



# Oklahoma Supreme Court Purchase Card Audit

**Audit and Internal Investigations**  
Report Released 06/04/2015

**Audit Performed by**  
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# AUDIT HIGHLIGHTS

## Oklahoma Supreme Court - Purchase Card Program Audit – April 2015

### Why We Conducted This Audit

This report provides information on the compliance of the Purchase Card Program with the state Purchase Card Procedures and the strength and execution of the agency's approved internal control procedures.

### What We Found

#### Audit Conclusion

Based on our audit, we have determined the Oklahoma Supreme Court 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 Oklahoma State Purchase Card Procedures and approved internal purchasing procedures as they relate to the acquisition process through the use of purchase cards.

#### Finding Summary

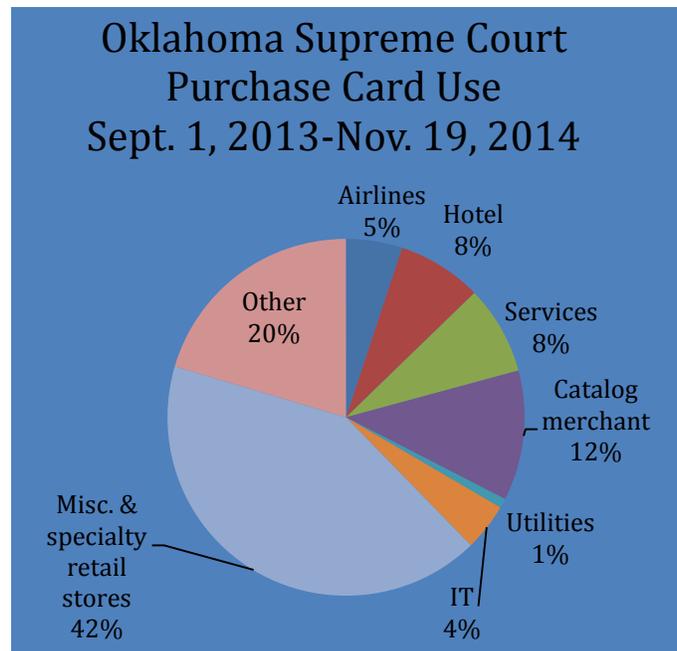
*(Error rates are based on transactions reviewed.)*

[Finding 15-677-01](#) – Purchase Card Program administration did not have access to the card management system; two participants in the Purchase Card Program do not hold the state Certified Procurement Officer certification; one cardholder did not have an individual approving their transactions who had met the approving official requirements.

[Finding 15-677-02](#) – A spend analysis was conducted and four of the purchase cards' credit limits appeared excessive.

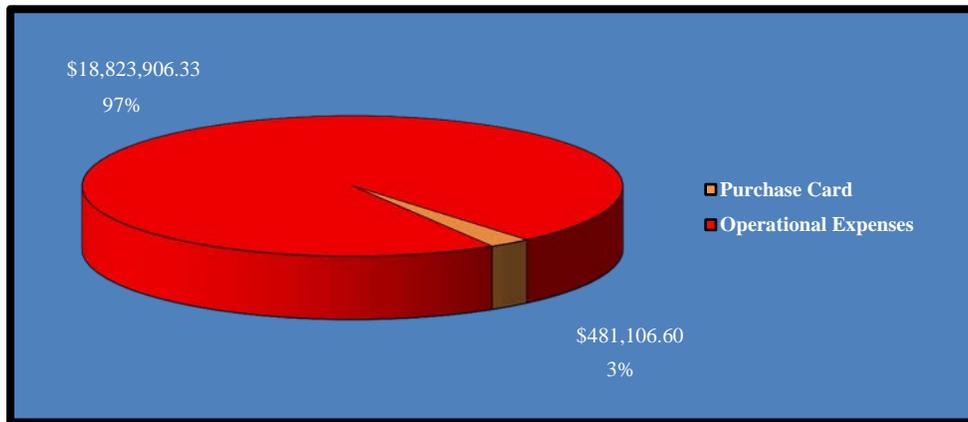
[Finding 15-677-03](#) – No proof of delivery document was available for 10 purchases totaling \$19,823.89. Also, 19 percent of transactions were not accompanied by a payment confirmation.

[Finding 15-677-04](#) – The agency did not have state employee purchase card agreements on file for the program participants.

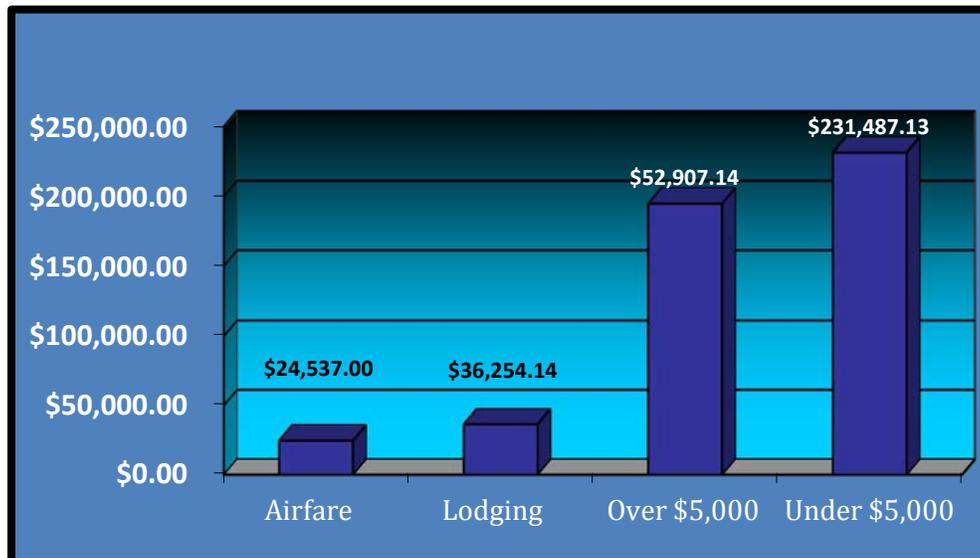


## AUDIT OVERVIEW

This audit was performed pursuant to 74 O.S. §85.5.E. and the State of Oklahoma Purchase Card Procedures. Our audit was to determine if the agency's Purchase Card Program for the period of Sept. 1, 2013 through Nov. 19, 2014, complied with the audit objectives. As of Dec. 10, 2014, there are four purchase cardholders and one approving official in the agency. In total, the agency had \$481,106.60 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 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 and pie graph.



## DETAILED FINDINGS

### Finding 15-677-01: Purchase Card Program Administration

**Condition:** The current purchase card administrator did not have access to Works as of 12/10/2014.

The purchase card administrator and the finance officer do not hold the state Certified Procurement Officer (CPO) certification.

The cardholder (5707) did not have transactions approved by an individual who met the approving official requirements. The non-compliance occurred from Aug. 1, 2014, to the end of the audit period, Nov. 19, 2014.

**Effect or Potential Effect:** Without access to Works, the P-card administrator is not able to administer cards or review and monitor transactions as timely as possible.

The lack of CPO certification for all cardholders has little to no effect.

By not having received the required training, approving officials may not be fully aware of their duties and responsibilities as approving officials.

**Cause:** A precedent was set by the previous P-card administrator who did not frequently use Works.

The current P-card administrator is new and has not attended CPO training. Management of the agency verbally indicated that due to the infrequent use of the P-card, the finance officer did not have to attend CPO training because the training was not considered a high priority.

P-card training was not considered a high priority.

**Criteria:** The State of Oklahoma Purchase Card Procedures § 3.5 State Entity P-Card Administrator states in part:

The State Entity individual designated by the State Entity Chief Administrative Officer to manage, on a day-to-day basis and in detail, the P-Card Program and transaction system for the State Entity. This employee and any designated back-up are the only employees authorized with the Issuing Bank to designate or change P-Card holder and card limits for their State Entity. The State Entity P-Card Administrator is the primary interface with the State P-Card Administrator and the issuing bank.

The Oklahoma Supreme Court Network's internal purchasing procedures December 2009 § 3.6 State issues credit cards "P-Cards" states in part:

The Court's Director of Purchasing and other Court CPO's shall obtain the required training in order to possess a state-issued purchase card for the purpose of making small purchases when a p-card transaction is the most efficient and appropriate procurement method. Only Court purchasing personnel who possess the state certification of CPO will be permitted to attain and utilize p-cards on behalf of the Court.

The State of Oklahoma Purchase Card Procedures § 3.8 Training states in part:

All State Entity P-Card Program Participants (Entity Administrators and back-ups, Approving Officials and back-ups, and cardholders) must successfully complete the initial training provided by OMES as prescribed by the State Purchasing Director prior to assuming their duties and/or prior to being issued a P-Card, including a lodging-only card. The OMES P-Card training schedule and P-Card Training Registration form.

Training is required every two (2) years from the date of the last training session or after a contract vendor change, whichever is first. It is the responsibility of the State Entity P-Card Administrator to ensure employees are re-trained within the prescribed timeframe.

**Recommendation:** We recommend the following:

- P-card administrator obtains access to Works.
- P-card administrator obtains a CPO certification. If the Supreme Court management deems it appropriate, it may choose to modify the agency's internal procedures to allow for an exception to the CPO requirement for cardholders and procurement staff.
- Appropriate individual who is at least one level higher than cardholder, attend P-card training so the cardholder will have a proper approving official.

#### **Management Response**

**Date:** 3/16/2015

**Respondent:** Purchase Card Administrator

**Response:** Concur - The new P-card Administrator now has access to Works (access since January 2015). The new P-card Administrator is registered for CPO training (scheduled for April 7-9, 2015) and will sit for the CPO certification exam on April 10, 2015. We do not believe it is necessary for the finance officer to have CPO certification; therefore, the internal procedures will be changed to reflect this exception. Administrative Director of the Courts, is our approving official. The new P-Card Administrator and the Director of Purchasing (also a cardholder) both report to Administrative Director of the Courts. Administrative Director of the Courts attended P-Card training in January 2015 and has a Purchase Cardholder Agreement on file.

#### **Finding 15-677-02: Cardholder Limit Reasonableness**

**Condition:** A spend analysis was performed as part of the audit program and compared with cardholder credit limits. All four cards evaluated appear to have excessive credit limits.

**Effect or Potential Effect:** The agency places unnecessary risk on the cardholder and the agency when the transaction or card limits are set in excess of the individual cardholder's needs.

**Cause:** The initial card limits were set too high and the agency had not performed a spend analysis to determine limit needs.

**Criteria:** The State of Oklahoma Purchase Card Procedures § 6.14.3 State Entity P-Card Administrator states in part:

- Establishing written P-Card Program policies and procedures;
- Processing authorized requests for P-Cards, maintaining controls over active cards (i.e., setting and changing card spend profiles, ordering cards, deactivating cards, adding and deleting users, and setting permissions)

**Recommendation:** We recommend that the purchase card administrator evaluate the usage of each purchase card annually and adjust limits as needed.

#### **Management Response**

**Date:** 3/16/2015

**Respondent:** Purchase Card Administrator

**Response:** We agree that the card limits on all of the cards were too high. Therefore, the limits were lowered in February 2015. The current limit on 3 cards is \$50,000 and \$75,000 on the last card. This applies only to the cards that are used for the Supreme Court. The 4 cards for the District Courts still have a limit of \$10,000.

### **Finding 15-677-03: Packing Slip and Payment Confirmation**

**Condition:** During our purchase card audit we reviewed 18 purchases, totaling \$78,351.44, for which the product was shipped after the purchase.

During our testwork we noted that 10 of 18 (56 percent error rate) purchases totaling \$19,823.89 were not accompanied with a packing slip or proof of delivery. These included seven purchases from CDW Government totaling \$14,788.77. A single cardholder card ending in 9440 was related to 90 percent of the exceptions.

Also, during our testwork we noted that 9 of 48 (19 percent error rate) purchases totaling \$19,688.09 were not accompanied with a payment confirmation. These included six purchases from CDW Government totaling \$14,652.97.

**Effect or Potential Effect:** There is no verification that goods and/or services were actually received by the agency. Also, with no payment confirmation, there is lack of proof the transaction was authorized to be purchased by the cardholder.

**Cause:** A single cardholder was not diligent with their purchase card responsibility.

**Criteria:** State of Oklahoma Purchase Card Procedures §6.11 Receiving Goods and Services states in part:

6.11.2 Products shipped – A packing slip or proof of delivery obtained from carrier’s website must be obtained.

State of Oklahoma Purchase Card Procedures §6.9.6 Payment Confirmation states in part:

A payment confirmation must be obtained for walk-in, internet, or phone payments. The payment confirmation can be part of the receipt or accompanying the receipt. When the purchase card is used to pay for an invoice, then the supporting documentation must be accompanied by a payment confirmation or the payment confirmation number must be written on the invoice.

**Recommendation:** We recommend that the agency develop, implement and communicate to all cardholders the importance of collecting and maintaining receiving documentation and payment confirmations. We also recommend the agency review its process for returning receiving documentation to the cardholder to properly support the product or service was received.

A recommendation will be made to the state purchase card administrator to review the need for maintaining payment confirmations when other supporting documentation and information in Works is sufficient.

**Management Response**

**Date:** 3/16/2015

**Respondent:** Purchase Card Administrator

**Response:** We partially concur on this point. We agree that the need for the packing slip or proof of delivery is very important. However, we maintain that if there are other supporting documents and information in Works that confirm payment, that information should be sufficient.

The Purchase Card Administrator will have a meeting with all purchase cardholders reminding them of the Purchase Card procedures. A one-on-one meeting has already been conducted with the cardholder identified in this report (card ending in 9440) reminding that cardholder of the Purchase Card procedures and the need to double check all transactions. We have informed CDW Government that we will no longer be paying by purchase cards because of their continued failure to send proper payment confirmation. Therefore, any and all orders to that vendor will be placed solely via Purchase Order from now on.

## **Finding 15-677-04: Employee Cardholder Agreements**

**Condition:** During our audit planning stage we noted the agency did not have state employee P-card agreements on file for program participants.

**Effect or Potential Effect:** By not having signed employee P-card agreements on file, the agency has no documentation that the participant is aware of, understands and agrees to follow the rules and regulations of the P-card Program.

**Cause:** We were informed employee P-card agreements were signed prior to engaging in the P-card Program, but the agreements could not be located after the agency moved locations.

**Criteria:** The State of Oklahoma Purchase Card Procedures §6.1.1 Purchase Card Employee Agreement states in part:

All State Entity P-Card Program Participants must read and sign the State of Oklahoma Purchase Card Employee Agreement form in the appropriate signature block, prior to assuming their duties and being issued P-Cards

- The State Entity P-Card Administrator shall maintain the original employee-signed copy of the Agreement for all participants of the P-Card Program. A copy of the signed agreement shall be provided to the employee. For participants who are P-Card holders, the P-Card Agreement form shall also contain card limitations applied to the individual employee. If an employee holds multiple positions within the P-Card Program, a separate Agreement form must be signed for each role and the position notated on the form.

**Recommendation:** We recommend the agency have all participants sign new cardholder agreement forms and maintain the agreement forms on file.

### ***Management Response***

**Date:** 3/16/2015

**Respondent:** Purchase Card Administrator

**Response:** We concur with this recommendation. All Purchase Cardholders have completed a cardholder agreement. The agreements are kept on file with the Purchase Card Administrator.

# 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.

## Sampling

The population for substantive test work was 586 transactions totaling \$481,106.60. For all transactions under \$5,000, over \$5,000, airline and lodging, we did a stratification random sampling to obtain our sample for testwork. In addition, 18 transactions were selected at the auditor's discretion and tested against selected attributes.

	# of Transactions	(\$ Amount
<b>Total Expenditures</b>	<b>586</b>	<b>\$481,106.60</b>
<b>Reverse Transactions</b>	<b>(8)</b>	<b>(\$0.00)</b>
<b>Agent Fees</b>	<b>(16)</b>	<b>(\$395.97)</b>
<b>Negative Transactions</b>	<b>(12)</b>	<b>\$6,306.88</b>
<b>Filtered Population</b>	<b>550</b>	<b>\$487,017.51</b>
<b>Sub-Populations:</b>		
<b>Airfare</b>	<b>38</b>	<b>\$24,537.00</b>
<b>Lodging</b>	<b>133</b>	<b>\$36,254.14</b>
<b>Under \$5,000</b>	<b>372</b>	<b>\$231,487.13</b>
<b>Over \$5,000</b>	<b>7</b>	<b>\$194,739.24</b>
<b>Samples:</b>		
<b>Over \$5,000</b>	<b>2</b>	<b>\$51,731.66</b>
<b>Under \$5,000</b>	<b>31</b>	<b>\$45,309.22</b>
<b>Airfare</b>	<b>15</b>	<b>\$15,802.90</b>
<b>Lodging</b>	<b>12</b>	<b>\$4,238.16</b>
<b>Judgmental</b>	<b>18</b>	<b>\$2,952.94</b>

## Executive Summary

**Organization:** The Oklahoma Supreme Court

**History and Overview:** The Oklahoma Supreme Court determines all issues of a civil nature in the State of Oklahoma. Members of this court are appointed by the governor from a list of three names submitted by the Oklahoma Judicial Nominating Commission.

## Agency Information

The Agency does not have the number of employees listed in the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 1, 2014.

## Key Staff

**Michael D. Evans**, Administrative Director of the Courts

**Michael Smith**, Director of Purchasing

**LeShawn Turner**, Contracts Manager/Purchase Card Administrator

## TRANSMITTAL LETTER

**TO MICHAEL D. EVANS, ADMINISTRATIVE DIRECTOR OF THE COURTS AND OKLAHOMA SUPREME COURT**

With this letter, we transmit the report of the Oklahoma Supreme Court Purchase Card Program audit for the period Sept. 1, 2013 to Nov. 19, 2014.

We performed the audit to ensure the Oklahoma Supreme Court Purchase Card Program as administered by the Office of Management and Enterprise Services is compliant 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://www.ok.gov/OSF/Audit>.

Respectfully,

Carol McFarland  
Director, Performance and Efficiency Division