



Oklahoma Department of Labor Purchase Card Audit

Audit and Internal Investigations

Report Released: December 2015

Audit Performed by
JoRay McCoy, Audit Director
Zachary Ornelas, Auditor
Brittany Porter, Lead Auditor

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AUDIT HIGHLIGHTS

Department of Labor - Purchase Card Program Audit — Release Date (Dec. 15, 2015)

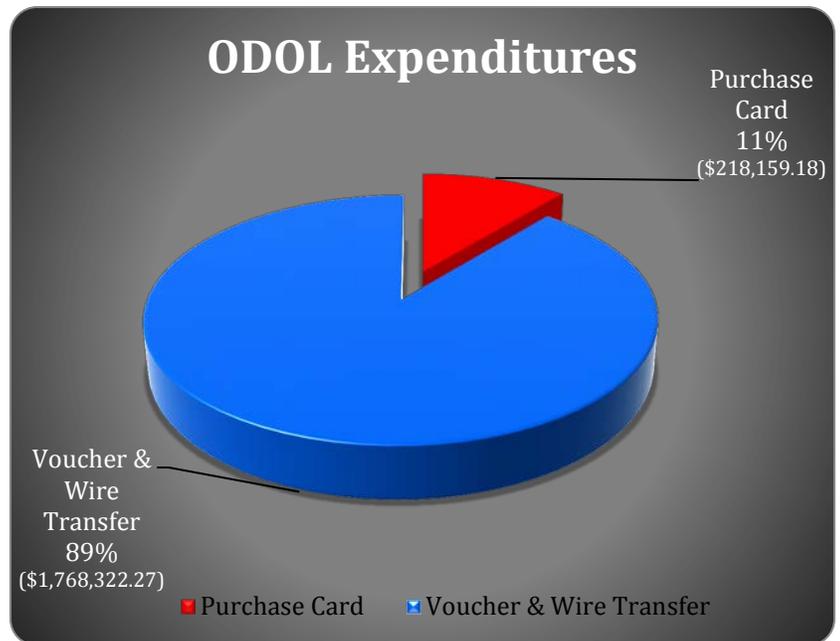
Why We Conducted This Audit

This report provides information on the agency's compliance of the Purchase Card Program with the State of Oklahoma Purchase Card Procedures and the strength and execution of the agency's approved internal control procedures.

What We Found

Based on our audit, we have determined the Department of Labor has significantly complied with the following audit 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 State of Oklahoma Purchase Card Procedures as they relate to the acquisition process through the use of purchase cards.



Audit Finding Summary

Finding 15-405-03: Food Policy

The agency did not have the required food policy per State of Oklahoma Purchase Card Procedures.

Finding 15-405-05: Taxes/Miscellaneous charges and General Services Administration rates

Lodging transactions contained taxes and miscellaneous charges not authorized and exceeded the allowed GSA rate per night.

Finding 15-405-07: Airfare/Statewide Contracts

Cardholders did not use the proper statewide contract to book airfare for four transactions.

Finding 15-405-04: Approving Official and Cardholder Statements

Seven cardholder statements did not contain a signature by an approving official that is one level higher and cardholders were creating their own monthly statements instead of downloading them from the online banking system.

Finding 15-405-02: Description Field

Cardholders were not filling in the required information for transactions under \$5,000, lodging and airfare.

Finding 15-405-01: Purchase Card Administrator Responsibilities

Cardholder agreements were not up to date with the correct purchase card administrator/approving official and three program participants were not up to date on their training.

(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 July 1, 2014, to June 30, 2015. As of Nov. 5, 2015, there were six purchase cardholders and two approving officials in the agency.

In total, the agency spent \$218,159.18 in purchase card transactions for the audit period. We reviewed 635 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, minimum sample sizes of 50 transactions were tested.

DETAILED FINDINGS

Finding 15-405-03: Food Policy

Condition: During our substantive testwork, we discovered six food transactions that were made after the Dec. 8, 2014, update of the State of Oklahoma Purchase Card Procedures which called for an internal food policy for agencies. The ODOL did not have a food policy in place after the update; however, there were food purchases made. As of Sept. 9, 2015, ODOL still has no approved internal food policy on file.

TXN Number	Purchase Date	Amount	Vendor
TXN00582210	1/7/2015	\$14.99	DUNKIN #302096 Q35
TXN00594300	2/4/2015	\$14.99	DUNKIN #302096 Q35
TXN00618143	4/1/2015	\$14.99	DUNKIN #302096 Q35
TXN00623301	4/14/2015	\$71.08	SHOWTIME CONCESSION SU
TXN00647610	6/9/2015	\$200.00	SUBWAY 00999912
TXN00651635	6/18/2015	\$1,057.18	TED'S CAFÉ ORIGINAL

Cause: The agency was unaware of the recent changes to the State of Oklahoma Purchase Card Procedures regarding the implementation of a food policy.

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 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 governing board. We further recommend the executive management of the agency specifically state the statutory authority to spend the funds in this manner and must state the public purpose served by purchasing the meals within the policy.

Management’s Response

Date: 12/3/2015

Respondent: Deputy Commissioner

Response: Concur - The current Agency CPO created a new Agency Food Policy with a request form to be used and effective immediately within the agency.

Corrective Action Plan

Anticipated Completion Date: Already Completed.

Corrective Action Planned: The Agency updated the Food Policy on 10/12/2015. The Agency Requestor must obtain proper documentation of Commissioner approval for the purchase of food prior to acquisition. The use of the Agency Food Beverage and Gift Expense form will now be mandatory.

Finding 15-405-05: Taxes/Miscellaneous Charges and GSA Rates

Condition: 1) During our testing of lodging, we noted three lodging transactions (15 tested, 20 percent error rate) had taxes charged for a hotel located within the state of Oklahoma totaling \$13.33. We also noted one transaction contained a charge for a rollout bed. The cost of the rollout bed was \$15.00 for two nights totaling \$30.00.

2) We also noted two lodging transactions (22 tested, 12 percent error rate) that exceeded the allowed General Services Administration rate per night. One transaction exceeded the GSA rate by \$84.00 for a two-night stay and the other exceeded the GSA rate by \$63.24 for a three-night stay.

Cause: 1) The agency lacks the process to ensure taxes charged and other miscellaneous charges are credited back to the cardholder.

2) The agency lacks the process to ensure rates are at or below GSA rates when required.

Effect or Potential Effect: 1) In-state taxes paid for in-state lodging creates an inefficient process from which the state pays itself. When other miscellaneous charges are paid without requesting a credit, unauthorized purchases can go undetected.

2) If GSA rates are exceeded, it gives the traveler the opportunity to misuse state funds by staying in high-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 Statewide Accounting Manual, **Chapter 50: Disbursing A. Regular Lodging Rates**, states in part:

Reimbursement for lodging expense shall not exceed the maximum daily rates. Any associated tax charges will be reimbursed in addition to the maximum rate.

The current standard daily lodging reimbursement rates authorized by the STRA shall be the amount authorized by the provisions of the Internal Revenue Code of 1986, as amended, for deductibility of expenses for travel while away from home without additional documentation. (74 O.S. §500.9)

This rate can be different depending on the location of travel as identified in the Government Services Administration's (GSA) Continental United States (CONUS) rates for domestic locations and OCONUS for locations outside of the continental United States.

Recommendation: 1) We recommend the agency implement a process to ensure taxes aren't 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 recommend the agency require the travelers to reimburse the state for the amount paid over the GSA rate per night and rollout beds. If not paid back the traveler and cardholder should lose their privileges of using the purchase card for lodging. In addition, we recommend proper steps be administered when choosing lodging to prevent lodging rates exceeding the allowed GSA rate.

Management's Response

Date: 12/3/15

Respondent: Deputy Commissioner

Response: Concur - The current Agency P-Card Administrator will be giving a presentation to the agency on P-Card procedures on 12/18/15 and will follow up with each P-Card Holder as needed. The P-Card Holders will be advised to obtain correct GSA rates when booking lodging or have documentation to show why there is an exception.

Corrective Action Plan

Anticipated Completion Date: 12/18/2015

Corrective Action Planned: Informational training will be held at the agency on 12/18/2015 to notify P-Card Employees of the updates to P-Card procedures at the agency effective immediately. Documentation regarding the rollout bed charge and GSA rates were delivered to the OMES Auditor to substantiate employee reimbursement of personal charges and designated hotel and proper GSA rate obtained for travel reimbursement claims.

Finding 15-405-07: Airfare/Statewide Contracts

Condition: During our substantive testwork, we noted four airfare transactions (seven tested, 57 percent error rate) did not use the proper statewide contracts to book airfare for travelers.

Cause: Unknown

Effect or Potential Effect: The cardholder circumvented controls that promote reduced cost and increased value for goods and services to the State of Oklahoma.

Criteria: The State of Oklahoma Purchase Card Procedures § 6.5.3, **Mandatory statewide contracts**, states “State Entities shall make purchases from mandatory statewide contracts **regardless of the purchase price** unless the State Purchasing Director has issued a waiver to the State Entity.”

Recommendation: We recommend the agency communicate to the cardholders the requirements of mandatory statewide contracts and verify cardholders are complying with the requirements. Cardholders should receive guidance, review and on-the-job training from supervisors and managers on how to use the statewide contractors website to book airfare for travelers.

Management’s Response

Date: 12/3/15

Respondent: Deputy Commissioner

Response: Concur - The current Agency P-Card Administrator will be giving a presentation to the agency on P-Card procedures on 12/18/15 and will follow up with each P-Card Holder as needed. The Agency P-Card Holders will be advised of the Mandatory Statewide Contract for purchasing of airline tickets.

Corrective Action Plan

Anticipated Completion Date: 12/18/2015

Corrective Action Planned: Informational training will be held at the agency on 12/18/2015 to notify P-Card Employees of the updates to P-Card procedures at the agency effective immediately. The Oklahoma Purchase Card Procedures will be reviewed regarding Mandatory Statewide Contracts and Travel purchases.

Finding 15-405-04: Approving Official and Cardholder Statements

Condition: 1) During our substantive testwork, we noted 7 of 22 monthly cardholder statements (32 percent error rate) did not contain a signature by an approving official that is one level higher.

2) During our substantive testwork, we discovered cardholders were creating their own monthly cardholder statements and not downloading the statements created by the online banking system. The cardholders created their monthly statements on a separate excel spreadsheet and used the transaction information from the online banking system. Cardholders should be using the report titled “Cardholder Statement with Allocation & Description” located within the template library of the online banking system.

Cause: 1) Unknown.

2) The agency was unaware of the requirement to use the monthly statement produced within the online banking system.

Effect or Potential Effect: 1) If the approving official 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 approving official. As a result, the cardholder could skew the approving official’s decision-making process and increase the risk for transactions to be unauthorized and unsupported, and unapproved transactions could occur and go undetected. In addition, disputes or unresolved issues may

not be properly resolved by the approving official. Accordingly, controls in relation to the proper review and approval process of purchase card expenditures and monthly reconciliations could be weakened.

2) There is an opportunity for deception by altering cardholder statements to exclude purchases that the cardholder may not want to be seen within their statement.

Criteria: 1) 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.

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

“Statement” means a document listing P-Card account activity issued to a State Entity by the Issuing Bank. The statement is available via the Issuing Bank's transaction system and is used for management and reconciliation purposes as well as the basis for payment.

Recommendation: 1) We recommend the agency structure their purchase card program so that the approving official is at least one level above all cardholders in the agency's purchase card program.

2) We recommend the agency implement a process to ensure cardholders are not creating their own monthly statements and train cardholders on how to download the monthly statements created in online banking system. Cardholders should be downloading the report titled “Cardholder Statement with Allocation & Description” located within the template library of the online banking system.

Management's Response

Date: 12/3/15

Respondent: Deputy Commissioner

Response: Concur - The current Agency P-Card Administrator will reassign P-Card Approver duties so that a conflict in State P-Card Procedure will not occur.

Corrective Action Plan

Anticipated Completion Date: 12/18/2015

Corrective Action Planned: Informational training will be held at the agency on 12/18/2015 to notify P-Card Employees of the updates to P-Card procedures at the agency effective immediately. The use of Excel created reports will be discontinued and the online banking system report will be used by all P-Card Holders. Agency P-Card Approvers were changed so that all P-Card Holders have appropriate Approvers to approve transactions.

Finding 15-405-02: Description Field

Condition: 1) During our testing of lodging and airfare transactions, we noted all airfare transactions and all lodging transactions did not contain the correct information in the online banking system's description field required by the State of Oklahoma Purchase Card Procedures.

2) During our testing of transactions under \$5,000, we noted 33 purchase card transactions (100 percent error rate) did not include the required transaction information in the notes field. This is a requirement of the Department of Labor's internal purchasing procedures.

Cause: 1) The agency was not aware of the requirement to include traveler information in the online banking system's description field.

2) Cardholders were not aware the agency's internal purchasing procedures required transaction information in the online banking system's description field.

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

Criteria: 1) 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.

2) The Oklahoma Department of Labor Internal Purchasing Procedures, **Cardholder Responsibility**, states in part:

The cardholder will reconcile all purchases made with their Pcard online via the issuing banks website (the issuing bank is determined by the Department of Central Services (hereinafter "DCS")). Cardholders must update any purchases made on the P-card weekly. Information is to be provided in the "notes" (specified in issuing bank's manual) area as follows:

- Detailed item description by quantity, description, & amount
- Division purchasing the product(s) or item(s)
- Statewide contract number in its specific space (specified in issuing bank's online website manual)

Recommendation: We recommend the agency implement a process where the approving official should not approve transactions if the cardholder has not entered in the correct information as required by the State of Oklahoma Purchase Card Procedures and the agency's internal purchasing procedures. The procedures do not allow someone other than the purchase cardholder to enter the information in the notes field for transactions. If the policy for information required for each transaction is out of date, then we recommend the agency update their internal purchasing procedures.

Management's Response

Date: 12/3/15

Respondent: Deputy Commissioner

Response: Concur - The current Agency P-Card Administrator will be giving a presentation to the agency on P-Card procedures on 12/18/15 and will follow up with each P-Card Holder as needed. The Agency CPO will update the current agency P-Card Procedures to follow more closely to the State's current P-Card Procedures.

Corrective Action Plan

Anticipated Completion Date: 12/18/2015

Corrective Action Planned: Informational training will be held at the agency on 12/18/2015 to notify P-Card Employees of the updates to P-Card procedures at the agency effective immediately. The Agency P-Card Policy & Procedures will be updated to fall in line with the State P-Card Procedures regarding P-Card Transaction Editing.

Finding 15-405-01: Purchase Card Administrator Responsibilities

Condition: 1) During the audit planning phase of our audit, we noted that seven cardholder agreements and three approving official agreements were not up to date with the correct purchase card administrator and approving official.

2) We also noted two cardholders, one approving official and the backup purchase card administrator have not had their refresher trainer course within the required two years.

Cause: The agency was in the middle of a transition between purchase card administrators when we engaged in our audit.

Effect or Potential Effect: 1) By not having the appropriate signed documentation by the employee, the agency does not have evidence that indicates the program participant is aware of, understands and agrees to follow the rules and regulations of the P-card program.

2) Cardholders and agency administration may miss updates and important card information related to the usage and management of the purchase card, putting the agency at risk for inadequate purchasing practices.

Criteria: 1) The State of Oklahoma Purchase Card Procedures §3.9, **Purchase Card Employee Agreement**, states in part:

All State Entity P-Card Program Participants must read and sign the State of Oklahoma Purchase Card Employee Agreement form in the appropriate signature block, prior to assuming their duties and being issued P-Cards. By signing the agreement, the participant

acknowledges that he or she understands the intent of the P-Card Program and agrees to follow these Procedures and any policies or directives established by OMES to supplement these Procedures...

2) The State of Oklahoma Purchase Card Procedures §3.8, **Training**, states in part:

Training is required every two (2) years from the date of the last training session or after a contract vendor change, whichever is first. It is the responsibility of the State Entity P-Card Administrator to ensure employees are re-trained within the defined timeframe.

Recommendation: 1) We recommend the agency purchase card administrator obtain updated signed cardholder agreement forms and maintain them on file.

2) We recommend the purchase card administrator implement a tracking system to remind purchase card program participants to attend refresher training. Also, provide or send all participants to refresher training courses as needed to comply with purchase card training requirements.

Management's Response

Date: 12/3/15

Respondent: Deputy Commissioner

Response: Concur - The current P-Card Administrator will keep the agency P-Card Binder up to date.

Corrective Action Plan

Anticipated Completion Date: Already completed.

Corrective Action Planned: Obtained updated forms and signatures for P-Card Employee Agreements and P-Card Training forms. Added to the agency P-Card Administrator Binder. Added tracking file to P-Card Binder and also to the agency P-Card finance file. One employee is not able to obtain training until early 2016 due to previous scheduled conflicts.

APPENDIX

Methodology

- Interviews were conducted with agency 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

The population for substantive test work was 635 transactions totaling \$219,524.39. We used the classical variable sampling method to extract a random sample of transactions below the \$5,000 threshold, lodging transactions and airfare transactions. In addition, 15 transactions were selected at the auditor's discretion and tested against selected attributes.

	Transactions	Amount
Total Expenditures:	694	\$218,159.18
Reverse Transactions	(10)	(\$0.00)
Agent Fees	(15)	(\$135.00)
Negative Transactions	(34)	\$1,500.21
Filtered Population	635	\$219,524.39
Sub-Populations:		
Lodging	138	\$34,175.45
Airfare	32	\$12,156.40
Under \$5,000	465	\$173,192.54
Greater than \$5,000	0	\$0.00
Total:	635	\$219,524.39
Samples:		
Lodging	18	\$7,135.08
Airfare	7	\$2,649.40
Under \$5,000	36	\$37,064.56
Judgmental	15	\$4,204.08

EXECUTIVE SUMMARY

Organization: Oklahoma Department of Labor

Mission Statement: To help ensure fairness, equity, and safety in Oklahoma workplaces through ethical behavior, conscientious guidance, and loyal service to Oklahoma's employers and employees.

History and Overview: The commissioner of labor is a constitutional office defined by Article VI Section 20. The department is responsible for administration and enforcement of minimum wage; child labor laws; workers' compensation insurance compliance; regulation of private employment agencies; investigation and mediation of unpaid wages; inspection of welded steam lines, boiler and pressure vessels, elevators (other than Oklahoma City and Tulsa), amusement and water rides, and water heaters in public facilities; certification of welders and weld-testing laboratories; regulation and certification of asbestos workers; and enforcement of occupational safety and health for public employees.

Agency Information

The Agency is made up of 47 classified and 19 unclassified employees according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 1, 2014.

Key Staff: (during the Audit Period)

Stacey Bonner, Deputy Commissioner

April Smart, Accountant & Purchase Card Administrator

Don Wheeler, Accountant & Backup Purchase Card Administrator

TRANSMITTAL LETTER

TO MELISSA MCLAWHORN HOUSTON, COMMISSIONER AND THE OKLAHOMA DEPARTMENT OF LABOR

With this letter, we transmit the report of the Oklahoma Department of Labor purchase card program audit for the period of July 1, 2014 to June 30, 2015.

We performed the audit to ensure the Oklahoma Department of Labor purchase card program as administered by the Office of Management and Enterprise Services is compliant with laws and regulations.

The accompanying report presents our findings and recommendations, as well as management's responses and corrective action plans. This report is available to the public on the Office of Management and Enterprise Services website, <http://www.ok.gov/OSF/Audit>.

Respectfully,

Carol McFarland
Director, Performance and Efficiency Division