



**Oklahoma State Board of
Licensure for Professional
Engineers and Land
Surveyors
Purchase Card Audit**

Audit and Internal Investigations
Report Released June 4th, 2015

Audit Performed by
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AUDIT CONCLUSION

Based on our audit, we have determined the Oklahoma State Board of Licensure for Professional Engineers and Land Surveyors 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.

AUDIT FINDING SUMMARY

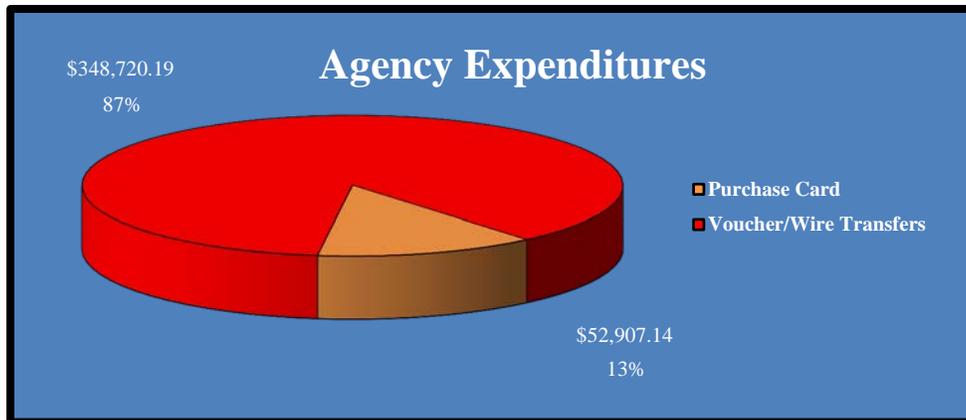
[Finding 14-570-02](#): One transaction had the personal address of an employee as the ship to address. The cardholder needed a PayPal account to purchase an item for the agency so they used their personal PayPal account to fix the problem they encountered. We also noted three transactions were not supported by a proper itemized receipt.

[Finding 14-570-01](#): One current cardholder didn't have access to Works system and the current approving official for the agency hasn't attended refresher purchase card training.

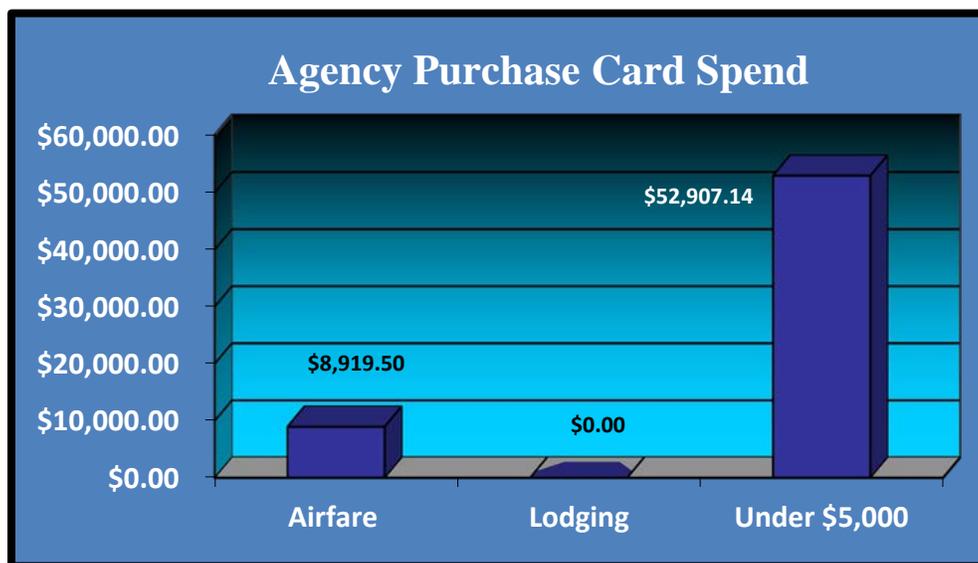
[Finding 14-570-03](#): The description field of the Works system was not being filled out correctly for airline transactions made by the agency.

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 Dec. 17, 2014, complied with the audit objectives. As of Sept. 23, 2014, there are two purchase card holders and one approving official in the agency. In total, the agency had \$52,907.14 in purchase card spend during the audit period. The agency's Purchase Card Program has remained relatively small 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 for airfare. The agency’s purchase spend is categorized in the following table.



DETAILED FINDINGS

Finding 14-570-02: Receipts and Shipping Address

Condition:

1. We tested 31 transactions that required an itemized receipt to support the goods were purchased by the agency. Out of the 31 transactions, one transaction did not have a receipt and one transaction did not have supporting documentation in the monthly packet when tested. Of the remaining 29, three transactions (10 percent error rate) did not have the proper itemized receipt.

2. We tested 15 transactions selected at the auditor's discretion and noted one transaction had the personal address of an employee as the ship to address. The cardholder needed a PayPal account to purchase a good for the agency so they used their personal PayPal account to fix the problem they encountered.

Effect or Potential Effect:

1. There is no verification or documentation that goods were purchased by the agency, therefore, there is no itemized record of what goods and services were purchased for the agency.
2. Allowing state business purchases to be made using non-state accounts or to be shipped to an address other than a work-related location increases the state's risk of fraud and abuse.

Cause:

1. The agency is not diligent about obtaining and retaining detailed receipts for purchases.
2. The cardholder used their personal PayPal account to make a purchase for the agency and did not change the ship to address.

Criteria:

State of Oklahoma Purchase Card Procedures §6.9 Receipts for Purchase states in part:

Receipts shall be obtained for **all** purchases regardless of the order method. The receipt shall give an itemized and detailed description of the purchase and must include at a minimum: (1) vendor; (2) date of purchase; (3) description; (4) unit price and quantity; and (5) transaction total. A detailed and itemized carbon copy is acceptable. **Receipts cannot be modified in any way by either merchant or agency.**

Recommendation:

We recommend the agency create procedures to conduct monitoring activities to autonomously review the supporting documentation to determine continued compliance with the purchase card requirements.

The agency has been notified not to allow employees to make state business purchases using their personal account or have state business purchases delivered anywhere other than work-related locations under any circumstances.

Management's Response

Date: 3/20/2105

Respondent: Executive director

Response: Partially Concur

Condition 1

- The lost receipt mentioned was documented and verified by the Executive Director as a lost receipt in the amount of \$23.70 for Daylight Donuts on the day of a formal board meeting that was posted.
- The transaction that did not have supporting documentation in the monthly packet when tested was for a computer tablet. The documentation was attached to the warranty information in our computer file and was immediately produced when requested.
- The remaining 3 transactions that were mentioned as not having the proper itemized receipt totaled \$64.52. The receipts were attached to the transaction indicating the date of the purchase, the total purchase amount and the name of the vendor. These 3 transactions also involved meeting refreshments on the day of a formal board meeting that was posted.

Condition 2

- The one item mentioned involved a Professional Licensure Newsletter that was approved by the Executive Director. The subscription required a PayPal account which inadvertently used an employee's "ship to" address. This was corrected immediately and many months prior to the audit. No goods or services were unaccounted for and the matter was corrected immediately.

Corrective Action Plan

Anticipated Completion Date: Not Provided

- All transactions will be double-checked to insure that we obtain itemized receipts, no matter how small the transaction is or what the purchase is for.
- I do not concur that the supporting documentation being filed in a separate location should have been included on an audit report.
- The inaccurate "ship to" address was a very isolated incident and did not represent the normal or acceptable business practice of this agency. This matter was identified immediately, no goods or services were unaccounted for and resolved prior to the auditor's finding.

Auditors Response

Condition 1: We visited the agency initially to perform all test work and did not find an itemized detailed receipt or supporting documentation for the tablet. We visited a second time to discuss exceptions noted which included the computer tablet purchase and did not obtain supporting documentation. Finally, we visited a third time to physically verify the tablet was located at the agency; upon this visit, agency personnel provided us with supporting documentation for the purchase. Though, we did not physically locate the tablet at the agency, we obtained a written statement from the individual stating the tablet was located at their residence after attending a conference.

Finding 14-570-01: Approving Official and Cardholder Responsibilities

Condition:

1. One current cardholder didn't have access to Bank of America Works system as of 12/09/2014. The cardholder has had their purchase card since 11/19/2013.
2. The current approving official for the agency hasn't had refresher purchase card training. The approving official attended initial purchase card training on 08/21/2008. As of 01/22/2013, the refresher training requirement changed from five years to two years within the state purchase card procedures. At that point in time, the approving official became noncompliant. We reviewed the training log from Central Purchasing and the approving official had not attended refresher training as of 12/09/2014.

Effect or Potential Effect:

1. Cardholder isn't able to review and monitor transactions charged to the purchase card. This raises the agency's fraud risk by potentially having the P-card compromised with the cardholder not aware the action has occurred.
2. By not receiving the required refresher training, approving officials may not be fully aware of their duties, responsibilities and important updates.

Cause:

1. The agency hasn't trained the cardholder in Works, therefore the cardholder hasn't been granted access.
2. Due to a lack of tracking and notification, the agency lacks strong procedures to ensure refresher training is up to date for approving officials.

Criteria:

1. The State of Oklahoma Purchase Card Procedures **§6.14.1 P-Card holder Responsibilities** states in part:
 - The P-Card holder shall make purchases of goods or services in compliance with these Procedures and retain all transaction documentation for reconciliation at the end of the cycle.
 - The P-Card holder shall update the description field on the Issuing Bank's transaction system for each transaction made:
 1. from a Statewide Contract with a brief description of the goods or services purchased.
 2. including the Statewide Contract number.
 3. for airline or lodging purchases.

This task should be performed on at least a weekly basis or upon receipt of notice from the Works system that you have an item to review to ensure adequate time for the reconciliation and payment process at the end of the cycle.

- The P-card holder shall confirm transactions are correct and true and sign off as instructed by their agency policy and procedures.
- Transactions shall be reconciled by the P-card holder. In reconciling the transactions, P-card holders shall use transaction documents to verify purchases and returns are accurately listed in the banks online system.
- The transactions shall be signed and dated by the P-card holder verifying responsibility for purchases and proper reconciliation (signature stamps are not acceptable, but e-signatures are accepted).
- Once signed and dated the transaction documentation must be submitted to the P-card holder's designated state entity approving official or designated state entity back-up approving official. All P-card holders (including state entity P-card administrators and state entity approving officials for other P-card holders) must have their reconciliation approved by an approving official who is at least one level above their position and current on their P-card training.
- If no transactions are processed during the billing cycle, no action is required.

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

Training is required every two 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 agency to:

1. Provide all purchase card holders access to Works.
2. Send the approving official to the next available refresher purchase card training.

Management's Response

Date: 3/20/2015

Respondent: Executive director

Response:

Conditions 1 and 2

I partially concur with these findings. The agency requested Works training for the cardholder mentioned on numerous occasions during this time period and each time reasons were given why the training was not available at that time. Also, changing the refresher training requirement from five years to two years without proper notification to the approving official is an unjustified reason for a formal finding of noncompliance.

Corrective Action Plan

Contact Person: Executive director

Anticipated Completion Date: March 25, 2015

Corrective Action Planned: All of the required training and access will be completed by March 25, 2015.

Finding 14-570-03: Description Filed Requirements — Airline Purchases

Condition: We tested seven airline transactions for the agency and noted none of those tested contained any traveler information in the description field of the Bank of America Works system.

Effect or Potential Effect: Essential information regarding the use of the state’s purchase card to purchase travel-related expenses is undocumented and accountability within the system is weakened.

Cause: The agency wasn’t aware of the requirement to include traveler information in the Works description field.

Criteria: The State of Oklahoma Purchase Card Procedures §6.13.1.2.2 **P-card Transaction Editing** states in part:

P-card transaction editing – The following information shall be listed in the Bank’s transaction system. Some of the information is automatically populated due to Airlines and Lodging Establishments registering as Level 3 merchant; however, the airlines and lodging establishments have 30 days to provide the Level 3 information. Therefore, the P-Card holder is responsible for ensuring the following information is included and may have to enter all of it in the Description field under “Allocation”:

- **Airline purchases:**

Traveler’s name, employee ID number, itinerary/confirmation number, date of travel, and purpose of travel; for travelers that are authorized non-state personnel, include the traveler’s name; the justification for the travel, to and from destination; and dates of travel.

Recommendation: We recommend the agency notify cardholders and the purchase card administrator to ensure the completion of the description field when required.

Management’s Response

Date: 3/20/2015

Respondent: Executive director

Response: Concur — The agency was unaware of the proper procedure and have already put corrective measures in place to ensure that these fields are filled out completely.

Corrective Action Plan

Contact Person: Executive director

Anticipated Completion Date: 3/20/2015

Corrective Action Planned: The agency was unaware of the proper procedure and have already put corrective measures in place to ensure that these fields are filled out completely.

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 were evaluated.

Sampling

The population for substantive test work was 234 transactions totaling \$61,761.68. For all transactions under \$5,000 and airline transactions, we did a stratification random sampling to obtain our sample for testwork. In addition, 15 transactions were selected at the auditor's discretion and tested against selected attributes.

	Transactions	Amount
Total Expenditures	234	\$61,761.68
Reverse Transactions	(12)	(\$0.00)
Agent Fees	(5)	(\$97.00)
Negative Transactions	(4)	\$161.96
Filtered Population	213	\$61,826.64
Sub-Populations:		
Airfare	19	\$8,919.50
Under \$5,000	194	\$52,907.14
Samples:		
Under \$5,000	30	\$17,333.92
Airfare	7	\$3,139.60
Judgmental	15	\$2,260.16

Executive Summary

Organization: Oklahoma State Board of Licensure for Professional Engineers and Land Surveyors.

Mission Statement: Charged with the responsibility for safeguarding life, health and property as affected by the practice of professional engineering and land surveying. To facilitate the prosecution of persons found in violation of established rules.

History and Overview: The Oklahoma State Board of Licensure for Professional Engineers and Land Surveyors contain seven board members.

Board Members:

Ted Sack, P.L.S., Chair
George Gibson, P.E., Vice Chair
Robert C. Zahl, P.E., Secretary
Roy W. Entz, P.L.S., P.E.
Glen W. Smith, P.E., P.L.S.
Bill McVey, Jr., P.E.
Monica Wittrock, Public Member

Agency Information

The agency is made up of four classified and five unclassified employees according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 1, 2014.

Key Staff

Kathy Hart, Executive Director
Bruce Pitts, Assistant Director/ Director of Enforcement
Victoria Mitchell, Purchase Card Administrator/Financial Executive Assistant
Mark Kirk, Director of Communications

TRANSMITTAL LETTER

TO KATHY HART, EXECUTIVE DIRECTOR AND BOARD MEMBERS OF THE BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS

With this letter, we transmit the report of the Oklahoma State Board of Licensure for Professional Engineers and Land Surveyors purchase card audit for the period Dec. 15, 2013 to Dec. 14, 2014.

We performed the audit to ensure the Oklahoma State Board of Licensure for Professional Engineers and Land Surveyors 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