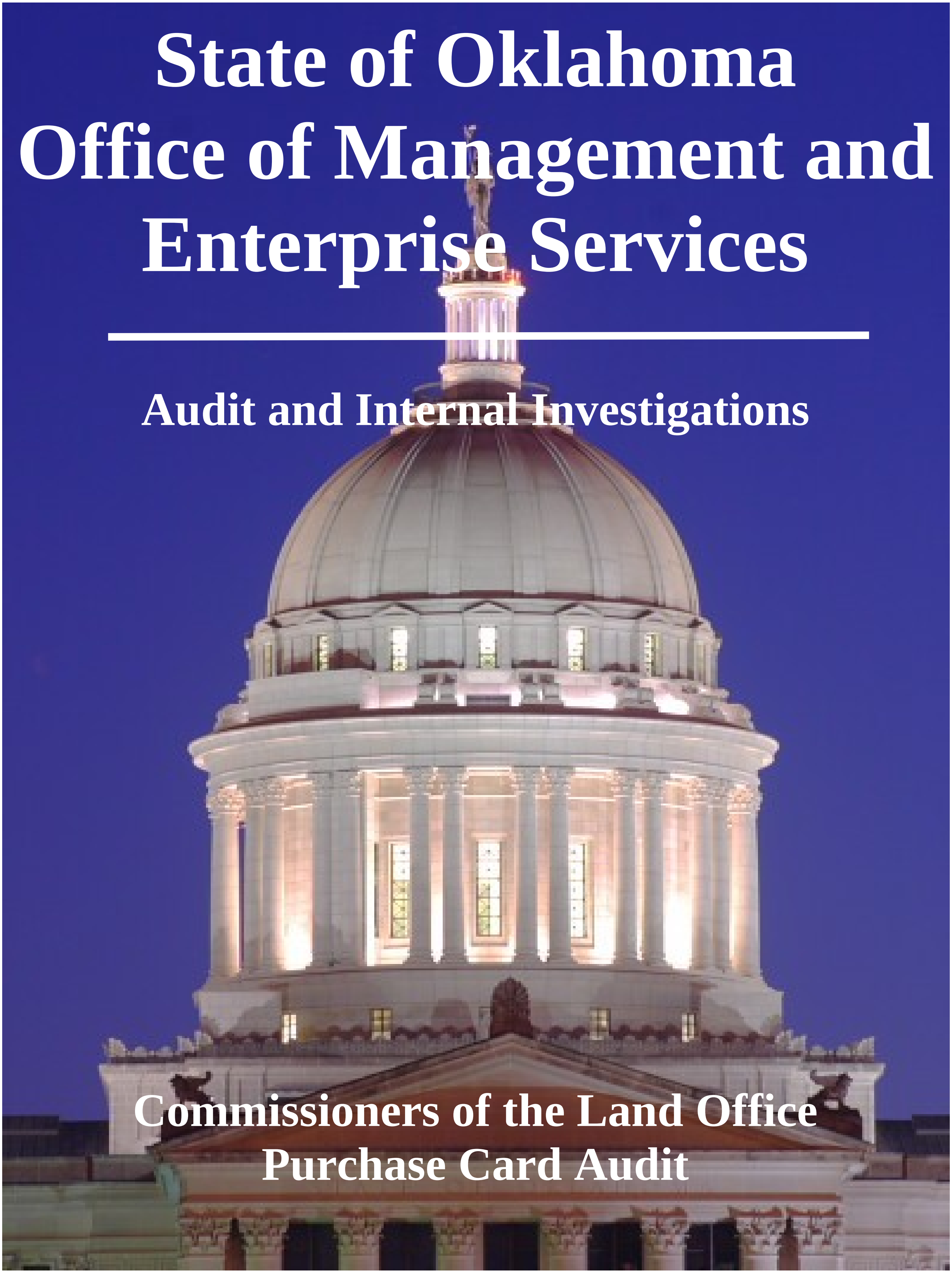
State of Oklahoma
Office of Management and Enterprise Services

Audit and Internal Investigations



Commissioners of the Land Office
Purchase Card Audit

State of Oklahoma Office of Management and Enterprise Services
Audit and Internal Investigations
Report Released February 19, 2015

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AUDIT PERFORMED BY

JoRay McCoy, Audit Director
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AUDIT CONCLUSION

Based on our audit, we have determined the Commissioners of the Land Office (CLO) has significantly complied with the following audit objectives:

- Determine if the agency has implemented internal controls and if the agency's controls are operating effectively in relation to the Purchase Card Program; and
- Determine if the agency's Purchase Card Program is in compliance with State of Oklahoma Purchase Card Procedures and approved internal purchasing procedures as they relate to the acquisition process through the use of purchase cards.

AUDIT FINDING SUMMARY

(Error rates are based on transactions reviewed.)

FINDING 15-410-02: Two instances a hotel room was reserved and paid for, but was not occupied by the traveling state employee.

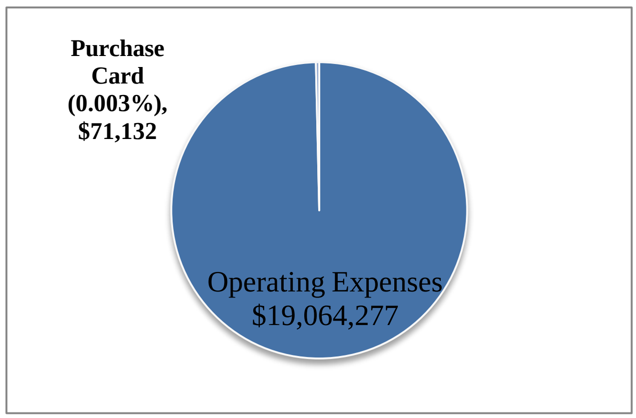
FINDING 15-410-01: We reviewed 29 cardholder statements as part of the audit period. Four of the statements did not include the signature page (13 percent error rate).

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

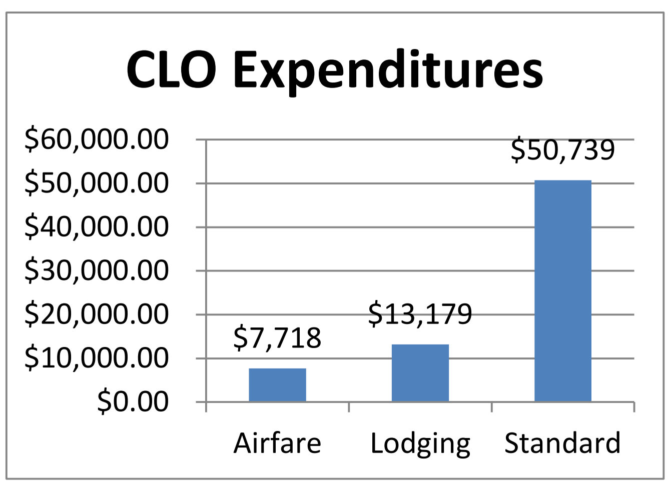
The Office of Management and Enterprise Services, Audit and Internal Investigations has completed an audit of the Commissioners of the Land Office, referred to as the "agency" within the audit report. Our audit was to determine if the agency's Purchase Card Program for the period Sept. 24, 2013 through Sept. 23, 2014, complied with the audit objectives.

AUDIT OVERVIEW

As of Sept. 23, 2014, there are five purchase card holders and two approving officials in the agency. In total, the agency had $71,132.51 in purchase card spend during the audit period. The agency's purchase card program has remained a significantly small portion of their spending in the past few 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.



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



SAMPLING METHODOLOGY

The population for substantive test work was 231 transactions totaling $71,637.63. All transactions under $5,000 had a classical variable stratification performed to obtain the sample for test work. Stratification random sampling was used to determine transactions for test work from the airfare and lodging categories. Through stratification random sampling we obtained seven (7) transactions for airfare, and 10 transactions for lodging test work. In addition, 10 transactions were selected at the auditor's discretion and tested against selected attributes.

	# of Transactions	*($) Amount*
Total Expenditures	252	$71,132.51
Reverse Transactions	12	($0.00)
Agent Fees	4	($100.00)
Negative Transactions	5	$605.12
Filtered Population	231	$71,637.63
Sub-Populations		
Airfare	14	$7,718.10
Lodging	41	$13,179.66
Under $5,000	176	$50,739.87
Samples		
Under $5,000	23	$11,370.87
Airfare	7	$3,503.30
Lodging	10	$2,982.79
Judgmental	10	$2,946.65

DETAILED FINDINGS

Finding 15-410-02: Hotel No Show

Condition: We discovered during our testing of lodging transactions, two (2) instances where the hotel room was reserved and paid but was not occupied by the traveling state employee. Insufficient communication and accountability from field personnel resulted in the traveler not staying in the hotel paid for by the state. We noted a total of $224.14 in questioned costs.

Date	Amount	Merchant Name	City	State
9/25/13	$125.82	Country Inn & Suites	Nashville	Tennessee
1/14/14	$98.32	Doubletree Hotel	Little Rock	Arkansas

Cause: The instance on Sept. 25, 2013, was due to a miscommunication between the travel coordinator and the traveler about where to stay. The instance Jan. 14, 2014, was a reservation that went without cancellation.

Effect or Potential Effect: Reservations go without cancellation resulting in loss of state funds.

Criteria: The State of Oklahoma Purchase Card Procedures§ **6.13 Travel Acquisitions** states in part:

- **Lodging-** Lodging purchases for state employees or authorized non-state personnel traveling on official business shall be made in compliance with the State Travel Reimbursement Act, OMES State Travel Procedures and these P-Card Procedures. The P-Cardholder shall retain all transaction documentation for reconciliation at the end of the cycle.…

The State of Oklahoma Travel Reimbursement Act **§ 74-500.9.A Overnight lodging – Rate – Per diem allowance – Limitations and exceptions – Out-of-state trips** states in part:

> Reimbursement for overnight lodging, while in official travel status, may be made at not to exceed an amount authorized by the provisions of the Internal Revenue Code of 1986, as amended, for deductibility of expenses for travel while away from home without additional documentation or the actual cost, if lower, per night except as provided in subsections C, D and F of this section and Section 500.9A of this title. Receipts issued by the hotel, motel or other public lodging place shall accompany claims for reimbursement

Recommendation: We recommend the agency require the travelers to reimburse the state for the amount paid in error or the agency director sign off on the transaction as an actual and necessary business expense.

We recommend the agency develop, implement and communicate:

- To all anticipated traveling employees the importance of canceling the reservation appropriately and communicating to the travel coordinator if/when travel changes are made.
- A traveler's abuse of the purchase card program related to travel will result in loss of privileges.

In final, we recommend the agency review their process for requesting, maintaining, communicating and documenting travel reservations. A formalized internal procedure should be created in accordance with the state travel policy in order to conduct all future travel or issue a purchase card to be used for traveling purposes.

Management's Response

Date: 12/15/2014

Respondent: Commissioners of the Land Office Chief Financial Officer

Response: *Partially Concur - The agency purchase card administrator will track and review 'no show" travel and registration charges and require the employee to provide written documentation explaining the reason for the incurred charge. The documentation will be submitted to and reviewed by upper management who will determine if the employee shall be responsible for the charge or approve the charge at the agency's expense.*

Corrective Action Plan

Contact Person: Commissioners of the Land Office Chief Financial Officer
Anticipated Completion Date: 3/31/2015
Corrective Action Planned: *Management concurs with the remaining recommendations not addressed in the management response above and will update and implement the recommended procedures in the first quarter of calendar year 2015.*

Finding 15-410-01: No Cardholder or Approving Official Signature

Condition: We reviewed a total of 29 cardholder statements as part of the audit period. Four (4) of the statements did not include the signature page (13 percent error rate). These four (4) statements accounted for a total of $14,627.80 in purchases and were all from the same purchase card administrator, who is no longer with the agency. The agency does have a pre-approval process through an internal requisition.

Cause: The previous purchase card administrator is no longer with the agency and therefore a cause was not determined.

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

Criteria: State of Oklahoma Purchase Card Procedures **§6.12 P-Cardholder and State Entity Approving Official(s) Responsibilities**, states, "The transactions shall be signed and dated by the P-Cardholder verifying responsibility for purchases and proper reconciliation."

State of Oklahoma Purchase Card Procedures **§6.14 State Entity Approving Official(s) Responsibilities**, states, "To indicate concurrence with the reconciled transactions, the State Entity Approving Official shall sign and date the end of cycle statement or sign off on the transaction in the bank software. (Signature stamps are not acceptable, e- signature is acceptable.)"

Recommendation: We recommend the agency ensures there is a process in place for review of cardholder statements at the end of billing cycle to indicate completion by signature and date. This process should be monitored by the purchase card administrator.

Management's Response

Date: 12/15/2014
Respondent: Commissioners of the Land Office Chief Financial Officer
Response: *Concur* **-** *The purchase card administrator hired last February ensures cardholder statements are reviewed, signed, and dated at the end of the billing cycle. The agency is working on documented processes and procedures to ensure compliance and consistency of the purchase card review and approval process.*

Corrective Action Plan

Contact Person: Commissioners of the Land Office Chief Financial Officer
Anticipated Completion Date: 3/31/2015
Corrective Action Planned: *The agency will update and implement the recommended procedures in the first quarter of calendar year 2015*.

STATEWIDE RESOLUTION

Through our statewide continuous monitoring program and detail compliance audits we are finding that hotel reservations are not being canceled in advance of the cancellation deadline when the traveler is not able to fulfill their stay. Also, we are discovering that once we have reported these charges, agency management is not requiring the traveler to refund the state in the amount of the charge. Under the state travel reimbursement rules, when travel does not take place a reimbursement cannot be provided.

We will be submitting a statewide travel audit alert notifying all agencies to communicate the following to their travelers, “The traveler is responsible for cancelling their hotel stay if for any reason they cannot occupy the room. The traveler will be required to reimburse the state for the charges incurred due to not canceling the reservation prior to the cancellation deadline”.

For isolated situations, the agency director should approve the charge and document what hindered the traveler from staying at the hotel, why the reservation was not cancelled and how the incident was related to business of the agency.

The state purchase card is convenient, economical and provides state employees financial means to travel for state business without using their personal finances. Agencies with repeated abuse may have their travel purchase card privileges revoked and all travelers within the agency may return to the travel reimbursement program.

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

Purpose: Administer the school land trust funds for the production of income for the support and maintenance of the common schools and the schools of higher education.

History and Function: The Commissioners of the Land Office, a constitutional agency, was created to manage and control lands and funds granted to the state under the provisions of the Enabling Act. The act, passed by the U.S. Congress in June 1906, gave to the state certain lands and funds for the support of schools and charged the commission with the sale, rental, disposal and management of the lands as well as the trust funds and proceeds derived.

Agency Information

The agency is made up of 39 classified, 18 unclassified and 4 temporary employees according to the Oklahoma Agencies, Boards and Commissions Book as of Sept. 1, 2014.

Commissioners

Mary Fallin, Governor
Todd Lamb, Lieutenant Governor
Gary Jones, State Auditor and Inspector
Janet Barresi, Superintendent of Public Instruction
Jim Reese, President of State Board of Agriculture

Key Staff

Harry W. Birdwell, Secretary
Keith Kuhlman, Assistant Secretary
Karen Johnson, Chief Financial Officer/Approving Official
Simone Chandler, Accountant/P-Card Administrator

COMMISSIONERS OF THE LAND OFFICE

PURCHASE CARD AUDIT

FOR THE PERIOD OF SEPT. 24, 2013 THROUGH SEPT. 23, 2014

TRANSMITTAL LETTER

TO SECRETARY HARRY W. BIRDWELL AND THE COMMISSIONERS OF THE LAND OFFICE:

With this letter, we transmit the report of the Commissioners of the Land Office Purchase Card Program audit for the period Sept. 24, 2013 through Sept. 23, 2014.

We performed the audit in accordance with professional auditing standards to ensure the Commissioners of the Land Office Purchase Card Program administered by the Office of Management and Enterprise Services, Division of Capital Assets Management 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 Office of Management and Enterprise Services website, http://www.ok.gov/OSF/Audit/.

Respectfully,

Carol McFarland

Digitally signed by Carol McFarland
DN: cn=Carol McFarland, o=OMES, ou=Director, PED, email=Carol.McFarland@omes.ok.gov, c=US
Date: 2015.02.19 14:40:57 -06'00'

Carol McFarland
Director, Performance and Efficiency Division