

JOHN S. RICHARD
Director



BRAD HENRY
Governor

STATE OF OKLAHOMA
DEPARTMENT OF CENTRAL SERVICES

November 2, 2006

TO VIC BIRD, DIRECTOR, AND THE OKLAHOMA AERONAUTICS COMMISSION

With this letter, we transmit the report of the Oklahoma Aeronautics procurement program audit for state fiscal year 2005.

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.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of the engagement.

Sincerely,

A handwritten signature in black ink, appearing to read "John S. Richard", written over the printed name and title.

John S. Richard
Director of the Department of Central Services

"Committed to Quality"

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OKLAHOMA

DEPARTMENT OF CENTRAL SERVICES AUDIT UNIT



OKLAHOMA AERONAUTICS COMMISSION

Procurement Audit

For the Period July 1, 2004 through June 30, 2005

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PURPOSE, OBJECTIVE AND SCOPE

The Department of Central Services, Auditing Unit has completed an audit of Oklahoma Aeronautics Commission, hereinafter referred to as the "Agency", procurement program for the period July 1, 2004 through June 20, 2005. The purpose of this report is to communicate the results of the audit.

The objective of this audit was to:

- determine if the agency is in compliance with provisions of the Oklahoma Central Purchasing Act;
- determine if the agency is in compliance with rules promulgated by the Department of Central Services pursuant to the Oklahoma Central Purchasing Act;
- determine if the agency is in compliance with provisions of Section 3001 et seq. of Title 74 pertaining to the State Use Committee;
- determine if the agency is in compliance with the State of Oklahoma Purchase Card Procedures;
- determine if the agency is in compliance with approved internal purchasing procedures;
- make recommendations for improvements.

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 procurement program (including the purchase card program) were documented and evaluated.
- Procurement transactions (including purchase card transaction from the active cardholders) were examined.
- Overall program compliance with the rules related to the audit objectives was evaluated.

EXECUTIVE SUMMARY

Organization

The Oklahoma Aeronautics Commission's emphasis is the promotion of the aerospace and aviation industry, one of our State's largest industries; critical planning and development for the State's public airport system; achieving the objective of the Commission to make as many of the State's 49 regional business airports jet-capable as possible within this decade (40 are currently jet-capable); fostering partnerships between various public entities (e.g., cities, counties and universities) to act as airport sponsors (thus spreading the responsibility for maintaining an airport) and encouraging public-private partnerships to grow the aerospace industry. The Commission was a driving force for the formation of the Governor's Aerospace Task Force and is spearheading the way in the implementation of the Task Force's recommendations and promoting aviation in Oklahoma, including acting as the catalyst in the establishment and growth of the state's first aerospace trade association, the Oklahoma Aerospace Industry Association.

Agency

The Agency is made up of seven unclassified, non-merit staff members as of September 2005. At the time of the review, there were two certified procurement officers and 3 purchase card holders in the agency.

Key Staff:

Vic Bird-Director
Bud Webster-Finance Officer
Dale Williams-Airport Engineer
Denise Manek-P/Card Administrator

Commission Members: *(During audit period)*

Wes Stucky- Chairman
Robert Jandebour
Joe Odgen
Joe Harris
Dave Amis
Kenneth Adams
Tom Stephenson

AUDIT RESULTS

Economy Results

Estimated Savings. The purchase card program saved the Agency an estimated net savings of \$3,637.23 during state fiscal year 2005. This is 25.5% (\$3,637.23 / \$14,249.21) of the total dollars expended using the purchase card. This is an average estimated savings of \$25.08 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 the office supply contract allows the agency to order a number of different products without having to go to the time consuming process of setting up multiple line purchase orders.

Questioned Costs. We noted a total questioned cost of \$52.49, which includes a net additional cost to the State in the amount of \$35.99 from open market purchases rather than from preferred merchants, and \$16.50 attributable to a missing receipt. The total net additional extrapolated cost is \$74.19.

Findings and Recommendations

Findings and recommendations are reported based on audit significance.

Finding No: 05-060-06 - Professional Service Contracts

Criteria:

Criteria #1. Title 74, O.S. Section 85.4(E)(1) states in part:

“A contract that results from a requisition required by this section for nonprofessional services or professional services whether or not such services are exempt from the competitive bidding requirements of this section or pursuant to Section 85.7 of this title shall be signed by the chief administrative officer of the state agency or the chief administrative officer of the requisitioning unit of the state agency certifying that:

- a. No employee of the state agency is able and available to perform the services to be provided pursuant to the contract,
- b. The state agency shall receive, review and accept a detailed work plan from the supplier for performance pursuant to the contract if requested by the State Purchasing Director,
- c. The state agency has developed, and fully intends to implement, a written plan providing for the assignment of specific state agency personnel to:
 - 1) Monitoring and auditing supplier performance,
 - 2) The periodic review of interim reports, or other indications of performance, and

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- 3) If requested by the State Purchasing Director, the ultimate utilization of the final product of the nonprofessional or professional services..."

Criteria #2 - Title 74, O.S. Section 85.41, **Professional Services Contracts** states in part:

- (A) A state agency that acquires professional service shall comply with the provisions of this section.
- (B) The state agency shall evaluate the performance of the professional services provided pursuant to a professional services contract. The performance evaluation shall indicate the quality of service or work product of the supplier. The state agency shall retain the evaluation in the document file the state agency maintains for the acquisition pursuant of Section 85.39 of this title. If the evaluation indicates deficiencies with the supplier's work, the state agency shall send a copy of the evaluation to the State Purchasing Director.

Procurement Information Memorandum (Number 01-1 Revised), Professional Services Contract Evaluations, dated September 30, 2004, states in part, "Professional Service Contract evaluations which indicate satisfactory performance are to be maintained by the state agency as part of the contract file... State agencies shall use Purchasing Form 017, Professional Service Evaluation, to document performance..."

Criteria #3 - Title 74, O.S. Section 85.23 **Notarized sworn statement attached to contract** states in part, "A notarized sworn statement shall be attached to each contract for goods and services awarded by the state, which shall be in substantially the following form:

- 1. (s)he is the duly authorized agent of,
- 2. (s)he is fully aware of the facts and circumstances surrounding the making of this contract...and has been personally involved in the proceedings...
- 3. neither the contractor nor anyone subject to the contractor's direction or control has paid, given or donated or agreed to pay...either directly or indirectly, in procuring the contract to which this statement is attached."

Criteria #4 -Title 74, O.S. Section 85.42.B, One Year Limitation on Entering Contracts with Certain Persons-Exceptions states in part:

Each contract entered into by any person or firm with the State of Oklahoma shall include an affidavit certifying that no person who has been involved in any manner in the development of that contract while

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employed by the State of Oklahoma shall be employed to fulfill any of the services provided for under said contract.....

Condition: We tested all six professional service transactions totaling \$284,156.00 during the audit period. Of the six transactions reviewed, we noted the following:

1. 4 of the 6 (66%) acquisitions reviewed did not contain the appropriate service requisition justification that included specific language as reference in the above cited statutes.
2. 4 of the 4 (100%) professional service acquisitions that required professional service evaluations did not have a performance evaluation completed or retained in the contract file; therefore, we could not determine the quality of service provided by the vendor or if any deficiencies existed which would require the evaluation to be submitted to the State Purchasing Director.
3. 2 of the 6 (50%) acquisitions reviewed that were required to obtain a notarized sworn statement by the vendor was not obtained or retained in the contract file as required by Title 74, O.S. Section 85.23.
4. 2 of the 6 (33%) acquisitions reviewed did not include an affidavit certifying that no person who has been involved in any manner in the development of that contract while employed by the State of Oklahoma shall be employed to fulfill any of the services provided for under said contract.

Cause:

1. Clerical oversight.
2. The agency indicated they have not been diligent in evaluating the services of professional vendors. Their understanding was to complete an evaluation only if there were deficiencies in the vendor's services.
3. The agency indicated they have not been diligent in obtaining a notarized sworn statement from the vendor.
4. The agency indicated they have not been diligent in obtaining the notarized statement declaring no former state employee involved in the development of the contract will in any manner fulfill any services provided by that contract.

Effect:

1. The omission of the appropriate service requisition justification could result in the procurement of services that could have been performed by an employee of the agency or the services have not been evaluated and approved by the CAO of the agency as necessary.
2. Inadequate review of professional services provided to the state could result in the continued practice of awarding service contracts to vendors who do not perform adequate services resulting in substandard services and possible liability to the state as a result of those substandard services.

3. The omission of the required sworn affidavit by the vendor could increase the state's liability by reducing the vendor's liability.

4. A possible conflict of interest could arise from a former state employee who developed the contract and is now permitted to be compensated for services rendered.

Recommendation: We recommend the following:

1. The agency submit the appropriate service requisition justification that includes the required specific language as reference in the above cited statute Title 74, O.S. Section 85.4(E)(1).
2. To complete and maintain on file Form 017, Professional Service Evaluation for all professional services rendered. The state agency should retain the original evaluation in the document file the state agency maintains. Any vendor inadequacies should be filed with the State Purchasing Director.
- 3 & 4. The agency to obtain the required notarized sworn statements as required by the Central Purchases Act for each contract awarded by the State.

We recommend the Agency to evaluate the processing of the professional service contracts and to integrate all the purchasing requirements into the Agency's procedures.

Management's Response

Date: 10/26/2006

Response: Concur - The agency concurs with the finding.

Corrective Action Plan

Anticipated Completion Date: 10/26/2006

Corrective Action Planned: The agency will review all documentation on each contract before issuance of said contract to meet the statutory requirements outlined in the finding and will evaluate all professional service contracts as required by statute.

Finding No: 05-060-01 – Purchase Card Administrator

Criteria:

1. State Purchase Card Procedures § 3.5, **State Entity P/Card Administrator** states:

The state entity individual designated by the Entity Chief Administrative Officer to manage, on a day-to-day basis and in detail, the p/card program for the entity. This employee and any designated back-up are the only employees authorized with Bank One/JPMorgan Chase to designate or change cardholder and card limits for their state entity.

2. State Purchase Card Procedures § 6.11, **Lost or stolen cards** states:

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 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.

3. State Purchase Card Procedures § 6.8.2, **Bank One/JPMorgan Chase assistance**, states, "Disputed transactions which cannot be quickly resolved between the cardholder and merchant shall be reported to Bank One/JPMorgan Chase immediately and, at least, no more than 30 days after the original transaction date."

Condition:

1. The State Entity P/Card Administrator does not monitor the purchase card program on a daily basis. A review of the information on Pathway Net indicated the last time the P/Card Administrator logged into the system was September 7, 2005, seven months prior to this audit finding on April 12, 2006. The Administrator indicated that she would send any requests for card limit changes to the State P/Card Administrator for processing.

A cardholder and not the Purchase Card Administrator would be the individual enforcing purchase card violations. This appears to be an inappropriate level of authority to enforce penalties for purchase card violations within the Agency.

A terminated cardholder's purchase card was cancelled but the cardholder still has access to log into Pathway Net.

The P/Card Administrator stated that she is not sure how to make credit limit changes in Pathway Net.

2. The Agency's purchase card program administrator appeared unfamiliar with the Lost and Stolen purchase card procedures based upon responses received that did not include the cardholder's involvement in the process of reporting a lost or stolen card.
3. An agency cardholder indicated that obtaining a credit for sales tax in the amount of \$18.76 paid to a merchant was longer than 30 days.

Cause:

1. The State Entity P/Card Administrator monitors purchase card activity on a monthly basis when she obtains the monthly statement for all agency cardholders. Since the agency has only two cardholders, she determined that this level of monitoring was sufficient.

2. The State Entity P/Card Administrator did not stay current with the specific requirements of the State of Oklahoma Purchase Card Procedures.
3. The agency was unaware of the opportunity or method to dispute a transaction with the credit card bank to protect the dispute rights of the cardholders.

Effect:

- 1 and 2. The Agency's purchase card program controls are weakened due to inadequate knowledge of the management's responsibilities which may lead to misuse or abuse of the purchase card. Also the Agency may not be able to perform immediate actions that are sometimes required of purchase card management.
3. There is the potential for the agency to unintentionally forfeit dispute rights with the bank by not notifying the bank of the unresolved dispute in a timely manner.

Recommendation: We recommend the Agency to follow through with the decision to give the responsibilities of P/Card Administrator and Approving Official to the Finance Officer. We agree with the Finance Officer decision to cancel his purchase card to adequately segregate duties before accepting the new position. Additionally, the new P/Card Administrator should develop a working understanding of the purchase procedures set forth by the Department of Central Services as they relate to the purchase cards.

Management's Response

Date: 10/26/2006

Response: Concur- The agency concurs that because of the agency's P/Card Administrator's lack of understanding and experience with purchasing principles, the agency's adherence to the program controls was weakened.

Corrective Action Plan

Anticipated Completion Date: 04/26/2006

Corrective Action Planned: Agency Finance Officer has cancelled his card and has become the agency's P/Card Administrator and has reviewed the procedures extensively to better understand the requirements of the program.

Finding No: 05-060-02 - Approving Official

Criteria:

1. State Purchase Card Procedures § 6.9.2, **Entity approving official(s) responsibility** states:

The State Entity Approving Official(s) shall review the p/card or Statewide Contract p/card holder's reconciled memo statement and supporting documentation for accuracy, completeness, appropriateness of the purchase and whether the transactions were conducted according to

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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 statement and forward the statement for payment as required by entity p/card procedures.

2. State Purchase Card Procedures § 3.9, **Training** states in part, "Entity P/Card Administrators, Approving Officials and Cardholders must successfully complete the training prescribed by the State Purchasing Director prior to assuming their duties and prior to being issued p/cards."
3. State Purchase Card Procedures § 3.10, **Purchase Card Employee Agreement** states, "Entity P/Card Administrators, Approving Officials and Cardholders must sign the State of Oklahoma Purchase Card Employee Agreement form prior to assuming their duties and being issued p/cards."
4. State Purchase Card Procedures § 6.9.1, **Cardholder responsibility** states in part, "All cardholders (including Entity P/Card Administrators and Approving Officials for other cardholders) must have their reconciliation approved by an approving official at least one level above their position."

Condition: The Agency has one individual acting as the approving official. Based upon our review we noted:

1. An individual within the agency acting as the approving official does not review or approve cardholder reconciliations, nor does he assess the legitimacy of p/card purchases for government needs, nor does he sign and date cardholder memo statement. Rather, he signs to approve the monthly payment sent to Office of State Finance (OSF).

During substantive testing we noted that 9 out of 12 (75%) instances where the individual acting as the approving official did not sign nor date the cardholder's memo statement.

2. The individual acting as the approving official has not attended the mandatory purchase card training, prior to assuming approving official duties.
3. The individual acting as the approving official has not signed the Purchase Card Employee Agreement Form.
4. For each of the twelve billing cycles during the audit period the individual acting as the approving official was not at a level within the agency's organizational structure higher than one of the cardholders.

Cause:

1. The agency Finance Officer creates a reconciliation spreadsheet to ensure that all p/cards are accurately reconciled. He also reviews purchases for appropriateness,

thereby acting as approving official. This level of review was considered to be adequate.

2. and 3. The agency did not realize that the individual acting as the approving official had not attended training nor signed the employee agreement form.
4. The Finance Officer reviewed reconciled statements, thereby acting as approving official. The individual acting as the approving official only approved the monthly payment to be made to the bank for p/card purchases.

Effect: By not having received the required training and signing the employee agreement form, the individual acting as the approving official may not be fully aware of their duties and responsibilities as an approving official.

If the individual is not at least one level higher than the cardholder within the organizational structure of the Agency, the cardholder could have improper influence and actual authority over the approver. As a result, the cardholder could skew the approver's decision making process and an increased risk for transactions to be unauthorized, unsupported, or unallowable could occur and go undetected. In addition, disputes or unresolved issues may not be properly resolved by the approver. Accordingly, controls in relation to the review for accuracy, completeness, appropriateness of the purchase and whether the transactions were conducted according to State statutes, rules, these procedures and sound business practice could be weakened.

Recommendation: We recommend the agency to follow through with the decision to give the responsibilities of P/Card Administrator and Approving Official to the Finance Officer. We agree with the Finance Officer decision to cancel his purchase card to adequately segregate duties before accepting the new position.

Management's Response

Date: 10/26/2006

Response: Concur- The agency concurs with the finding and believes that this was caused by the agency's flat organizational structure and because of the small number of employees with the experience and expertise to administer the PCard program.

Corrective Action Plan

Anticipated Completion Date: 04/26/2006

Corrective Action Planned: Agency Finance Officer has cancelled his card and has become the agency's P/Card Administrator and approving official. He is one level higher within the organizational structure of the agency and has multiple years of experience in purchasing and will continue to review the PCard procedures extensively to better understand the requirements of the program.

Finding No: 05-060-05 - Internal Purchasing Procedures

Criteria:

1. Oklahoma Aeronautics Commission internal purchasing procedures Section 3, #2a states, "The agency CPO shall process all requisitions for the OAC except when on leave. In the event the agency CPO is absent then the backup CPO designated by the Director shall process all requisitions for the OAC."
2. State of Oklahoma Purchase Card Procedures § 5.8, Records retention, states in part, "Records shall be maintained for seven (7) fiscal years, provided all audits have been completed and all applicable audit reports have been accepted and resolved by all federal and state agencies and no legal actions are pending."

Condition: During our testwork we noted:

1. The agency had three cardholders during the audit period each of whom made purchases on his/her purchase card. Only one of the cardholders is the designated CPO. Requisitions are not forwarded to the CPO or designated backup for approval prior to purchase.
2. The Oklahoma Aeronautics Commission internal purchasing procedures Section 8 states in part, "OAC shall retain all records relative to acquisitions and contracts for the duration of the contract term and for a period of three (3) years following completion and /or termination of the acquisition." The agency's internal purchasing procedure for retaining records conflicts with the record retention requirements of the purchase card program.

Cause: When adding Section 13, Purchase Card Procurement to the agency's internal purchasing procedures, the Agency may not have considered the effect the State Purchase Card Procedures had on other internal purchasing procedures or if the procedures may be conflicting.

Effect:

1. Products and services purchased with the purchase card may not be in compliance with the internal purchasing policy.
2. The internal policy to maintain records may be adhered to by individuals within the agency and records may be destroyed at an earlier time than allowed.

Recommendation:

1. We recommend the Agency abide by their internal purchasing procedures that relate to requisitioning.

The Agency may review and evaluate the their internal purchasing procedures to determine if the procedures need to be updated to better meet the agency's purchasing needs in a more effective and efficient manner.

2. We recommend the Agency to revise the internal purchasing procedures record retention requirements to communicate the requirements of retaining purchase card documentation. Also we recommend the Agency to review its current process for maintaining and storing purchasing documents.

Management's Response

Date: 10/26/2006

Response: Concur- Agency concurs with finding.

Corrective Action Plan

Anticipated Completion Date: 11/30/2006

Corrective Action Planned: At the current time the agency's primary CPO is reviewing all PCard purchases as required by the agency's internal procedures. The agency will revise its internal procedures to reflect the correct retention of records as required.

Finding No: 05-060-04 - Purchase Card Receiving Documents

QUESTIONED COST: \$16.50

NET EXTRAPOLATED QUESTIONED COSTS: \$37.25

Criteria:

1. State Purchase Card Procedures § 6.7.1, **Goods or services received at the time of purchase**, states in part, "The receipt for purchase also serves as the receiving document. It should be annotated "Received" and signed and dated by the receiving employee."

State 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."

2. State Purchase Card Procedures § 6.3, **Prices paid**, states, "Cardholders shall ensure that prices paid for p/card purchases are fair and reasonable."

Condition: We tested a sample of 48 transactions in the amount of \$12,343.35 out of a total population of 145 purchase card transactions totaling \$14,249.21.

1. During substantive testing, 24 of 48 (50%) receiving documents within the file were not either signed, dated, or marked "received". Ten of the twenty-four purchases

were for walk-in purchases.

2. During substantive testing, we noted one transaction in the amount of \$16.50 for a purchase made on 3/25/05 was not supported by a detailed receipt that indicated the amount paid, only a packing slip. The net extrapolated question cost is \$37.25.

Cause:

1. The agency was unaware of the requirement to write "received" on all purchase card receipts.
2. The cardholder did not notice that the received documentation was inadequate.

Effect:

1. If the receiving employee does not perform all required tasks related to the receiving document, there is no verification that goods and/or services were actually received.
2. Without detailed information on the receipt, to include the amount charged, it is difficult to determine what was purchased and if the price paid was fair and reasonable.

Recommendation: We recommend that the Agency:

- Develop, implement and communicate to all receiving employees a process to ensure that receiving employees sign, date, and annotate "received" on the receiving document. We also recommend the Agency to review its process for returning receiving documentation to the cardholder to properly support the receipt of the item.
- Inform all cardholders to ensure the receipts for purchase card transactions contain detailed information, including, but not limited to, the purchase amount, to allow the cardholder to verify that the amount charged by the vendor is appropriate and accurate for the goods or services purchased.

Management's Response

Date: 10/26/2006

Response: Concur- Agency concurs with finding.

Corrective Action Plan

Anticipated Completion Date: 04/26/2006

Corrective Action Planned: PCard holders have been informed that all receipts shall be marked received and signed before submittal to the approving official. Agency approving official is reviewing all receipts when reviewing pcard logs. In addition, approving official is reviewing all receipts for detailed item descriptions during the review of the pcard logs.

Finding No: 05-060-03 - Merchant Preferences

QUESTIONED COSTS: \$35.99

NET EXTRAPOLATED QUESTIONED COSTS: \$36.94

Criteria: State Purchase Card Procedures § 6.2.5, **Merchant preferences**, states in part, "P/Card purchases shall comply with the following preferences for certain merchants or types of contracts. The following are listed in the order of preference: State Use Committee, Oklahoma Corrections Industries (OCI), and mandatory statewide contracts."

Purchase Card Employee Agreement, point #6 states in part, "I understand that the use of the p/card does not exempt me from requirements to obtain certain supplies from required sources as set forth in statutes and p/card procedures."

Oklahoma Administrative Code 580:15-6-5 (1)(A), **Mandatory statewide contract** states in part, "State agencies shall make acquisitions from mandatory statewide contracts regardless of the acquisition price... The State Purchasing Director shall grant exemptions prior to a state agency making the acquisition from another supplier."

Condition: We noted the following during our testwork:
Purchases of items such as Post-It Notes, steno pads, folders, tape, and correction fluid were made outside of merchant preferences. The agency did not have approved exemptions by the State Purchasing Director on file for these purchases.

We tested a sample of 48 transactions totaling \$12,343.35 out of a total population of 145 purchase card transactions totaling \$14,249.21. Twenty-one of the forty-eight required merchant preferences. Of the 21 transactions reviewed we noted a 24% error rate (5 errors / 21 merchant preference transactions = 24%) for transactions that did not comply with statewide mandatory contract requirements.

Item Description	\$ Amt Paid	Contract #	\$ Contract Amt	\$ Diff Over Contract	\$ Diff Under Contract
Scotch Tape	\$9.94	SW022/135	\$13.60	-	(\$3.66)
Paper Clip dispenser	\$1.79	SW022/135	\$.72	\$1.07	-
Folders, correction fluid	\$206.99	SW022/135	\$189.80	\$17.19	-
Electric stapler	\$257.99	SW022/464	\$248.24	\$9.75	
Folders, steno notebooks	\$56.25	SW022/464	\$44.61	\$11.64	
Total \$ Difference				\$39.65	(\$3.66)
Net \$ Difference				<u>\$35.99</u>	
Total Net Additional Extrapolated Questioned Cost				\$36.94	

Cause: The Oklahoma Aeronautics Commission made an exception to the purchase requirements due to the readily availability of product and timeliness of the delivery of product as compared between preferred merchants and local vendors.

Effect: By not making purchases according to merchant preferences, cardholders circumvented controls that ensure goods and services are procured in the best interest for the State of Oklahoma.

Recommendation: We recommend the Agency to provide the proper amount of supervision to cardholders. Cardholders should receive guidance, review, and on-the-job training from supervisors to help ensure purchases are made from mandatory statewide contracts.

Management's Response

Date: 10/26/2006

Response: *Concur- The agency does concur with the finding but based on the respondent's memory of training during the initial issue of the cards that the rules and procedures for purchasing from other than the statutorily mandated vendors was inadequate.*

Corrective Action Plan

Anticipated Completion Date: 04/26/2006

Corrective Action Planned: *All pcard purchases are carefully reviewed so the requirements for purchasing from mandatory sources are met.*

OVERALL CONCLUSION

In our opinion, the Oklahoma Aeronautics Commission has materially complied with the objectives reviewed; however, there were notable exceptions. Some of these notable exceptions were related to professional service contracts, Purchase Card Administrator duties, and approving official's responsibilities. The Oklahoma Aeronautics Commission has implemented corrective actions, which we believe will ensure the Agency will comply, in all material respects, with the aforementioned requirements.