



# **Oklahoma Ethics Commission**

## **Purchase Card Audit**

# **Audit and Internal Investigations**

Report Released November 2016

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## AUDIT HIGHLIGHTS

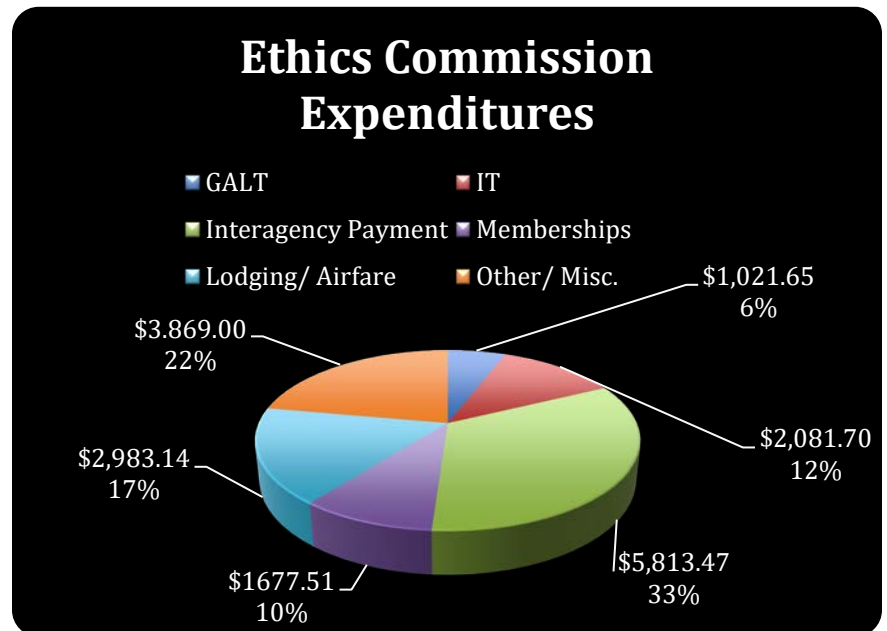
**Oklahoma Ethics Commission - Purchase Card Program Audit — Completed March 2016**

### Why We Conducted This Audit

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

We have determined the Oklahoma Ethics Commission has significantly complied with the state purchase card procedures and the agency's internal purchasing procedures. The agency has also implemented internal controls and the controls appear to be operating effectively in relation to the agency's purchase card program. We performed analytical test work during our planning, completed internal control walkthroughs, and tested 33 purchases against a minimum of 9 compliance requirements for each transaction. Three formal findings were written.



### Audit Finding Summary

*(Findings are listed in order of importance. Error rates are based on transactions reviewed.)*

#### **Finding 16-296-03: Approving Official/Cardholder Statement:**

Five cardholder statements did not contain a signature by an approving official that is one level higher and ten cardholder statements did not contain a signature by a cardholder

#### **Finding 16-296-01: Description Field:**

Cardholders were not filling in the required information for lodging and airfare transactions.

*(The most significant audit findings are detailed in our audit report. All exceptions noted during our audit have been provided to Agency's management.)*

## 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 was in compliance with the audit objectives during the period of Dec. 8, 2014, to Dec. 8, 2015. As of Dec. 8, 2015, there were two purchase cardholders and one approving official in the agency.

In total, the agency spent \$16,697.55 over 81 purchase card transactions for the audit period. Transactions reviewed for testing included, purchases under \$5,000, 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, we tested 33 transaction meeting the minimum sample size of 30 transactions was tested.

## DETAILED FINDINGS

### **Finding 16-296-03: Approving Official/Cardholder Statement**

**Condition:** 1) During our testing of internal controls, we discovered cardholders were not printing out or reconciling their own monthly cardholder statements. We also noted 10 of 17 monthly cardholder statements (59 percent error rate) did not contain the cardholder's signature.

2) During our substantive test work, we noted 5 of 17 monthly cardholder statements (29 percent error rate) did not contain a signature by an approving official that is one level higher than cardholder.

**Effect or Potential Effect:** 1) When the cardholder reconciliation is not reviewed in its entirety, the risk of purchase card documentation being incomplete and inaccurate increases. An incomplete cardholder statement reconciliation process creates an opportunity for unauthorized transactions to go undetected.

2) In the absence of approving officials' signatures on cardholder statements, there is no support showing the cardholders' monthly statement and supporting documentation was independently reviewed for accuracy, completeness, appropriateness of the purchase and whether the transactions were conducted according to state statutes, rules, procedures and sound business practices. Inadequate participation from the agency's approving officials increases the risk that purchase cards could be misused.

**Cause:** 1) The agency was unaware of the requirement to have each purchase cardholder print off their own monthly statement and to reconcile the statement themselves.

2) The agency was not aware the approving official was required to sign the cardholder statement.

**Criteria:** 1) The State of Oklahoma Purchase Card Procedures §6.14.1, **P-Card holder responsibilities** states in part:

- 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.

2) The State of Oklahoma Purchase Card Procedures §3.6, **State Entity Approving Officials**, states in part:

One or more State Entity staff members designated by the State Entity P-Card Administrator to review and approve P-Card holder transactions. State Entity Approving Officials must be at least one level above the P-Cardholder's position and be current with P-Card training. The State Entity P-Card Administrator may designate in writing, Back-up State Entity Approving Officials. The Back-up State Entity Approving Official must be at least one level above the P-Cardholder's position, be current with P-Card training and have a signed P-Card Employee Agreement on file with the State Entity P-Card Administrator.

**Recommendation:** 1) We recommend each cardholder print off their cardholder statement and reconcile to supporting documentation. We recommend the approving official ensures this process is performed by the cardholder.

2) Establish and implement procedures to ensure all monthly cardholder statements are signed and dated by the approving official upon concurrence of the reconciliation performed by the cardholder. Further, we recommend that purchase card management monitor such cardholder statements to ensure adherence to the established procedures.

### ***Management's Response***

**Date:** 3/10/2016

**Respondent:** Deputy Director

**Response:** **Partially concur-** Criteria 1 references section 6.14.1. It appears the section number is inaccurate. The Ethics Commission contracts with OMES/ABS as a "full service" agency. OMES/ABS prints the P-card voucher for the agency which is then provided to the agency and all the transaction related documents to the Deputy Director who reviews and signs the voucher. The voucher with supporting documentation is returned to OMES/ABS. The purchases themselves are

handled in house with prior approval for all purchases. The Ethics Commission staff attended two P-card trainings—the general training provided to all p-card holders prior to the p-card being issued. The staff then requested agency specific training during the audit period to ensure understanding of the procedures that needed to occur at the agency to fulfill its responsibilities. The printing of statements by cardholders was not included in those recommended procedures. The staff has complied with the procedures and advice of OMES. The procedures utilized involving OMES/ABS during the audit period did achieve the same protections as printing off monthly cardholder statements and there was no risk of unauthorized transactions. The OMES trainings should incorporate the audit protocols to ensure proper procedures are conveyed to new p-card holders and administrators.

#### ***Corrective Action Plan***

**Anticipated Completion Date:** Completed

**Corrective Action Planned:** The recommended procedures have already been implemented at the agency.

**Auditor's Statement:** The reference given in Finding 16-296-03 refers to the purchase card procedures effective Dec. 8, 2014 to Dec. 31, 2015. This criteria is applicable during the audit period. The new reference, effective Jan. 1, 2016, has been changed to the following: 5.14.1.

#### **Finding 16-296-01: Description Field**

***Condition:*** During our testing of lodging and airfare transactions, we noted all six transactions audited did not contain the correct information in the online banking system's description field required by the State Purchase Card Procedures.

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

***Cause:*** The agency was not aware of all the requirements to include for traveler information in the online banking system's description field

***Criteria:*** The State of Oklahoma Purchase Card Procedures §6.13.1.2.2, **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 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.
- **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 airfare and lodging 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:** 03/10/2016

**Respondent:** Deputy Director

**Response: Concur-**The Ethics Commission contracts with OMES/ABS as a "full service" agency. During the audit period Ethics Commission staff attended two P-card trainings—the general training provided to all p-card holders prior to the p-card being issued. The staff then requested agency specific training during the audit period to ensure understanding of the procedures that needed to occur at the agency to fulfill its responsibilities. The p-card transaction editing was not included in either training. The OMES trainings should incorporate the audit protocols to ensure proper procedures are conveyed to new p-card holders and administrators.

***Corrective Action Plan***

**Anticipated Completion Date:** Completed

**Corrective Action Planned:** The recommended procedures have been implemented at the agency.

## 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	81	\$16,697.55
Reverse Transactions	(2)	0
Agent Fees	(3)	(\$27.00)
Negative Transactions	(3)	\$775.92
Filtered Population	73	\$17,446.47
Sub Population	73	\$17,446.47
Lodging	3	\$1,782.04
Airfare	3	\$1,201.10
Under \$5,000	65	\$13,407.44
Over \$5,000	0	\$0.00
IT	2	\$1,055.89
Total:	73	\$17,446.47
Samples		
Lodging	3	\$1,782.04
Airfare	3	\$1,201.10
Under \$5,000	23	\$11,100.16
Judgmental	4	\$372.25



# EXECUTIVE SUMMARY

## Oklahoma Ethics Commission

**Mission Statement:** To promulgate rules of ethical conduct for campaigns for state office and for campaigns for initiative and referenda; to promulgate rules of ethical conduct for state officers and employees; to investigate, settle or prosecute in the district court violations of its rules and to make binding interpretations of its rules.

**History and Overview:** The Oklahoma Constitution charges the Ethics Commission with promulgating and enforcing rules of ethical conduct (1) for campaigns for state office, (2) for campaigns for state questions and (3) for state officers and employees.

The Constitution provides a partnership between the Commission and the Governor and Legislature in promulgating rules. The Commission submits proposed rules to the Governor and the Legislature each year. If the rules are not formally rejected by a process specified in the Constitution, they become effective at the end of the regular legislative session at which they were considered. The Commission enforces its rules either by prosecuting civil lawsuits in District Court or by entering into settlement agreements.

The Oklahoma Ethics Commission was created by a vote of the people at the runoff primary election on September 18, 1990. The Commission's first meeting was in July of 1991.

The Commission is composed of five members, one each appointed by the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Chief Justice of the Supreme Court and the Attorney General. They serve staggered five-year terms, are limited to two terms and represent each of the state's five Congressional districts. No more than three members may be from the same political party.

## Agency Information

The Agency is made up of 7 unclassified employees according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 10, 2015.

## Commissioners

Chair, Commissioner Cathy Stocker  
Vice-Chair, Commissioner John Hawkins  
Commissioner Karen Long  
Commissioner Jo Pettigrew

## Key Staff

**Lee Slater**, Executive Director  
**Ashley Kemp**, Deputy Director, Approving Official  
**Roberta Hale**, Compliance Officer, Purchase Card Administrator