

STATE OF OKLAHOMA

Department of Central Services

Audit Unit

**Continuous Monitoring: Purchase Card
Transactions**

for the period October 1, 2008 to January 15, 2009

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For the Period October 1, 2008 to January 15, 2009

OVERVIEW

We performed a review of purchase card transactions of those state agencies that are on the Pathway Net system. There are a total of 89 state agencies that are on the Pathway Net system. There are an additional two (2) governmental entities that participate in the State of Oklahoma Purchase Card Program but are not a part of the Pathway Net System.

Our review period was October 1, 2008 to January 15, 2009. There were a total of 25,624 purchase card transactions totaling \$11,213,650.86 for the time period. By purchase card type, the number of transactions and total dollar spend was:

<u>CARD TYPE</u>	<u># OF TRANSACTIONS</u>	<u>TOTAL DOLLAR SPEND</u>
Standard	20,102	\$ 4,453,843.19
Statewide Contract	3,086	6,197,132.99
Travel	<u>2,436</u>	<u>562,674.68</u>
	<u>25,624</u>	<u>\$11,213,650.86</u>

The following transactions by category were selected for follow-up review:

<u>CARD TYPE</u>	<u># OF TRANSACTIONS</u>	<u>TOTAL DOLLAR SPEND</u>
Standard	97	\$ 68,165.51
Statewide Contract	1	12,382.50
Travel	<u>4</u>	<u>16,843.00</u>
	<u>102</u>	<u>\$ 97,391.01</u>

There were transactions noted that appeared to be incompliant with the State of Oklahoma Purchase Card Procedures or Oklahoma State Law.

OVERALL SUMMARY

During our review of purchase card transactions for the period October 1, 2008 to January 15, 2009, we noted the following:

- Charge for repair work exceeded single purchase limit.
- Single purchase limit was increased to complete a transaction.
- A standard purchase card was used to book hotel rooms.

Each of these items has been brought to the attention of the purchase card program management of the affected agencies. These agencies have taken action that we believe address issues noted.

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CONTINUOUS MONITORING FINDING DETAIL

Findings and outcomes are reported based on significance.

SPLIT TRANSACTION

REQUIREMENT: State of Oklahoma Purchase Card Procedures § 2.0 Definitions “Single Purchase Limit” states in part “... Purchases shall not be split with the intent of and for the purpose of evading (1) the P/Card statutory single purchase limit of \$2,500.00...”

Upon review of the supporting documentation for the purchase card transactions for the standard purchase card, it was noted that the cardholder split the payment of service and parts for work on a tractor. Details are noted below:

<u>Transaction Date</u>	<u>Work Order #</u>	<u>Work Performed</u>	<u>Amount Charged</u>
11/21/2008	400011635	Service invoice- clutch	\$1,673.01
11/21/2008	400011635	Parts invoice- hydraulic parts	\$1,333.75
			<u>\$3,006.76</u>

OUTCOME: The cardholder provided the following explanation:

“I had work performed on a tractor at the same time- installation of a front end loader and fix the brakes. Each repair was considered to be separate and distinct. After completion of the work, each repair was paid for at the same time. At the time of reconciliation, I realized the error made and the amount of the original purchase order should have been increased.”

Purchase card program management for the Agency had the cardholder complete a memo documenting how the transaction occurred. Cardholder understands where and how the error was made and will ensure this does not occur again.

SINGLE PURCHASE LIMIT

REQUIREMENT: State of Oklahoma Purchase Card Procedures § 6.1.5.1 Standard P/Card states, “The Standard P/Card has a statutory single purchase limit of \$2,500.00. The Entity P/Card Administrator may set the single purchase limit for a cardholder at an amount less than \$2,500.00 if desired; however, the limit may not be set higher than \$2,500.00. (See Section 2)”

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Upon review of the supporting documentation for the purchase card transaction for the standard purchase card, it was noted that the transaction exceeded the single purchase limit of \$2,500. Details are noted below:

<u>Transaction Date</u>	<u>Amount Charged</u>	<u>Description</u>
12/02/2008	\$2,550.00	Printing of checks

Per notations on the supporting documentation, the Agency called the bank on 12/02/2008 to increase the single purchase limit to \$3,000.

On 03/05/2009 based on the recommendation of the DCS Audit Unit, the State Purchase Card Administrator reduced the cardholder's single purchase limit to \$2,500.

OUTCOME: Charge limitations have been explained and are fully understood by all card users.

INCORRECT CARD USE

REQUIREMENT: *State of Oklahoma Purchase Card Procedures § 6.1.5.1 Standard P/Card* states, "The Standard P/Card has a statutory single purchase limit of \$2,500.00. The Entity P/Card Administrator may set the single purchase limit for a cardholder at an amount less than \$2,500.00 if desired; however, the limit may not be set higher than \$2,500.00. (See Section 2)"

Agency #1

Upon review of the supporting documentation for the purchase card transaction for the standard purchase card, it was noted that the transaction exceeded the single purchase limit of \$2,500. Details are noted below:

<u>Transaction Date</u>	<u>Amount Charged</u>	<u>Description</u>
01/08/2009	\$12,515.88	training and hotel rooms

In review of Pathway Net data, the cardholder's single purchase limit was increased to \$14,000 on 01/07/2009 to process the transaction. The single purchase limit was reduced to \$2,500 on 01/08/2009.

OUTCOME: The Agency sought advice from the State Purchase Card Administrator prior to the completion of the purchase. It was the understanding of the Agency that the charge of the registration was permissible under State Purchase Card Procedure § 6.1.5.3 Travel P/ Card.

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AUDIT OBSERVATION:

In our previous continuous monitoring review for the transaction dates November 28, 2007 thru January 29, 2008 and released on April 28, 2008. A cardholder exceeded the single purchase limit of \$2,500 on their standard purchase card in two instances. As a result of the review, the cardholder closed all three purchase cards opened in their name (travel purchase card, statewide contract purchase card, and the standard purchase card) and transfer purchasing duties to the Agency's Certified Procurement Officer. Based upon the purchase card control issues noted during continuous monitoring, this agency has been scheduled for a detailed purchase card audit.

Agency #2

Upon our review of purchase card transactions, it was noted a charge of lodging on the standard purchase card. Details are noted below:

Transaction Date	Amount Charged	Description
12/19/2008	\$1,487.99	rooms

OUTCOME: All purchase cards for the cardholder have been closed.

NOTED ITEMS

*Items noted during review process. These items were handled by the Agency **prior to** DCS Audit review.*

PROHIBITED PURCHASE

A cardholder accidentally used their purchase card to pay for a meal on January 6, 2009. The Agency's Purchase Card Administrator caught the transaction in review of the January purchase card transactions. The Purchase Card Administrator contacted the cardholder to have a credit issued to the purchase card. On January 20th, the cardholder's purchase card was credited for the amount of the meal.

The Purchase Card Administrator stressed to the cardholder the proper use of the purchase card. The cardholder was further cautioned that the cardholder could lose their purchase card if this continued.

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INCORRECT CARD USE

A cardholder used their purchase card to pay for a hotel room in the amount of \$189.00 on November 15, 2008. The cardholder contacted the Finance Department for permission to use the purchase card for the hotel room charge. The Agency's Purchase Card Administrator caught the transaction in review of the November purchase card transactions. The Purchase Card Administrator has contacted the cardholder and explained that the purchase card is not to be used for lodging. The Finance Department also received clarification on the different uses of the purchase card types and the use of the travel purchase card.

STATE PURCHASE CARD PROCEDURE REMINDERS

While completing the continuous monitoring for the review period October 1, 2008 to January 15, 2009, there were state purchase card procedural items that were noted as being improperly handled agency-wide. The procedural items are:

§ 6.4 Receipts for purchase- All purchases made require a receipt. The receipt is to be detailed showing at a minimum the following: (1) name of the vendor, (2) date purchase was made, (3) description of the item(s) purchased, (4) price and quantity per item purchased, and (5) total paid.

§ 6.4.2 Itemized Receipt Unobtainable- If a vendor does not supply a detailed receipt, the cardholder has two options. The first option is to request the vendor prepare and sign an itemization of the items purchased to the receipt obtained from the vendor. The itemization prepared by the vendor is to include the same information an itemized receipt would.

The second option available to the cardholder is to the cardholder attach an itemization of the purchase made. Itemization is to include an explanation as to why an itemized receipt could not be obtained. The itemization is to also be signed by the cardholder's Approving Official or designated back-up.

§ 6.6.1 Goods or services received at the time of purchase- When goods and/ or services are received at the time the purchase card is used, the receipt serves as the receiving document. This receipt is to be signed and dated by the cardholder.

§ 6.2.5.2 Oklahoma Corrections Industries (OCI)- State Purchase Card Procedures require cardholders to follow merchant preference for certain merchants or types of contracts. When OCI provides the good or service of a merchant being considered, the cardholder's monthly transaction documentation should include a quote from OCI to substantiate compliance with this requirement.

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§ 6.1.5.3 Travel Card- Agencies are allowed to increase the travel card's single purchase limit IF a transaction made from the Statewide Contract for Travel Agent Services (SW100) exceeds \$2,500. However, the Agency Purchase Card Administrator must document the following:

1. Date the single purchase limit was increased
2. Name of the cardholder
3. Amount the single purchase limit was increased to
4. Why the increase was performed
5. Date the single purchase limit was decreased to \$2,500

This documentation is to be included with the travel cardholder's monthly reconciliation documentation **and** a copy is to be forwarded to the State Purchase Card Administrator.