



**Office of Management & Enterprise
Services**
Purchase Card Review

Audit and Internal Investigations
Report Released November 2016

Review Performed by
JoRay McCoy, Audit Director
Zachary Ornelas, Auditor
Luciana Perez, Auditor

Table of Contents

REVIEW HIGHLIGHTS	3
OVERVIEW	4
DETAILED FINDINGS.....	4
APPENDIX.....	14
Methodology.....	14
Sampling	14
EXECUTIVE SUMMARY	15
Agency Information	15
Key Staff	15

This publication is issued by the Office of Management and Enterprise Services as authorized by Title 62, Section 34. Copies have not been printed but are available through the agency website. This work is licensed under a Creative Attribution-Noncommercial-NoDerivs 3.0 Unported License.

REVIEW HIGHLIGHTS

Office of Management & Enterprise Services - Purchase Card Program Review - Completion Date April 2016

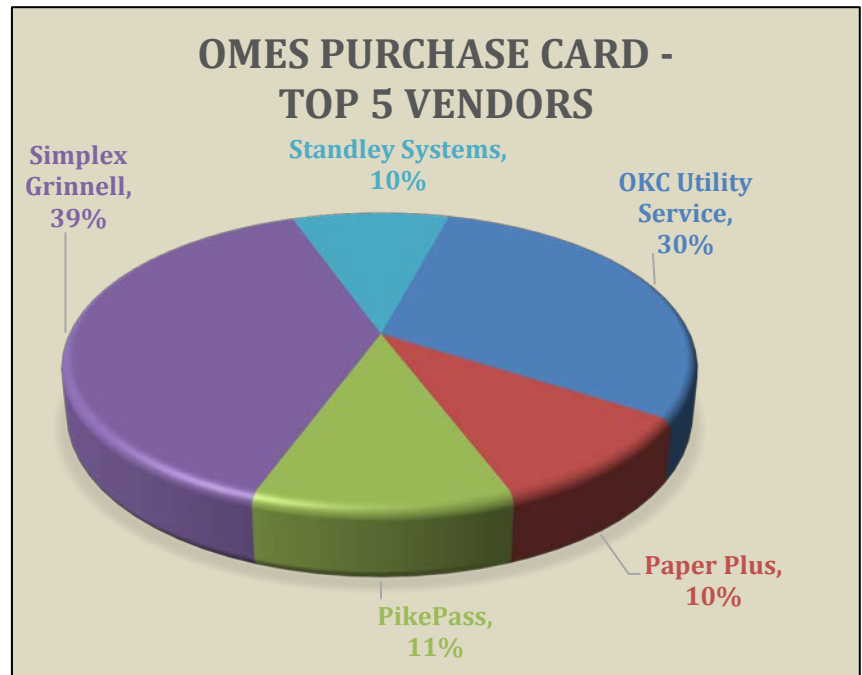
Why We Conducted This Review

This report provides information on the agency's 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

Based on our review, we have determined the Office of Management & Enterprise Services has significantly complied with the following review 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 the agency's approved internal purchasing procedures, the Central Purchasing Rules, and the Oklahoma State Purchase Card Procedures as they relate to the acquisition process through the use of purchase cards.



Finding Summary

[Finding 16-090-01: Internal Purchasing Procedures](#)

OMES does not have approved internal purchasing procedures effecting the compliance of \$1,081,020.47 in purchase card transactions during the audit period.

[Finding 16-090-03: Food Policy](#)

OMES did not have an approved food policy.

[Finding 16-090-05: GSA Rates and Taxes](#)

Nineteen lodging transactions exceeded the allowed General Services Administration rate per night totaling \$2,097.00 and two transactions contained taxes totaling \$22.44. We are requesting the traveler's pay back the state for the overpayments.

[Finding 16-090-02: Contract Qualified Purchases](#)

Contracts should have been utilized for six vendors that were paid a total of \$347,534.15 throughout our review period and \$852,726.17 during the past three fiscal years.

Finding 16-090-06: IT Purchases

Seven information technology (IT) transactions totaling \$12,952.00 were purchased without being on statewide contract or listed on the OMES Information Services approved hardware and software list.

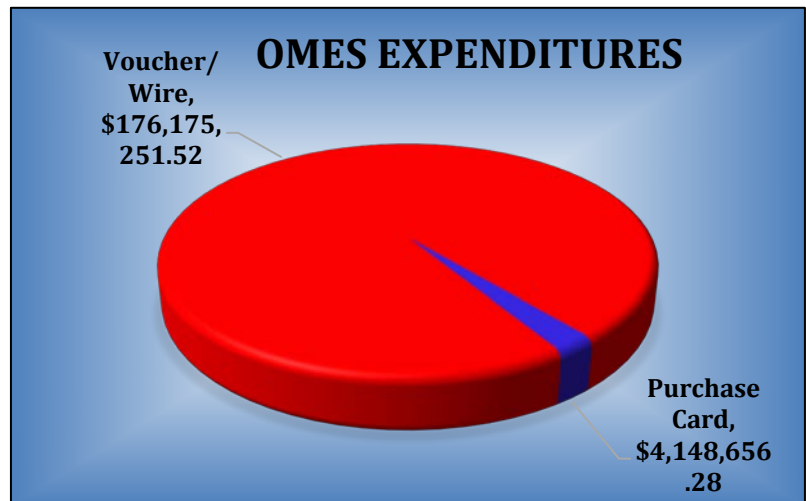
Finding 16-090-04: Description Field

Over half (53 percent) of the transactions tested throughout the review did not contain the correct information in the online banking system's description field.

OVERVIEW

This review was performed pursuant to 74 O.S. § 85.5.E. and the State of Oklahoma Purchase Card Procedures. Our review was to determine if the agency's purchase card program was in compliance with the review objectives during the period of Jan. 20, 2015, to Jan. 19, 2016. As of April 21, 2016, there were 67 purchase cardholders and 29 approving officials in the agency.

In total, the agency spent \$4,018,329.62 over 6,687 purchase card transactions for the review period. Transactions reviewed for testing included purchases under \$5,000, over \$5,000, IT, lodging and airfare transactions. We used the classical variable sampling method to randomly select our sample for testing. We exercised auditor judgment in adjusting the confidence level and expected proportion of errors in the population based on the risk assessment when applying the classical variable sampling technique. To ensure a sound statistical sample, a minimum sample size of 30 transactions was tested.



DETAILED FINDINGS

Finding 16-090-01: Internal Purchasing Procedures

Condition: During the audit planning phase of our audit, we noted OMES did not have approved internal purchasing procedures on file with the state purchasing director. We found 75 purchase card transactions that were over \$5,000 totaling \$1,081,020.47, which is not allowed for an agency that has no approved internal purchasing procedures and is out of compliance with the Central Purchasing Act.

Cause: Unknown.

Effect or Potential Effect: Non-compliant purchases are occurring.

Criteria: The State of Oklahoma Central Purchasing Act § 85.39, **Agency Internal Purchasing Procedures**, states in part:

A. 1. Each state agency shall develop internal purchasing procedures for acquisitions by the state agency. Procedures shall, at a minimum, include provisions for the state agency's needs assessment, funding, routing, review, audits, monitoring, and evaluations. Following development, the state agency shall submit the procedures to the State Purchasing Director.

2. The State Purchasing Director shall review the procedures submitted pursuant to paragraph 1 of this subsection to determine compliance with the Oklahoma Central Purchasing Act, rules promulgated pursuant thereto, Sections 3001 through 3010 of this title, and provisions of paragraph 1 of this subsection. The State Purchasing Director shall provide written findings, including details of noncompliance, if any, to the Director of the Office of Management and Enterprise Services.

3. The Director of the Office of Management and Enterprise Services shall, within fifteen (15) days after the procedures are submitted, notify the state agency that the procedures are in compliance or indicate revisions necessary to bring the procedures into compliance.

B. A state agency shall not make acquisitions exceeding Five Thousand Dollars (\$5,000.00) pursuant to Section 85.5 of this title, unless the Director of the Office of Management and Enterprise Services provides notice of compliance.

C. Each state agency shall maintain a document file for each acquisition the state agency makes which shall include, at a minimum, justification for the acquisition, supporting documentation, copies of all contracts, if any, pertaining to the acquisition, evaluations, written reports if required by contract, and any other information the State Purchasing Director requires be kept.

Recommendation: We recommend the agency create and submit its internal purchasing procedures to the state purchasing director for approval. We also recommend OMES cease any purchasing over \$5,000 by non-Central Purchasing staff until notified in writing of compliance with the Central Purchasing Act internal procedures requirements by the state purchasing director.

Management's Response

Date: March 11, 2016

Respondent: Chief Financial Officer

Response: Partially Concur – OMES concurs with the finding for the period from January 20, 2015 to May 12, 2015. OMES does NOT concur with the finding for the period from May 13, 2015 to January 19, 2016. On May 13, 2015, the P-Card Policy was mailed to all OMES division directors including the current state purchasing director. See the attached documents. In addition, see the newest version of the P-Card policy that has been approved by the state purchasing director.

Auditor's Response: OMES has implemented some purchase card policies but these policies are not the agency's approved internal purchasing procedures. As of Nov. 4, 2016, OMES does not have approved internal purchasing procedures on file with Central Purchasing. Internal purchasing procedures are required to be approved by the state purchasing director and meet minimum requirements listed in the Central Purchasing Act.

Finding 16-090-03: Food Policy

Condition: During the audit planning phase of our audit, we discovered OMES did not have an approved food policy per the Dec. 8, 2014, update of the Purchase Card Procedures. The procedures called for an internal food policy for all agencies purchasing food with the purchase card.

Cause: Unknown.

Effect or Potential Effect: Determining if the purchase is for personal use or an agency purpose is an extremely difficult task without policy guidance. Without a pre-approved agency food policy, what would be allowed and necessary food purchases appear to be personal in nature. The perception from public review of the food transactions may imply improper stewardship of state resources without a preapproved policy by the governing board.

Criteria: The State of Oklahoma Purchase Card Procedures § 6.23, **Food**, states “Provided an agency has statutory authority to purchase food, the P-card may be used for payment. Authorized food purchases shall be covered in the internal policies of each agency.”

Recommendation: We recommend the agency discontinue the purchase of food until a food policy is approved by the executive director. We recommend the agency develop, implement and communicate an internal food policy that is approved by the executive director. We further recommend the agency specify the statutory authority to expend funds in this manner and must state the public purpose served by purchasing the meals within the policy.

Management’s Response

Date: October 19, 2016

Respondent: Chief Financial Officer

Response: Non-Concur – In accordance with O.S. 74 §500.2.E.2-4, State agencies are authorized to make payments for food when attending or providing official conferences, meetings, seminar, workshops, etc. In addition, O.S. 74 §500.2.G. states that the Director of OMES is hereby authorized to enter into contracts and agreements for the payment of food, lodging, and other authorized expenses as necessary to host, conduct, sponsor or participate in conferences, meetings or training sessions. All food purchases were made in accordance with state statute. The State Purchase Card Procedures stating that an internal policy must be in place seems to be in contradiction to state statute. OMES current P-Card procedures do not specifically address food purchases since these purchases are covered under state statute.

Auditors Response: A new food policy was put in place on April 5, 2016, according to the Office of Management and Enterprise Services Policies and Procedures: P-Card Program which states in part:

V. Using the P-Card

B. Prohibited Purchases

2. Entertainment, Food and Beverages

a. Purchases may be made on the p-card if they fall within 74 O.S. §500 for the State Travel and Reimbursement Act. All other entertainment, food and beverages are allowed only with prior authorization from the State Purchasing Director.

Finding 16-090-05: GSA Rates and Taxes

Condition: 1) During our testing of lodging, we noted two transactions (52 tested, 2 percent error rate) had taxes charged for a hotel located within the State of Oklahoma totaling \$22.44.

2) Also during our testing of lodging, we noted one transaction that contained charges other than room rate, fees and taxes. The total amount for the market beverage was \$1.85.

3) We also noted 21 lodging transactions (52 tested, 40 percent error rate) that exceeded the allowed General Services Administration (GSA) rate per night and contained no documentation it was a designated hotel.

TXN Number	Vendor	Post Date	Room Amount per night	GSA Rate	Exceeded GSA Rate by	# of Nights	Total Amount Exceeded
TXN00612752	SPRINGHILL SUITES CONV CT	3/23/2015	\$148.00	\$96.00	\$52.00	4	\$208.00
TXN00628087	MARRIOTT 337X7 JWOR-LAND	4/27/2015	\$240.00	\$115.00	\$125.00	2	\$250.00
TXN00629143	HILTON HOTELS	4/29/2015	\$229.00	\$151.00	\$78.00	4	\$312.00
TXN00652139	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	4	\$52.00
TXN00652121	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	5	\$65.00
TXN00652165	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	5	\$65.00
TXN00672695	HYATT REGENCY WASHINGTON	8/7/2015	\$229.00	\$162.00	\$67.00	2	\$134.00
TXN00672709	HYATT REGENCY WASHINGTON	8/7/2015	\$229.00	\$162.00	\$67.00	2	\$134.00
TXN00672721	HYATT REGENCY WASHINGTON	8/7/2015	\$229.00	\$162.00	\$67.00	2	\$134.00
TXN00617917	GRAND HYATT SAN DIEGO	4/3/2015	\$174.00	\$142.00	\$32.00	2	\$64.00
TXN00652121	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	5	\$65.00
TXN00652139	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	4	\$52.00
TXN00652153	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	4	\$52.00
TXN00652163	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	5	\$65.00
TXN00628099	MARRIOTT 337X7 JWOR-LAND	4/27/2015	\$240.00	\$115.00	\$125.00	2	\$250.00
TXN00652136	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	5	\$65.00
TXN00652145	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	5	\$65.00
TXN00652151	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	4	\$52.00
TXN00652165	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	5	\$65.00
TXN00652166	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	5	\$65.00
TXN00652169	SPRINGHILL STES BLDER1845	6/22/2015	\$127.00	\$114.00	\$13.00	5	\$65.00
						Total	\$2,279.00

Cause: Unknown

Effect or Potential Effect: 1) In-state taxes paid for in-state lodging creates an inefficient process in which the state pays itself.

2) Paying for meals/snacks gives the impression that the state employees are not being proper stewards.

3) If GSA rates are exceeded, it gives the traveler the opportunity to misuse state funds by staying in higher-end hotels on taxpayers' dollars. This control is in place so public officials stay within a predetermined rate for standard occupancy.

Criteria: 1) The State of Oklahoma Purchase Card Procedures § 6.13.1.2, **Through Traveler**, states "The P-Card holder (Traveler) shall verify the charge to be free of Oklahoma lodging tax, Municipality tax, City tax, Occupancy tax, Tourism tax."

2) The State of Oklahoma Purchase Card Procedures § 5.12.3, **Meals**, states in part:

Meals— including room service, phone charges (not business related), internet charges (not business related) are NOT allowed on the p-card. State employees and authorized non-state personnel traveling on official business are responsible for paying out-of-pocket for all other travel-related expenses. In the case of inadvertent personal charges, the Traveler shall reimburse the State for any and all personal expenses charged to the P-Card (i.e., phone calls, room service, movies, etc.). Such repayment can be made by actual check or cash submitted to the State Entity. State Entities must use the Comments field on the Invoice Information page to give a brief description of the negative adjustment (e.g., erroneous room service charge on a P-Card payment) and put the voucher number of the P-Card voucher having the overpayment. Also, the State Entity must use the Comments field on the original PCard voucher to give a description of the error and to put the voucher number of the travel voucher having the adjustment. Non-repayment of personal expenses to the State by the Traveler shall result in the Traveler's loss of P-Card lodging acquisition privileges and other disciplinary or criminal actions.

3) The State of Oklahoma Statewide Accounting Manual, **Chapter 50: Disbursing F. Direct Purchase of Lodging**, states in part:

State agencies are allowed direct purchase of lodging (and food) for employees (See 50.30.05, 50.30.10.J, and 50.30.13) For example, the STRA authorizes state agencies to enter into contracts or agreements with lodging establishments for the purchase of food and lodging for employees attending conferences, meetings, seminars, workshops, or training sessions, or in the performance of their duties. The cost of food and lodging for each attendant employee or official at these facilities shall not exceed the standard daily rates as provided by the STRA. Payments for direct purchase of food and lodging shall be paid directly to the business establishment. The direct payment for food and lodging expenses must be filed through the vendor vouchers process procedures on Claim Jacket Voucher Form 15A using expenditure account code 522130. The voucher document should be annotated with the authority reference for pre-/post-audit verification.

Recommendation: 1) We recommend the agency implement a process to ensure taxes are not paid on Oklahoma purchases. If taxes are paid, we recommend the agency implement a process to ensure taxes are credited back within the same month the transaction occurred.

2) We also recommend the agency implement a process to ensure miscellaneous charges aren't paid on lodging purchases. If miscellaneous charges are paid for, we recommend the agency implement a process

to ensure they are credited back within the same month the transaction occurred and have the traveler pay for it with their personal credit card. Lastly, we recommend the agency have the traveler refund the amount for the market beverage.

3) We recommend the agency require the travelers to reimburse \$2,279.00 to the state. If not paid back, the travelers and cardholder should lose their purchase card privileges. If the traveler chooses to stay in a hotel that is more expensive than the GSA rate, then they are required to pay the difference if the hotel is not a designated hotel. The GSA rate should be the only amount charged to the state purchase card when this occurs.

Management's Response

Date: October 19, 2016

Respondent: Chief Financial Officer

Response: Non-Concur – 1) **Taxes Paid on Oklahoma Purchases** – Often times it is difficult to get the credit for the taxes in the same month of the transaction. All of these items were credited back but during different months. In addition, OMES finance runs weekly queries to determine if any taxes were paid on goods or services to monitor this issue. 2) **Miscellaneous Charges** – One instance of \$1.85 was charged for a beverage and it was pursued numerous times over several months to receive this credit. One instance indicates this is not a recurring trend and the amount is immaterial to the amount of time and effort spent resolving this issue. 3) **Exceeding GSA rate for 21 instances or 40% error Rate** – First, the findings have duplicate transactions so the number of instances are not correct. (TXN00652139; TXN0075212; TXN00652165). Next, all instances were designated hotels and the auditors were provided the documentation during their on-site audit. OMES has provided training to P-Card holders booking travel to include the documentation in Works for future audit purposes.

Auditor's Response: The corrected error rate and overpayment are as follows: 18 lodging transactions with a 37 percent error rate (49 tested) and an overpayment of \$2,097.00. Documentation was not included in the cardholder monthly statements supporting the traveler staying in a designated hotel when tested. An exception meeting was held on March 25, 2016, detailing these transactions. No documentation has been provided to the auditors to clear the exceptions in regards to the lodging transactions referenced. The lodging transactions will be turned over to the state comptroller. We tested 10 percent of lodging transactions during the audit period that resulted in an error rate of 37 percent and \$2,097 in overpayments. An additional review may need to be performed with a broader scope and 100 percent testwork of lodging transactions.

Finding 16-090-02: Contract Qualified Purchases

Condition: During the data mining portion of the planning phase, we summarized purchase card acquisitions to determine if purchases should have been considered for consolidation based upon multi-year spend analysis. We discovered purchases from vendors that were consistently high from one year to the next. The purchase card threshold is set at \$5,000. Although there is no time limit set to the threshold, the agency is to consolidate purchases when amounts are expected to exceed the fair and reasonable threshold of \$5,000. Based upon our analysis, the agency consistently maintained purchase card spending for six vendors that was expected to exceed the fair and reasonable amount. These six vendors and their purchase card spend is noted below:

Vendor Name	Review Period Total	FY 14 Total	FY 15 Total	FY 16 7/1/2015- 1/19/2016 Total	FY Totals
Paper Plus	\$117,721.25	\$78,957.16	\$134,290.28	\$76,626.04	\$289,873.48
Love Envelopes	\$103,388.23	\$106,286.39	\$103,159.40	\$60,902.83	\$270,348.62
Image Works of Oklahoma	\$37,907.32	\$40,398.03	\$36,325.96	\$27,595.95	\$104,319.94
Summit Mailing and Shipping	\$31,300.40	\$13,820.79	\$27,638.51	\$22,868.48	\$64,327.78
WCI of Oklahoma	\$30,851.10	\$32,232.94	\$23,902.14	\$24,691.87	\$80,826.95
Bennett's Decal & Label	\$26,365.85	\$11,085.23	\$22,495.68	\$9,448.49	\$43,029.40
Total	\$347,534.15	\$282,780.54	\$347,811.97	\$222,133.66	\$852,726.17

Competitive bidding for all six of these vendors did not occur. Quotes and bids are generally not obtained for individual purchases below \$5,000.

Cause: Unknown

Effect or Potential Effect: Not consolidating purchases when the agency consistently purchases large amounts from a vendor under the \$5,000 threshold gives the appearance the agency is avoiding fair and open competition. As a result, the state is not receiving the best value and/or the lowest price due to the removal of the competitive element.

Criteria: The Central Purchasing **PROCUREMENT INFORMATION MEMORANDUM (Number 2009-03)** Split Purchasing – Policy Guidance states in part:

2. The Central Purchasing Division recognizes that fair and open competition is a basic tenet of public procurement; that such competition reduces the appearance and opportunity for favoritism, and inspires public confidence that contracts are awarded equitably and economically; and that documentation of the acts taken and effective monitoring mechanisms are important means of curbing any improprieties and establishing public confidence in the process by which commodities and contractual services are procured. It is essential to the effective and ethical procurement of commodities and contractual services that there be a system of uniform procedures to be utilized by state agencies in managing and procuring commodities and services; that detailed justification of agency decisions in the procurement of commodities and services be maintained; and that adherence by the agency and the vendor to specific ethical considerations be required.

4. Pursuant to the Central Purchasing Rules in the Oklahoma Administrative Code, Title 260:115-7-5, relating to split purchases, state agencies “shall not make split purchases **for the purpose of evading their approved dollar threshold for competitive bids**” (emphasis added). A split purchase occurs when an agency acquisition (known requirement or quantity of items), as defined by the agency, is either divided into separate transactions

for the purpose of evading the appropriate statutory threshold for competitive bids; or the agency fails to consolidate a known quantity required for a purchase, and the purchases are conducted as separate transactions because the total costs would have exceeded the established statutory competitive bidding thresholds.

Recommendation: We recommend the agency obtain competitively bid contracts for the products purchased from the vendors noted in the condition. We also recommend the agency review usage of the purchase card at the end of the fiscal year to determine any trends in purchases from frequently used vendors. The agency should then take necessary actions for the following year.

Management's Response

Date: May 9, 2016

Respondent: Chief Financial Officer

Response: Non-Concur - The vendors listed in this finding are used by Central Printing (CP) for specific jobs. CP has no control over the varying paper needs of the clients, the number of jobs, the amount of paper/envelopes/mailing required for each job. An attorney's general opinion was obtained for this issue in 2008 in which it was determined it was not split purchasing to acquire what was needed when it was needed for different printing jobs if a specific quantity was obtained for a specific job. It is only split purchasing if you divide up acquisitions for the purpose of avoiding competitive bidding. OMES-finance has requested Central Purchasing try to obtain these vendors on statewide contracts in the future so that a purchase order can be obtained. However, the cost of paper goods varies significantly throughout the year so a statewide contract may not always obtain the most competitive price.

Auditor's Response: The opinion provided by the past Department of Central Services attorney in 2008 in regards to this issue is valid, however the issue remains and whether it's competitively bid or the vendors are added on a statewide contract must be addressed. We agree that Central Purchasing be a part in the resolution of this ongoing issue.

Finding 16-090-06: IT Purchases

Condition: During our testing of information technology (IT) purchases, we noted seven transactions (29 tested, 24 percent error rate) that were not purchased from a Statewide Contract or listed on the OMES Information Services (IS) approved hardware and software list.

TXN Number	Vendor	Post Date	Amount
TXN00694964	VSN DOTGOVREGISTRATION	9/24/2015	\$125.00
TXN00695532	STK BIGSTOCKPHOTO.COM	9/25/2015	\$169.00
TXN00695521	I D WHOLESALERS	9/25/2015	\$1,928.00
TXN00709558	WESTERN INST REVIEW BRD	10/28/2015	\$2,325.00
TXN00723355	LEARNQUEST USA	12/4/2015	\$1,890.00
TXN00733001	ESRI INC	1/5/2016	\$4,175.00
TXN00736529	SURVEYMONKEY ENT	1/13/2016	\$2,340.00
		Total	\$12,952.00

Cause: Procedures have been changed multiple times on process of purchasing IT products and services.

Effect or Potential Effect: The cardholder is purchasing hardware and software that has not been preapproved by OMES IS.

Criteria: The State of Oklahoma Purchase Card Procedures § 5.6, **Information Technology**, states in part:

IT purchases shall be made in accordance with the IS Procurement Policies and the IT and Telecom ePro Requisition Procedures located at <http://www.ok.gov/cio/Procurement/index.html>. All hardware/software acquisitions must be on the Approved Hardware/Software list located on the above website.

IT acquisitions shall comply with the applicable Oklahoma Information Technology Accessibility Standards issued by OMES, also available on the above website.

Also, please refer to the OMES Administrative Rules, OAC 260:115-7-54 for rules and procedures regarding information technology acquisitions and exceptions https://www.ok.gov/dcs/searchdocs/app/manage_documents.php?id=946.

Recommendation: We recommend the agency implement a process on better guidance to inform the cardholders on the proper method of purchasing IT products included on the OMES IS Approved Hardware and Software list.

We also recommend OMES IS put an “As of” date on the approved hardware and software list, as well as archive any previous versions of the approved hardware and software list.

Management’s Response

Date: October 19, 2016

Respondent: Chief Financial Officer

Response: Concur - These purchases were made in error on the IT Authority Order rather than the Non-IT Authority Order. Training has taken place to ensure this doesn’t happen in the future.

Auditor’s Response: These purchases were not made in error due to the IT Authority Order, rather these purchases are not on the approved OMES IS Hardware and Software list or purchased using a IT statewide contract.

Finding 16-090-04: Description Field

Condition: During our testing of greater than \$5,000, lodging and airfare transactions, we noted seven greater than \$5,000 transactions (29 tested transactions, 24 percent error rate), 20 airfare transactions (32 tested transactions, 63 percent error rate) and 25 lodging transactions (37 tested transactions, 68 percent error rate) did not contain the correct information in the online banking system’s description field as required by the State Purchase Card Procedures.

Cause: Unknown

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

Criteria: The State of Oklahoma Purchase Card Procedures § 5.13, **P-Card transaction editing**, states in part:

The following information shall be listed in the Bank's transaction system. Some of the information is automatically populated due to suppliers registering as a 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 "Allocate/Edit":

- Standard purchases: Internal agency procedures will determine if a description is required. Statewide contract number, if applicable, shall be selected utilizing the provided drop down menu. Transactions of \$5000.00 or greater must have a description in either the description field or the comment section.
- Airline purchases: Traveler's name and/or 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.
- Lodging purchases: Traveler's name, employee ID number, number of nights, City/State, purpose of travel, confirmation number and room rate stating (1) designated hotel; or, (2) standard GSA lodging rate; or, (3) federal high GSA lodging rate.

Recommendation: We recommend the agency implement a process where the approving official should not approve transactions if the cardholder has not entered the correct information in the online banking system's description field when required by the state Purchase Card Procedures.

Management's Response

Date: May 9, 2016

Respondent: Chief Financial Officer

Response: Concur – OMES will hold additional training on the descriptions required in Works.

Corrective Action Plan

Contact Person: Chief Financial Officer

Anticipated Completion Date: Third Qtr 2016

Corrective Action Planned: Hold additional training on the descriptions required in Works.

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

	Transactions	Amount (\$)
Total Expenditures:	6,687	\$4,018,329.62
Reverse Transactions	(118)	(\$0.00)
Agent Fees	(138)	(\$1,632.75)
Negative Transactions	(111)	\$81,434.51
Filtered Population	6,320	\$4,098,131.38
Sub-Populations:		
IT	161	\$137,101.35
Lodging	364	\$118,243.45
Airfare	135	\$56,804.04
Equal to or Less than \$5,000	5,585	\$2,704,962.07
Greater than \$5,000	75	\$1,081,020.47
Total:	6,320	\$4,098,131.38
Samples:		
IT	29	\$59,190.14
Lodging	37	\$15,791.30
Airfare	32	\$14,690.16
Equal to or Less than \$5,000	63	\$76,560.23
Greater than \$5,000	29	\$710,789.96

EXECUTIVE SUMMARY

Organization: Oklahoma Office of Management & Enterprise Services

History and Overview: The Office of Management and Enterprise Services was formed through a series of agency consolidations in 2011 that created a central, unified government operations agency that provides financial, property, purchasing, human resources and information technology services to all state agencies. OMES also assists the governor's office on budgetary policy matters.

Agency Information

The agency is made up of 225 classified, 1,078 unclassified and 27 temporary employees according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 10, 2015.

Key Staff

Kelly Wilson, Chief Financial Officer

Michael Ellis, Purchase Card Administrator (began Oct. 2016)

Steve Funck, Former Purchase Card Administrator (May 2016, to Oct. 2016)

Nykkia Harris, Former Purchase Card Administrator (March 2016, to April 2016)

Kyle Williams, Former Purchase Card Administrator (Nov. 2015, to Feb 2016)

Jerry Spivey, Former Purchase Card Administrator (Beginning of audit period to Oct. 2015)