



OKLAHOMA

Department of Central Services Audit Unit

State of Oklahoma
Department of Education

Purchase Card Program Audit

*Report Released
February 27, 2008*

JOHN S. RICHARD
Director



BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

February 27, 2008

**TO STATE SUPERINTENDENT SANDY GARRETT AND STATE DEPARTMENT OF
EDUCATION BOARD MEMBERS**

With this letter, we transmit the report of the Oklahoma Department of Education purchase card program audit for the period September 28, 2006 through September 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,

A handwritten signature in black ink, appearing to read "John S. Richard".

John S. Richard
Director of the Department of Central Services

"SERVICE, QUALITY, INTEGRITY"

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STATE OF OKLAHOMA
DEPARTMENT OF EDUCATION
PURCHASE CARD AUDIT

FOR THE PERIOD SEPTEMBER 28, 2006 THROUGH SEPTEMBER 27, 2007

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PURPOSE, OBJECTIVE AND SCOPE

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

The objective of this audit was to:

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

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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EXECUTIVE SUMMARY

Organization

The Oklahoma Department of Education exists in order to improve student success through: service to schools, parents and students; leadership for education reform; and regulation/deregulation of state and federal laws to provide accountability while removing any barriers to student success.

Agency

The Agency is made up of 5 classified and 371 unclassified employees as of September 1, 2007. At the time of the audit, there were four purchase cardholders and two approving officials in the Agency.

Key Personnel

Sandy Garrett, State Superintendent of Public Instruction
Andy Young, Deputy Superintendent
Lealon Taylor, Chief of Staff
Kent Tippin, Executive Director, Fiscal Services and Purchase Card Administrator

Purchase Card Program Economy Results

Estimated Savings - The purchase card program saved the Agency an estimated net savings of \$29,887.60 during for the period September 28, 2006 through September 27, 2007. This is 34% ($\$29,887.60 / \$87,364.84$) of the total dollars expended using the purchase card. This is an average estimated administrative savings of \$68.71 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. The agency stated that according to economy questionnaire, the ability to use the purchase card saves on individual invoices.

AUDIT RESULTS

Audit Finding Summary

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

- The Agency does not have approved internal purchasing procedures, revised to include internal purchase card procedures. Finding [07-265-01](#)
- 21% of purchase card transactions tested were not supported by an Agency requisition form. Finding [07-265-01](#)
- The Approving Official did not sign 12 out of 12 (100%) travel cardholders' memo statements reviewed. Finding **07-265-02**
- The cardholder did not sign and date 12 out of 12 (100%) travel memo statements reviewed. Finding **07-265-02**

Audit Finding Details

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

Finding 07-265-02: Memo Statements

Criteria:

1. State of Oklahoma P-Card Procedures § 6.9.2 Entity Approving Official(s) responsibility, states in part:

...To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement and forward the memo statement and supporting documentation for payment as required by entity p/card procedures.
2. State of Oklahoma P-Card Procedures § 6.9.1 Cardholder Responsibility states in part:

...After confirming the transactions on the memo statement, the cardholder shall sign and date the transaction log, indicating that the cardholder did make the purchases. The cardholder shall also sign and date the memo statement verifying that the transaction log and memo statement have been reconciled...

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Condition:

1. For the period September 28, 2006 to September 27, 2007 we reviewed 17 memo statements (12 travel and 5 individual). During this review, we noted that the Approving Official did not sign 12 out of 12 (100%) travel cardholders' memo statements reviewed.
2. For the period September 28, 2006 to September 27, 2007 we reviewed 17 memo statements (12 travel and 5 individual). During this review, we noted that the cardholder did not sign and date 12 out of 12 (100%) travel memo statements reviewed.

Cause:

1. The Approving Official for travel transactions was initialing purchases daily on the travel cardholder's transaction log but not signing the memo statement.
2. The travel cardholder and back-up travel cardholder were both reviewing and reconciling their transactions monthly but failing to take the final step of signing the memo statement.

Effect:

1. In the absence of approving officials' signatures on memo statements, there is no support showing that the cardholders' memo statement and supporting documentation was independently reviewed for accuracy, completeness, appropriateness of the purchase and whether the transactions were conducted according to State statutes, rules, procedures and sound business practices. A material internal control weakness could occur without adequate participation from the Agency's approving officials.
2. By not appropriately completing all documentation required for the reconciliation of the transaction log and memo statement, cardholders are not appropriately verifying the purchases on the transaction log and memo statement are accurate.

Recommendation:

1. We recommend the Agency establish and implement procedures to ensure that all monthly memo statements are signed and dated by the approving official upon concurrence of the reconciliation performed by the cardholder. Further, we recommend that purchase card management monitor such memo statements to ensure adherence to the established procedures.
2. We recommend the Agency provide refresher training to all cardholders and approving officials regarding the proper method of reconciling the memo statement.

Management's Response

Date: February 7, 2008

Response: Concur, Purchase Card Administrator. The State Department of Education has implemented procedures to ensure all statements are signed and dated by the approving officer. Refresher training on the proper method of reconciling statements is scheduled for all P-card and Travel cardholders and approving officials in February and at least twice every year.

Corrective Action Plan

Anticipated Completion Date: Ongoing

Corrective Action Planned: As stated above, procedures are implemented to ensure all statements are signed and dated plus refresher training.

Finding [07-265-01](#): Internal Purchasing Procedures

Criteria:

1. State of Oklahoma P-Card Procedures § 4.2 Implementation Submissions states in part:

Note 5: Entity p/card procedures shall be made a part of entity purchasing procedures. State entities must submit their revised internal purchasing procedures to the Audit Director of the Department of Central Services within 6 months of completing the p/card program implementation process.

2. Oklahoma Department of Education Internal Purchasing Procedures Section 5. Agency Procedures states in part:

The Department requisition form prescribed by the Director of Fiscal Services must be used for all acquisitions"; and "Upon receipt of a requisition in Fiscal Services, the CPO sends the requisition to the State Superintendent and/or Deputy State Superintendent for approval of purchase."

Condition:

1. During our review of the Agency's internal controls, it was found that the Agency does not have approved internal purchasing procedures, revised to include internal p-card procedures.

On March 9, 2006 the Agency submitted a revised procedure that included purchase cards; however on May 17, 2006, a letter was sent to the Agency requesting corrections or updated information to be included in the updated internal purchasing procedures. No revisions have been received by DCS. The Agency does not have approved internal purchasing procedures that include the Agency's procedures for purchase cards.

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2. For the audit period August 28, 2006 to August 27, 2007, the Agency had a total of 435 purchase card transactions in the amount of \$87,364.84. Based on statistical analysis, we performed substantive testing for 48 (11%) purchase card transactions in the total amount of \$16,054.14 (18%). During our testwork, we noted:
 - 10 of 48 (21%) purchase card transactions were not supported by a requisitions form.

Cause:

1. The Agency has not submitted revised internal procedures simply due to oversight.
2. Purchases made absent a requisition form were made after the purchasing agent received a less formal request from the Superintendent such as a note or an email.

Effect:

1. Requirements for participation in the p-card program have not been met. By not having revised internal purchasing procedures approved by Central Purchasing, the Agency may have internal purchase card procedures that are in direct conflict with the State Purchase Card Procedures.
2. By not completing a requisition form for each purchase, the Agency is not following their internal purchasing procedures.

Recommendation:

1. We recommend the Agency review the most current version of their internal purchasing procedures to ensure accuracy and consistency with the current management of the p-card program as well as inclusion of all requested revisions made by Central Purchasing and resubmit to Central Purchasing for approval.
2. We recommend the Agency review with and provide training for all cardholders and approving officials regarding the requisition requirements of the Agency as outlined in the Agency's internal purchasing procedures. We also recommend the Agency review its internal purchasing procedures to determine if the completion of a requisition form is applicable to purchase card transactions. If revisions to the internal purchasing procedures are warranted, revised internal purchasing procedures should be submitted to the Department of Central Services for approval.

Management's Response

Date: February 7, 2008

Response: Concur, Purchase Card Administrator - The State Department of Education's internal purchasing procedures will be reviewed to ensure compliance with

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the agency's current P-card programs as well as policies or procedures issued by Central Purchasing.

Corrective Action Plan

Anticipated Completion Date: Ongoing

Corrective Action Planned: Review and correction, as needed, of the department's internal purchasing procedures.

OVERALL CONCLUSION

Based upon our audit, we have determined the Oklahoma Department of Education has materially complied with the objectives reviewed; however, some exceptions were noted. Some of these notable exceptions were related to memo statements and internal purchasing procedures. The Oklahoma Department of Education has implemented corrective actions, which we believe will ensure the Agency will comply, in all material respects, with the aforementioned requirements.