

The background of the page features a large, semi-transparent seal of the State of Oklahoma. The seal is circular with a yellow outer ring containing the text "STATE OF OKLAHOMA" and "1907". The center of the seal depicts a landscape with a sun, a plow, and a sheaf of wheat, surrounded by a blue field with white stars.

STATE OF OKLAHOMA

Department of Central Services

Audit Unit

Statewide
Purchase Card Continuous Monitoring

*Report Released
April 26, 2007*

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~ **OVERVIEW** ~

We performed monitoring that included all state purchase card transactions for the period of October 28, 2005 through November 8, 2006 from all state agencies. During this continuous monitoring, we noted transactions that did not appear compliant with either the State of Oklahoma Purchase Card Procedures or Oklahoma State Law.

~ **FINDING #1** ~

We reviewed the transactions for one cardholder, looking specifically at food purchases. After requesting supporting documentation for the purchase of a meal at a fast food restaurant we were informed by the Entity Purchase Card Administrator that the cardholder's account was cancelled as a result of the Agency's subsequent review of the activity on the account.

OUTCOME: The Agency subsequently reviewed all activity on the cardholders account and has taken corrective action that included termination of cardholder and relieving the approving official of their supervisory duties.

~ **FINDING #2** ~

We reviewed the transactions of two cardholders from one agency. We noted the following findings:

During our review of the purchases for a cardholder, we located seven credit memos in which a store credit was provided. Additionally, we noted four invoices in which a store credit was used by the cardholder as part of the payment for goods ordered, including one credit that was not used until after the end of the fiscal year. See State of Oklahoma Purchase Card Procedures § 6.8.1 and § 8.0 Attachment 7.

State of Oklahoma Purchase Card Procedures § 6.8.1 **Processing returns, credits, and disputes**, states:

In most cases, disputes can be resolved directly between the cardholder and the merchant. If an item needs to be returned for any reason, return the goods to the merchant in the manner agreed upon. The merchant should issue a credit for items that are returned. This credit will appear on a subsequent memo statement. Documentation of the credit receipt should be issued by the merchant. Keep on file all documentation pertaining to returns, credits, and disputes for reconciliation to the memo statement. Record the return, credit, or disputed transaction on the Transaction Log and attach copies of documentation.

State of Oklahoma Purchase Card Procedures § 8.0 Attachment 7 **Office of State Finance- Procedures Manual L. Advance (Pre-) Payments**, states in part:

Past Attorney General's opinions have held that payment to a claimant (vendor) prior to the actual performance of work or receipt of product for which contracted, constitutes lending of credit or monies by the state, and therefore, violates the provisions of Art. 10 § 15. of the Okla. Constitution. In addition, pursuant to Title 74 O.S., Sec. 85.44B, payment of goods and services by a state agency, whether or not such state agency is subject to the Oklahoma Central Purchasing Act, shall be made only after products have been provided or services rendered.

OUTCOME: The Entity Purchase Card Administrator will continue to monitor returns, credits or disputes to ensure all are made in accordance with the State Purchase Card procedures paragraph 6.8.1. and that all are properly documented. The Agency intends to arrange a training session by the State Purchase Card Administrator.

During our review of the purchases for a cardholder we found an instance where related purchases appeared to be split to avoid the \$2,500 purchasing threshold.

OUTCOME: The Entity Purchase Card Administrator cancelled the account for the cardholder on 1/05/07 due in part to our findings. Findings are being reported to the appropriate officials.

~ FINDING #3 ~

During our monitoring, we discovered transactions, made by cardholders from multiple agencies, in which two or more related purchases appeared to have been separated to allow each transaction to be below the single purchase transaction limit of \$2,500.00. These occurrences were for multiple types and variations of purchasing and did not appear to be split purchasing as defined in the Oklahoma Central Purchasing Act. The cardholders and administrators appeared to be unclear as to the proper purchasing methods to be used for the type of purchases made.

The Oklahoma Central Purchasing Act, 74 § 85.5.L. states:

The State Purchasing Director may authorize state agencies to utilize a state purchase card for acquisitions on statewide contracts issued by the State Purchasing Director with no limit on the amount of the transaction. For any other transaction with a state purchase card, the transaction shall not exceed Two Thousand Five Hundred Dollars (\$2,500.00) or greater.

OUTCOME: The auditors' understanding of the purchasing laws and regulations demonstrate the following:

(1) dividing up an acquisition for purposes of evading competitive bidding requirements is a felony, even if the acquisition is purchased with the p-card; (2) dividing up a non-statewide contract acquisition for the purpose of avoiding the \$2,500.00 limit on the Standard purchase card is a violation of Title 74, Section 85.5(L), which is a misdemeanor according to Title 74, Section 85.15; (3) dividing up an acquisition on a statewide contract for purpose of evading the \$2,500.00 limit on a Standard purchase card violates the p-card procedures that are in place (which prohibit transactions over \$2,500.00 on the Standard purchase card for any reason); and (4) dividing up an acquisition to avoid both competitive bidding and the \$2,500.00 limit on non-statewide contract acquisitions violates both split purchasing law [Title 74, Section 85.7(A)(2)(a)] and laws limiting non-statewide contract transactions to \$2,500.00 [Title 74, Section 85.5(L)].

It is the Audit Unit's recommendation the State Purchase Card Administrator provide additional guidance and training to the agencies on the issue of dividing transactions to avoid the single purchase transaction limit.