and an Extrapolated Cost of \$99,770.31. [Finding 07-340-03](#)

* Questioned cost is defined as costs that are not supported by a standard receipt.

- Of the three cardholders interviewed, one statewide cardholder and one regular card holder were not properly securing their purchase cards or their purchase card account numbers from unauthorized usage. [Finding 07-240-02.](#)
- During a review of purchase card transactions, we noted the following:
 - Regular card transactions reviewed, 1 out of 32 (3%) did not obtain Program Director approval of the purchase card acquisitions.
 - Statewide card transactions reviewed, 2 out of 50 (4%) did not obtain Program Director approval of the purchase card acquisitions.
 - Regular card transactions reviewed, 18 out of 32 (56%) did not obtain CPO final approval for the purchase card acquisitions.
 - Statewide card transactions reviewed, 48 out of 50 (96%) did not obtain CPO final approval for the purchase card acquisitions. [Finding 07-340-05.](#)

Audit Finding Summary (continued)

- The Agency has not completed revisions for their internal purchasing procedures to include the purchase card program and submit them for approval to the Department of Central Services. [Finding 07-340-01](#)
- Of the applicable 26 regular purchase card transactions reviewed, we noted
 - 2 of the 26 (8%) did not contain a detailed receipt/receiving document for review.
 - 6 of the remaining 24 (25%) were date stamped and stamped received but not signed by receiving employee.
 - 1 of the remaining 24 (4%) were signed by receiving employee, but not dated or annotated received.
 - 3 of the remaining 24 (13%) were not signed by receiving employee, not dated or annotated received.
 - 1 of the remaining 24 (4%) was date stamped but not annotated received or signed by receiving employee.
- Of the applicable 49 statewide purchase card transactions, we noted the following:
 - 2 of the 49 (4%) transactions had no receipts for the transactions
 - 9 of the remaining 47 (19%) had no receiving document present.
 - 2 of the 47 (4%) was not signed by receiving employee.
- Of the applicable 10 travel card transactions reviewed
 - 10 of the 10 (100%) of the travel itineraries were not signed, dated, annotated received by the travel coordinator at the time the travel was purchased [Finding 07-340-04](#)

Audit Finding Details

(Findings and recommendations are reported based on audit significance.)

Finding No: [07-340-03](#): Receipts/Reconciliation

QUESTIONED COSTS: \$84,253.02

EXTRAPOLATED QUESTIONED COSTS: \$99,770.31

Criteria: State of Oklahoma Purchase Card Procedures § 6.5 **Receipts for purchase**, states

Receipts shall be obtained for purchases. The receipt shall be given an itemized and detailed description of the purchase. If a receipt is not furnished by the merchant (as may be the case with a phone or internet order), an order confirmation, confirmation number, or packing slip should be obtained. If neither a receipt, confirmation information, nor packing slip is available for a transaction, documentation shall be attached to the transaction log notating all attempts made to obtain a receipt from the merchant. In the latter situation, cardholders should

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consider future use of another merchant who will provide a receipt or confirmation information. If a receipt is lost, the cardholder shall note the loss on the transaction log and complete a Lost Receipt Report. The Lost Receipt Report shall be included in the cardholder's reconciliation submission. Repeated loss of receipts may be grounds for discontinuing a cardholder's p/card use or other disciplinary or legal action.

State of Oklahoma Purchase Card Procedures § 5.4.3 **Voucher documentation**, states in part, "...Therefore, detail documentation (i.e., purchase receipts, receiving documents, return receipts, transaction logs) supporting p/card transactions shall be retained by the state entity and made available upon request..."

State of Oklahoma Purchase Card Procedures § 6.9.1 **Cardholder responsibility**, states in part, "...In reconciling the statement, cardholders should use appropriate documents (i.e., transaction log, purchase receipts, receiving documents, credit receipts) to verify purchases and returns are accurately listed on the memo statement..."

State of Oklahoma Purchase Card Procedures § 6.9.2 **Entity approving official(s) responsibility**, states in part, "...State Entity Approving Official(s) shall review the regular p/card, Statewide Contract p/card, or Travel p/card holder's reconciled memo statement and supporting document for accuracy, completeness..."

Condition: During internal controls, we reviewed two months (May & July, 2007) of reconciliations for cardholder (307173). This cardholder only had six (6) transactions for the audit period. Evidence of reconciliation and documentation were present. However, neither month could be reconciled due to missing receipts nor the transaction log accurately reflects the month's purchases.

We statistically sampled 92 purchase card transactions totaling \$293,601.01 of the agency's total 3,454 transactions totaling \$2,629,189.52 during the audit period for review. Within the 92 purchase card transactions, we noted a total of 45 monthly statements.

During our substantive testwork we reviewed 45 monthly reconciliations. The 45 monthly reconciliations were disseminated as 6 travel card, 22 standard card and 17 statewide card.

During our initial review and testing of the Agency's monthly reconciliations, we noted:

- 12 of 17 (71%) monthly reconciliations for the statewide purchase card did not reconcile due to missing receipts.
- 1 of 22 (5%) monthly reconciliations for the standard purchase card did not reconcile due to missing receipts.

Subsequent to the initial review, the Agency provided additional receipts, in part or in total, that supported some of the transactions noted as deficient during our monthly reconciliation testwork. The remaining transactions not supported by a receipt resulted in a Questioned Cost of \$84,253.02 and an Extrapolated Cost of \$99,770.31.

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Cause: Management is not enforcing the 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, we were unable 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 receipting 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. This process should include two mechanisms that ensure proper documentation supports the transaction. The first mechanism should be at the point memo statements are reconciled. Cardholders should verify that each transaction is supported by a detailed and itemized receipt. A procedure should be in place for the cardholder to follow in obtaining missing or incomplete receipt documentation. The second mechanism should be at the point reconciliation is reviewed. The approving official should not approve the reconciliation until all supporting documentation, which provides sufficient detail, for the transaction has been submitted.

In addition, we further recommend the Agency implement a process whereby supporting documentation is periodically reviewed, possibly by the internal audit division, for the statewide purchase cardholders. If lack of supporting documentation continues, we recommend the agency to discipline the cardholder and notify DCS of any corrective actions performed.

This finding will be forwarded to the State Purchase Card Administrator to review the agency's corrective action plan.

Management's Response

Respondent: Chief of Procurement

Response: Partially Concur - OSDH Procurement will concur that some receipts referenced in the questioned costs above were missing. However, the cardholder did obtain documentation from the vendor to support the majority of purchases questioned above. In reference to the statewide cardholder transactions referenced above, some documentation was present in the monthly transaction file to support purchases; however due to circumstances beyond the control of the cardholder, the packing slips weren't itemized to include the cost of the purchase. Due to the actual cost not being included on the packing slips, the receipt was declared "missing" pursuant to The Department of Central Services Purchase Card Procedures. However, it is evident that the items were in fact received and reconciled by the cardholder and approving official. All cardholders will make every effort in the future to properly annotate receipts in the instance that the vendor supplies a receipt that doesn't include an itemization of the cost.

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Corrective Action Plan: OSDH cardholders and approving officials will receive additional purchase card training from The Department of Central Services. A total of 81% of OSDH cardholders and 63% of OSDH approving officials attended the February 6th Department of Central Services Standard Purchase Card Training. The remaining cardholders and approving officials will complete training by May 2008. In addition, the statewide purchase cardholders, along with their approving officials, will attend The Department of Central Services statewide purchase card training in one of the quarterly 2008 classes offered.

The OSDH Purchase Card Administrator had previously conducted random transaction reviews of each cardholder account prior to The Department of Central Services audit. The issue of receipts and receiving documentation not properly annotated was addressed to all cardholders in an individual meeting in July 2007. The OSDH Purchase Card Administrator sends transaction review discrepancies to cardholders and approving officials for corrective actions. Since July 2007 implementation of the transaction review process, there has been a significant decrease in receipts and receiving documentation submitted without proper annotation.

Furthermore the OSDH Purchase Card Administrator will continue to conduct quarterly transaction reviews to ensure compliance. If continued non-compliance is found then OSDH will work with our internal audit division for review and consideration.

Anticipated Completion Date: Quarterly transaction review audits to be conducted on an on-going basis. The Department of Central Services re-training to be completed by all OSDH cardholders and approving officials in 2008.

Corrective Action Planned: Quarterly transaction review audits to be conducted on an on-going basis. The Department of Central Services re-training to be completed by all OSDH cardholders and approving officials in 2008 to ensure ongoing compliance as well as to address any issues that may arise.

Auditor's Response: While we agree that the Oklahoma Department of Health did submit packing slips to serve as support for the purchase card transactions tested during the audit in lieu of other detailed documentation, the documentation available for review during the auditor's independent reconciliation did not contain the attributes of a receipt. No other detailed documents were present that supported the purchase; therefore, the reconciliation could not be completed. A packing slip can serve as a receipt for a purchase as long as the packing slip provides detail regarding the price paid for goods or services to support the resultant charge to the purchase card. It is the responsibility of the cardholder to obtain and maintain detailed receipts to support all products purchased with the state purchase card.

Finding No: [07-340-02](#): Card Security

Criteria: State of Oklahoma Purchase Card Procedures § 6.10 **Card Security** states in part, "... 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..."

GAO Standards for Internal Control in the Federal Government GAO/AIMD-00-21.3.1 Control Activities **Access Restrictions to and Accountability for Resources and Records** states:

Access to resources and records should be limited to authorized individuals, and accountability for their custody and use should be assigned and maintained. Periodic comparison of resources with the recorded accountability should be made to help reduce the risk of errors, fraud, misuse, or unauthorized alteration.

State of Oklahoma Purchase Card Procedures § 6.10 **Card Security** states in part: "Use of the p/card is limited to the person whose name is embossed on the front of the card. The card shall not be loaned to another person. In the event that a cardholder will be absent from work for an extended period of time, the entity may wish to request a p/card for another individual for the duration of the absence..."

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

- Of the three cardholders interviewed, one statewide cardholder and one regular card holder were not properly securing their purchase cards from unauthorized usage
- Of the three cardholders interviewed, one statewide cardholder and one regular card holder were not properly securing their purchase card account numbers from unauthorized usage

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

Effect or Potential Effect: Without adequate controls over account information, to include the account number or the physical purchase card, there is a potential for unauthorized use by persons other than the cardholder to occur.

Recommendation: We recommend that Oklahoma Health Department limit access to purchase card supporting documentation to only those who need to use it to perform their duties. We also recommend that Oklahoma Health Department implement procedures to ensure that Purchase card account numbers are adequately secured.

Management's Response

Date: 2/25/08

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Respondent: OSDH Chief of Procurement

Response: Partially Concur

Condition 1, Physical card security – Each OSDH cardholder received an orientation to expressly review our agencies internal controls prior to distribution of their physical purchase card. During this orientation a bank bag (with lock & key) was given to each cardholder to properly secure and store their physical purchase card. Only the cardholder and the agency Purchase Card Administrator have access to the bank bag keys. Page 19 of the OSDH Purchase Card User Guide addresses the proper secure storage of the physical purchase card.

Condition 2, Properly securing of purchase card account information – Each OSDH cardholder received an orientation to expressly review our agency internal controls prior to distribution of their physical purchase card. This orientation was to include properly securing purchase card account information in order to restrict access only to those who need it to perform their job. Page 19 of the OSDH Purchase Card User Guide expresses to cardholders the importance of securing their account number in a location that is not accessible by another person and/or in a conspicuous place.

Corrective Action Plan

Anticipated Completion Date:

Condition 1 – Policy Memo effective 2/26/08

Condition 2 – Initial interview with cardholders to commence the week of March 10th, 2008. Continuous unannounced quarterly interviews with cardholders to ensure compliance.

Corrective Action Planned:

Condition 1, Physical card security – Please see attached Card Security policy memorandum effective 2/25/08.

Condition 2, Properly securing of purchase card account information – OSDH Purchase Card Administrator to speak with all cardholders to determine security of purchase card account information. Purchase Card Administrator will work with cardholders to ensure account information is properly secured. Purchase Card Administrator will continue quarterly audits with cardholders to ensure ongoing compliance.

Memo sent to OSDH Purchase Card Holders and Approving Officials

OSDH PURCHASE
CARD PROGRAM

Memo

To: ALL OSDH PURCHASE CARD HOLDERS
From: CRYSTAL SPRIGGS – OSDH PURCHASE CARD ADMINISTRATOR
CC: ALL OSDH APPROVING OFFICIALS
Date: 3/11/2008
Re: EFFECTIVE 2/26/08 – PROPER STORAGE OF PHYSICAL PURCHASE CARD

Effective 2/26/08 – Storage of Physical Purchase Card

Due to the recent Department of Central Services purchase card audit, the following policy will be effective immediately –

Each cardholder should properly secure their physical purchase card in the bank bag that was initially provided to them upon issuance of their card. Furthermore, the locked bank bag should be kept in a secure location that will ensure the card will be properly protected from unauthorized usage.

Should a cardholder have the need to keep their card on person, a memo of justification should be sent to the OSDH Purchase Card Administrator, Crystal Spriggs. The memo should justify the need to carry the card on person as well as the manner in which the cardholder will properly secure the purchase card from unauthorized usage. The memo of justification should be routed for approval from the approving official prior to forwarding to the Purchase Card Administrator.

Finding No: [07-340-05](#): Internal Purchasing Procedures

Criteria: Oklahoma Department of Health approved Internal Purchasing Procedures (**effective January 2000**) **Section 7 - Acquisitions of Less than \$2,500** states,

- I. Program area will choose a method of acquisition in accordance with the Department of Central Services (DCS) Rules.

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- II. Program area will create a requisition in accordance with instructions for the appropriate method chosen.
- III. Obtain funding information and signatures.
 - a. Procurement requires Program Director and Division Finance signatures.
 - b. Divisions may require additional signatures upon written notification to Procurement.
- IV. Forward requisition to Procurement for review and acquisition.
 - a. Certified Procurement Officer (CPO) will review for compliance with rules and procedures, method of acquisition, completeness, and reasonableness.
 - b. CPO will approve and affect acquisition, or return for further processing/correction to Division Finance.

Criteria: Oklahoma Department of Health approved Internal Purchasing Procedures (**effective January 2000**) **Section 3. Agency Certified Procurement Officers (CPO)** states in part,

“Agency CPOs will provide the final authority for all acquisitions for the Department. No other persons are authorized to make acquisitions”

Condition: The Agency is following internal controls implemented in January, 2007. However, these controls are not referred to or a part of the approved internal procedures as required by statute. The Oklahoma Health Department has not updated their internal purchasing procedures to relate to the Oklahoma Purchase Card Program which was implemented within the agency in April 2004. The last approved procedures were approved in January, 2000 and the procedures are unclear or unrelated to the current internal procurement process used by the agency for acquisitions below \$2,500.

Regular card transactions reviewed, 1 out of 32 (3%) did not obtain Program Director approval of the purchase card acquisitions.

Statewide card transactions reviewed, 2 out of 50 (4%) did not obtain Program Director approval of the purchase card acquisitions.

Regular card transactions reviewed, 18 out of 32 (56%) did not obtain CPO final approval for the purchase card acquisitions.

Statewide card transactions reviewed, 48 out of 50 (96%) did not obtain CPO final approval for the purchase card acquisitions.

Cause: The Agency did not resubmit updated procedures with the recommended changes to the Department of Central Services for approval to address their purchase card program.

Effect or Potential Effect:

Approved internal purchasing procedures do not reflect current internal purchasing processes.

Recommendation: We recommend the Oklahoma Health Department submit revised internal purchasing procedures that include purchase card procedures to the Department of Central Services for approval or adhere to the current approved internal purchasing procedures.

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Management's Response

Date: 02/25/08

Respondent: OSDH Chief of Procurement

Response: Concur - This finding, in part, relates to finding No. 07-340-01 therefore the response is the identical. OSDH is currently revising our internal purchasing procedures to include the purchase card program. An internal purchasing procedure committee has been developed in order to finalize all revisions. The committee will submit to The Department of Central Services for approval the week of March 10th, 2008.

Corrective Action Plan

Anticipated Completion Date:

Submission of revised procedures the week of March 10th, 2008.

Corrective Action Planned:

OSDH will submit revised internal purchasing procedures to include the purchase card program, the week of March 10th, 2008.

Finding No: 07-340-01: Implementation

Criteria: State of Oklahoma Purchase Card Procedures (dated 9/06/2005) § 1.6 **Conditions of participation** states in part, "...State entity p/card procedures shall be made a part of their internal purchasing procedures. State entities must submit their revised internal purchase procedures to the program implementation process..."

State of Oklahoma Purchase Card Procedures (dated 9/06/2005) § 4.2 **Implementation Submissions** states in part, "State entities are to prepare and submit the following documents... Entity P/Card procedures to the Chief, Audit and Training Branch, Central Purchasing Division (DCS)...."

Condition: The Oklahoma Health Department began participating in the Oklahoma Purchase Card Program in April 2004. As of January 29, 2008, the Agency has not completed revisions for their internal purchasing procedures to include the purchase card program and submit them for approval to the Department of Central Services.

Cause: The Agency submitted purchasing procedures to Department of Central Services but did not update their procedures with the recommendation changes and resubmit for approval.

Effect or Potential Effect: Requirements for condition to participate are not met.

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Recommendation: We recommend Oklahoma Health Department submit revised internal purchasing procedures that include purchase card procedures to the Department of Central Services for approval.

Management's Response

Date: 2/25/08

Respondent: OSDH Chief of Procurement

Response: Concur - OSDH is currently revising our internal purchasing procedures to include the purchase card program. An internal purchasing procedure committee has been developed in order to finalize all revisions. The committee will submit to The Department of Central Services for approval the week of March 10th, 2008.

Corrective Action Plan:

Anticipated Completion Date: Anticipated completion the week of March 10th, 2008.

Corrective Action Planned: OSDH will submit revised internal purchasing procedures to include the purchase card program, the week of March 10th, 2008.

Finding No: 07-340-04: Receiving Goods and Services

Criteria:

State of Oklahoma Purchase Card Procedures § 6.7.2 **Goods or services received subsequent to the time of purchase** states, "The document accompanying the goods or services (such as a packing slip or service order) serves as the receiving document and is process as described in 6.7.1 above."

Condition: We statistically sampled 92 purchase card transactions totaling \$293,601.01 out of the agency's total 3,454 transactions totaling \$2,629,189.52 during the audit period for review and one month's transaction for a regular purchase card holder.

Of the 3,454 transactions, transactions were disseminated as followed:

- 1,091 transactions totaling \$ 396,370.78 were charged to individual cards;
- 651 transactions totaling \$1,892,915.71 were charged to statewide contract cards;
- 1,712 transactions totaling \$ 339,903.03 were charged to the travel card.

Regular P-Card:

32 Purchase Card Transactions Reviewed (32-2 magazine subscription, 1 conference fee not applicable to delivery receipt; and 3 obtained receiving documents at the time of the purchase)
Applicable Remaining Units - 26

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Of the 26 transactions reviewed, we noted the following:

2 of the 26 (8%) did not contain a detailed receipt/receiving document for review.

6 of the remaining 24 (25%) were date stamped and stamped received but not signed by receiving employee.

1 of the remaining 24 (4%) were signed by receiving employee, but not dated or annotated received.

3 of the remaining 24 (13%) were not signed by receiving employee, not dated or annotated received.

1 of the remaining 24 (4%) was date stamped but not annotated received or signed by receiving employee.

Statewide P-Card:

50 Purchase Card Transactions Reviewed – one transaction was a credit transaction and was not applicable to the delivery document attribute tested. Of the remaining 49 transactions, we noted the following:

2 of the 49 (4%) transactions had no receipts for the transactions

9 of the remaining 47 (19%) had no receiving document present.

2 of the 47 (4%) was not signed by receiving employee.

Travel P-Card:

10 Purchase Card Transactions Reviewed – All were applicable

10 of the 10 (100%) of the travel itineraries were not signed, dated, annotated received by the travel coordinator at the time the travel was purchased.

Cause: The Agency has not maintained adequate controls to ensure the cardholder, approving official and agency management adheres to the receiving documents requirements and the receiving documents are appropriately signed by the receiving employee, dated on the date received and annotated received.

Effect or Potential Effect: By not requiring receiving employees to sign, date or annotate "Received" on the receiving document or not collecting receiving documentation, there is no verification that goods and/or services were actually received. Also, it also cannot be determined if the card was used by someone other than the cardholder.

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Recommendation: We recommend the Agency:

- Communicate to all cardholders the importance of properly maintaining receiving documentation.
- Develop and implement a process for all individuals receiving goods that ensures that the receiving documents is properly signed, dated, and annotated 'received'.

We also recommend the Agency create procedures for the periodic review of purchase card supporting documentation to ensure compliance with purchase card procedure requirements.

Management's Response

Date: 02/25/2008

Respondent: OSDH Chief of Procurement

Response: Partially Concur

All OSDH cardholders and approving officials will be receiving additional purchase card training from The Department of Central Services. Seventeen of our Twenty-One cardholders and Twelve of the Nineteen approving officials attended the February 6th Department of Central Services Standard Purchase Card Training. The remaining cardholders and approving officials will attend the training in either the month of March or April 2008. In addition, the statewide and travel cardholders along with the approving officials will attend The Department of Central Services statewide purchase card training in one of the quarterly 2008 classes offered.

OSDH Purchase Card Administrator had conducted random transaction reviews of each cardholder account prior to The Department of Central Services audit. The issue of receipts and receiving documentation not properly annotated was addressed to all cardholders in an individual meeting in July 2007. The OSDH Purchase Card Administrator sends transaction review discrepancies to cardholders and approving officials for corrective actions. Since July 2007 implementation of the transaction review process, there has been a significant decrease in receipts and receiving documentation submitted without proper annotation.

Furthermore the OSDH Purchase Card Administrator will continue to conduct quarterly transaction reviews to ensure compliance. If continued non-compliance is found then OSDH will forward to our internal audit division for review and consideration.

Corrective Action Plan

Anticipated Completion Date:

Quarterly transaction audits and re-training to be completed in 2008.

Corrective Action Planned:

Re-training for all cardholders and approving officials by The Department of Central Services as well as quarterly transaction audits to ensure compliance.

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OVERALL CONCLUSION

Based upon our audit, we have determined the Oklahoma Department of Health has significantly complied with the objectives reviewed; however, some exceptions were noted. Some of these notable exceptions were missing receipts, failure to obtain proper approval of purchases and failure to adequately secure the purchase cards. The Oklahoma Department of Health has presented corrective actions, which we believe will ensure the Agency will comply, in all material respects, with the aforementioned requirements.