



OKLAHOMA

Department of Central Services Audit Unit

Oklahoma State Board of Medical
Licensure and Supervision

Purchase Card Program Audit

*Report Released
October 25, 2007*

JOHN S. RICHARD
Director



BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

October 25, 2007

**TO THE EXECUTIVE DIRECTOR, LYLE R. KELSEY, C.A.E. AND THE BOARD MEMBERS
OF THE OKLAHOMA STATE BOARD OF MEDICAL LICENSURE AND SUPERVISION**

With this letter, we transmit the report of the Oklahoma State Board of Medical Licensure and Supervision purchase card program for the audit period June 28, 2006 through June 27, 2007.

We performed our review 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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OKLAHOMA STATE BOARD OF MEDICAL LICENSURE AND SUPERVISION
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OKLAHOMA STATE BOARD OF MEDICAL LICENSURE AND SUPERVISION
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PURPOSE, OBJECTIVE AND SCOPE

The Department of Central Services Audit Unit has completed an audit of the Oklahoma State Board of Medical Licensure and Supervision, hereinafter referred to as the "Agency", purchase card program for the period June 28, 2006 through June 27, 2007. The purpose of this report is to communicate the results of the audit.

The objectives of this audit were to:

- determine if the Agency has implemented internal controls and if the Agency's controls are operating effectively in relation to the purchase card program;
- determine if the Agency's purchase card program is in compliance with laws and regulations promulgated by the Department of Central Services;
- and, 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.

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 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.

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EXECUTIVE SUMMARY

Organization

The Oklahoma State Board of Medical Licensure and Supervision was mandated in 1923 to license qualified individuals to practice medicine. Since then, other health care professions have been added to the Agency's jurisdiction and the board has been further charged by the Oklahoma Legislature to enforce laws related to medical practice by disciplinary action.

The mission statement of the Oklahoma State Board of Medical Licensure is to promote the health, safety, and well-being of the citizens (patients) of Oklahoma by requiring a high level of qualifications, standards, and continuing education for licensure of medical doctors, physician assistants, physical therapists, occupational therapists, respiratory therapists, athletic trainers, dietitians, electrologists, orthotists, prosthetists, and pedorthists. To protect the on-going health, safety, and well-being of the citizens (patients) of Oklahoma by investigating complaints, conducting public hearings, effectuating, and monitoring disciplinary actions against any of the aforementioned licensed professionals, while providing the licensee with proper due process and all rights afforded under the law. To provide any member of society upon request, a copy of the specific public records and information on any of the aforementioned licensed professionals.

Agency

The Agency is made up of 17 classified, 5 unclassified, and 2 temporary employees as of September 1, 2006 per the Oklahoma Agencies, Boards, and Commissions reference book. For the time period audited, there were two purchase card cardholders and one approving official for the Agency.

Advisory Committees

Athletic Trainer Advisory Committee
Advisory Committee on Dietetic Registration
Advisory Committee on Registered Electrologists
Occupational Therapy Advisory Committee
Advisory Committee on Orthotics and Prosthetics
Advisory Committee on Pedorthics
Physical Therapy Committee
Physician Assistant Committee
Respiratory Card Advisory Committee

Board Members

Billy Stout, M.D. - President
Eric Frische, M.D. - Vice-President
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Jenny Boyer, M.D. - Member
David Browning, Jr., M.D. - Member
Mr. Gary Brooks, Member
Mr. Tom Rine, Lay Member

Key Personnel

Lyle R. Kelsey, C.A.E- Executive Director
Jan Ewing- Deputy Director
Gerald Zumwalt- Secretary/ Medical Director
Reji T. Varghese, CPPB and CPO- Director of Support Services/ Financial Manager/
Comptroller

Purchase Card Program Economy Results

Estimated Savings - The purchase card program saved the Agency an estimated net savings of \$13,711.19 during for the period June 28, 2006 through June 27, 2007. This is approximately 37% (\$13,711.19 / \$36,610.08) of the total dollars expended using the purchase card. This is an average estimated savings of \$ 68.56 per transaction for the Agency. A majority of the cost savings was attributable to reduction in the number of purchase orders, vouchers and accounting entries.

Unencumbered funds - We noted a total amount of unencumbered funds of [\\$6,127.21](#) during state fiscal year 2007. There were a total of 53 calendar days (April 30, 2007 to June 22, 2007) where purchases made with purchase cards were not properly encumbered.

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AUDIT RESULTS

Audit Finding Summary

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

- 4 of 5 (80%) receiving documents for goods or services received at the time of purchase were not signed, dated, and annotated 'received' by the receiving employee. [Finding 07-450-04](#)
- 3 of 13 (23%) receiving documents for goods or services received subsequent to the time of purchase were not signed, dated, and annotated 'received'. [Finding 07-450-04](#)
- For 53 days during state fiscal year 2007, purchase card transactions in the amount of \$6,127.21 were unencumbered. [Finding 07-450-03](#)
- 3 (21%) of 14 memo statements were not signed by the cardholder's approving official. [Finding 07-450-06](#)
- The Agency has not established an internal procedure for the retrieval of a purchase card from an employee who has terminated employment with the Agency. [Finding 07-450-02](#)
- Agency cardholders were not aware of the proper reporting requirements of a lost or stolen purchase card. [Finding 07-450-02](#)
- Agency has not updated their internal purchasing procedures to include the Agency's purchase card procedures. [Finding 07-450-01](#)

Audit Finding Details

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

Finding [07-450-04](#): Receiving Goods and Services

Criteria: State of Oklahoma Purchase Card Procedures § 6.7.1 **Goods or services received at the time of purchase** states:

The receipt for purchase (see 6.5 above) also serves as the receiving document. It should be annotated 'Received' and signed and dated by the receiving employee. The combination purchase receipt/receiving document shall be attached to the transaction log.

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 processed as described in 6.7.1 above."

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Condition: For the audit period June 28, 2006 through June 27, 2007, the Agency had a total of 200 purchase card transactions in the total amount of \$36,610.08. We statistically sampled 19 (10%) purchase card transactions totaling \$11,138.23 (30%) for the audit period. Based on our substantive testing, we noted the following for the remaining 18 purchase card transactions:

- 4 of 5 (80%) receiving documents for goods or services received at the time of purchase were not signed, dated, and annotated 'received' by the receiving employee.
- 3 of 13 (23%) receiving documents for goods or services received subsequent to the time of purchase were not signed, dated, and annotated 'received'.

Cause: Oversight by the receiving employee.

Effect or Potential Effect: By not signing, dating, and annotating receiving documents, there is no written verification that goods and/ or services were actually received.

Recommendation: We recommend the Agency provide refresher training to all receiving employees regarding the proper method of documenting the receipt of goods or services. The Agency should also devise a process for the approving official that would allow receiving documentation to be returned to the cardholder when the receiving document has not been signed, dated, and annotated 'received'.

We further recommend purchase card program management perform monitoring activities to independently review purchase card supporting documentation to ensure compliance with applicable purchase card procedure requirements.

Management's Response

Date: October 9, 2007

Response: Concur- This is an oversight on the part of receiving employees. However, all items purchased are accounted for in the inventory.

Corrective Action Plan

Anticipated Completion Date: October 2007

Corrective Action Planned: Card holders, receiving employees and other assigned staff will review requirements and enforce proper method of documenting the receipt of goods and services. Also, payment approving officials will ensure proper receiving documentation is present before approving payment for goods and services purchased.

Finding [07-450-03](#): Encumbered Funds

Criteria: State of Oklahoma Purchase Card Procedures § 5.1 **Encumbering funds** states in part, "State entities shall establish encumbrances as "authority order" purchase orders in the State Purchasing System... Change orders to amend these encumbrances may be processed as necessary..."

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Oklahoma Constitution Article 10 § 23, **Balanced budget**, states in part, "The state shall never create or authorize the creation of any debt or obligation, or fund or pay any deficit, against the state, or any department, institution or agency thereof, regardless of its form or the source of money from which it is to be paid ..."

Condition: The Agency created an authority order for state fiscal year 2007 in the amount of \$30,000 on July 24, 2006. Purchase card transactions totaled \$36,127.51 for state fiscal year 2007. Unencumbered funds for state fiscal year 2007 total [\\$6,127.21](#). Length of time purchase card transactions were unencumbered was 53 days (April 30, 2007 to June 22, 2007).

Cause: Agency relied on the Outstanding Purchase Order Report as a tracking method to determine when to initiate a change order for encumbered funds. The report showed a positive balance; therefore, a change order was not initiated to encumber additional funds for the purchases card program.

Effect or Potential Effect: By not encumbering sufficient amount of funds for the Agency purchase card program, the Agency is creating an unauthorized liability for the State.

Recommendation: We recommend the Agency institute an in-house formal process that tracks purchase card payments made against the encumbered amount. This process should include safeguards to alert purchase card program management when encumbered funds have reached a significantly low level. Once this level has been reached, a change order should be initiated to increase the amount of encumbered funds for the Agency's purchase card program.

Management's Response

Date: October 9 2007

Response: Concur- Agency relied on and trusted CORE reports such as "Outstanding balance report" to track encumbrances. Since this report indicated a positive balance, accounts payable staff did not see any need for a change order.

Corrective Action Plan

Anticipated Completion Date: November 2007

Corrective Action Planned: Agency will export, on a monthly basis, all purchase card transactions from pathway net into an excel spreadsheet and reconcile the running purchase card transaction totals with the fund encumbered for the fiscal year. This process will provide a failsafe way to track purchase card payments made against the encumbered fund and serve as an early alert system to initiate a change order when the encumbered fund reaches an unacceptable low level.

Finding [07-450-06](#): Approving Official

Criteria: 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

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supporting 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... 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...

Condition: For the audit period June 28, 2006 through June 27, 2007, the Agency had a total of 200 purchase card transactions in the total amount of \$36,610.08. We statistically sampled 19 (10%) purchase card transactions totaling \$11,138.23 (30%) for the audit period. For the audit period, there were 14 transaction logs and 14 memo statements.

During substantive testing, 3 (21%) of 14 memo statements were not signed by the cardholder's approving official.

Cause: Oversight by the cardholder and approving official.

Effect or Potential Effect: In the absence of the approving official's signature on the cardholders' memo statement, there is no written documentation that the reconciliation of the cardholder's memo statement was reviewed for accuracy, completeness, and the appropriateness of the purchase.

Recommendation: We recommend the Agency establish and implement procedures which would ensure cardholder memo statements are signed and dated by the approving official denoting concurrence with the cardholder reconciliation. We further recommend purchase card program management perform periodic reviews of cardholder purchase card documentation to ensure compliance with purchase card program requirements.

Management's Response

Date: October 9, 2007

Response: Concur- Missing signatures were an oversight.

Corrective Action Plan

Anticipated Completion Date: October 2007

Corrective Action Planned: Approving officials and accounts payable will ensure that all documents are properly signed before processing payment.

Finding [07-450-02](#): Card Security

Criteria:

1. State of Oklahoma Purchase Card Procedures § 6.10 **Card security** states in part, "...State entities shall establish an internal procedure to ensure that a p/card held by a terminated employee is promptly provided to the State Entity P/Card Administrator..."

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2. State of Oklahoma Purchase Card Procedures § 6.11 **Lost or stolen cards** states in part:

If a cardholder's p/card is lost or stolen, the cardholder shall immediately notify JPMorgan Chase... The cardholder shall record the date and time JPMorgan Chase was notified as well as the name of the JPMorgan Chase customer service representative contacted. Next, the cardholder shall complete a Stolen Card Notification form (Attachment 6) and provide it by the fastest possible means to the State Entity P/Card Administrator with a copy to the appropriate State Entity Approving Official...

Condition: During our review of the Agency's internal control processes for the purchase card program, we noted the following:

1. The Agency has not established an internal procedure for the retrieval of a purchase card from an employee who has terminated employment with the Agency.
2. Agency cardholders are not aware of the proper reporting requirements of a lost or stolen purchase card.

Cause:

1. Cardholders for the Agency have been employed by the Agency in excess of 10 years. The Agency has not experienced a cardholder who has terminated their employment with the Agency.
2. Cardholders have not lost a purchase card since the inception of the purchase card program at the Agency.

Effect or Potential Effect:

1. By not having an internal procedure in place for the retrieval of a purchase card from a terminated employee, the purchase card may not be timely retrieved and thereby exposing the Agency to a liability for unauthorized charges.
2. By not being aware of the proper reporting requirements of a lost or stolen purchase card, the opportunity is created for the Agency to become liable for purchases made with the lost or stolen purchase card.

Recommendation: We recommend the Agency:

1. Develop and implement a procedure for the collection of purchase cards from cardholders who have terminated their employment with the Agency. Procedure should identify who is responsible for retrieving the card and submitting to the Agency Purchase Card Administrator.

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2. Provide refresher training to the Agency cardholders regarding the reporting of lost or stolen purchase cards. Refresher training should include a review of how to complete the Stolen Card Notification form and the identification of the appropriate individuals who the cardholder must report lost or stolen purchase card.

Management's Response

Date: October 9, 2007

Response: **Concur-** Only two FTEs are designated as P card holders and are being employed at this agency from the beginning of this program. Agency never faced a situation of P card holder termination, stolen or lost P cards.

Corrective Action Plan

Anticipated Completion Date: December 31, 2007

Corrective Action Planned:

- a. Agency will incorporate specific instructions in the P card procedure identifying responsible staff for retrieving "P card" upon termination of a card holder.
- b. "P card" holders completed a review of Oklahoma P card procedure including the section on Lost or stolen cards handling. Also, the card holders attended training on August 16 2007 at central purchasing.

Finding [07-450-01](#): Program Implementation

Criteria: State of Oklahoma Purchase Card Procedures § 4.2 **Implementation submissions (03/28/2001)** states in part, "State entities are to prepare and submit the following documents."

Document	Signed by	Submitted to	Notes
Entity p/card procedures	Process per Central Purchasing Codified Rules (580:15-6-3)	Chief, Audit & Training Branch, Central Purchasing Div (DCS)	Note 5

Note 5. Entity p/card procedures shall be made a part of entity purchasing procedures.

State of Oklahoma Purchase Card Procedures § 1.6 **Conditions of participation (03/28/2001)**, states in part, "...State entity p/card procedures shall be made a part of their purchasing procedures."

Condition: During our review of the Agency's internal control processes for the purchase card program, we noted the Agency has not updated their internal purchasing procedures to include the Agency's purchase card procedures. The Department of Central Purchasing last approved the Agency's internal purchasing procedures on November 2, 1999. The Agency established a purchase card program in February 2002.

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Cause: The Agency has failed to submit revised internal purchasing procedures to the Department of Central Services for approval.

Effect or Potential Effect: The Agency's internal purchasing procedures have not been revised to include the Agency's purchase card procedures.

Recommendation: We recommend the Agency submit revised internal purchasing procedures that include the Agency's purchase card procedures to the Department of Central Purchasing for approval.

Management's Response

Date: October 9, 2007

Response: **Concur-** Agency did update internal purchasing procedures to include purchase card procedures in 2002. However, cannot locate any proof of submitting the same to Central Purchasing.

Corrective Action Plan

Anticipated Completion Date: December 31, 2007

Corrective Action Planned: During the course of this audit we identified several other areas of the procedure needing revision. Agency will incorporate these new items and submit to central purchasing for review and approval.

OVERALL CONCLUSION

Based upon our audit, we have determined the Oklahoma State Board of Medical Licensure and Supervision has materially complied with the objectives reviewed; however, some exceptions were noted. Notable exceptions include receiving documents not properly signed, dated, and annotated 'received' and unencumbered funds for a 53 day period. The Oklahoma State Board of Medical Licensure and Supervision has implemented corrective actions, which we believe will ensure the Agency will comply, in all material respects, with the aforementioned requirements.