



OKLAHOMA
Office of Management
& Enterprise Services

**Oklahoma Department of Mental Health
and Substance Abuse Services**
Purchase Card Program Audit

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AUDIT HIGHLIGHTS

Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS)

Why we conducted this audit

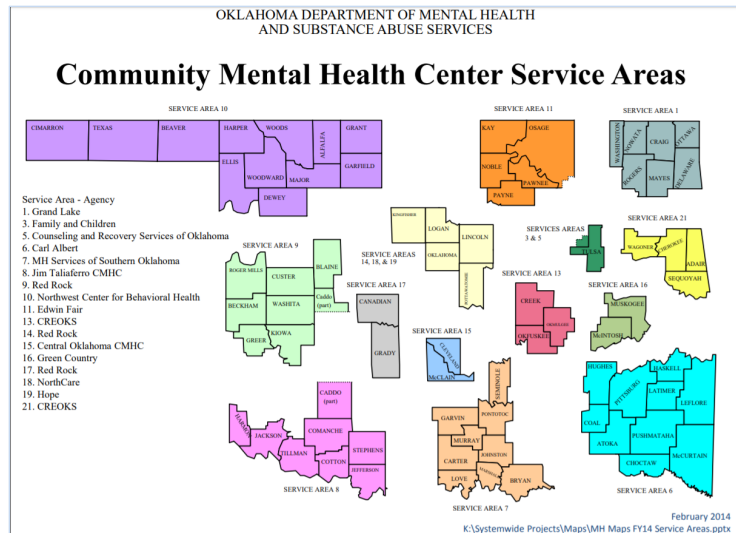
This report provides information on the compliance of the Oklahoma Department of Mental Health and Substance Abuse Services with Oklahoma purchase card procedures and agency-defined purchase card procedures. We also reviewed the strength and execution of the agency's internal controls within the purchase card program.

What we found

We have determined ODMHSAS has significantly complied with the state purchase card procedures. The agency has implemented internal controls that are operating effectively in relation to the agency's purchase card program. We performed analytical testwork during our planning phase, completed internal control walk-throughs and tested 184 purchases against defined compliance requirements. We reported two formal findings.

Agency accomplishments

The ODMHSAS purchase card program is streamlined and well organized. The agency's purchase card administrator, Ms. Mathias, has created a system of accountability to reduce risk. Ms. Mathias has created a program that quickly adapts to changes and evolves with current policies. Her readiness and willingness to implement new policies and internal training is a necessary tool for a successful program. Compared to other purchase card programs of this size, ODMHSAS' is more organized and well run under a diligent purchase card administrator.



AUDIT FINDING SUMMARY

(Findings stated in order of significance. Error rates are based on transactions reviewed.)

Finding 20-452-01: Prohibited purchases:

The purchase card was used to make two transactions at a Starbucks vendor in a hotel. The amount (\$10.10) was not reimbursed to the agency. Additionally, we found a transaction that exceeded the GSA lodging rate.

Finding 20-452-02: Approving officials:

Two approving officials were not identified at least one level above their respective cardholders.

(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., the State of Oklahoma Purchase Card Procedures (2016) and the State of Oklahoma Policy & Procedures for Purchase Card and Online Booking Tool (2017). The audit was to determine if ODMHSAS' purchase card program complied with the audit objectives during the period of July 1, 2017, to Dec. 9, 2018. As of December 2016, there were 45 cardholders. ODMHSAS processed 7,438 purchase card transactions totaling \$3,245,816.39 during the audit period. Purchase card transaction categories for the agency included purchases under \$5,000, airfare, lodging and information technology purchases. The classical variable sampling method was used to randomly select the testing sample. When applying this technique, the auditor exercised judgment in adjusting the confidence level and expected proportion of errors based on a risk assessment. To ensure a sound statistical random sample, 36 standard transactions under \$5,000 were tested along with 41 transactions greater than \$5,000, 33 lodging, 15 airfare and 34 IT, and 25 transactions were selected based upon auditor's discretion and tested against selected criteria.

DETAILED FINDINGS

Finding 20-452-01: Prohibited purchases

Condition: During the substantive testwork phase of the audit, two transactions were noted to be prohibited. TXN00977695 and TXN00977716 were both for \$5.05, purchased on 8/24/2017 and paid to the Doubletree Tulsa hotel, totaling \$10.10. The transactions were for Starbucks drinks while at the hotel. The same card (7306) was charged for both transactions. However, the traveler (Cordova) was not the purchase cardholder (Santos). The agency did not provide documentation to support the amount was refunded by the traveler, cardholder or the approving official.

During the substantive testwork phase of the audit, one transaction was found to exceed the GSA rate and taxes were charged for lodging in Oklahoma. The transaction was charged to the card ending in 6949. The traveler stayed at the Holiday Inn Express in Broken Arrow, Oklahoma. The stay was from March 4-7, 2018.

| Charged Room Rate | Total Room Rate | (OK) State Tax | (OK) Hotel Occupancy Tax | Charged Room Taxes | Total Charged Taxes | Total Room Rate and Charged Taxes |
|---------------------------|---------------------|----------------|--------------------------|------------------------|-------------------------|---------------------------------------|
| \$119* | \$476 | 8.43% | 4% | \$14.78* | \$59.12 | \$535.12 |
| | | | | | | |
| GSA Room Rate | Total GSA Room Rate | (OK) State Tax | (OK) Hotel Occupancy Tax | GSA Room Taxes Allowed | Total GSA Taxes Allowed | Total GSA Room Rate and Taxes Allowed |
| \$93 | \$372 | 8.43% | 4% | \$11.56* | \$46.24 | \$418.24 |
| Total overpayments | | | | | | \$116.88 |

*Multiply cost x 4 nights.

As of May 5, 2020, a reimbursement for the amounts has not been obtained from the traveler/cardholder.

Effect or potential effect: Agency was not reimbursed for prohibited purchases and the cardholder/traveler received no disciplinary action.

Cause: The agency stated the amounts were to be reimbursed by the employee because the hotel made the error. The agency was aware of the situation and presented documentation of a request for reimbursement; the reimbursement was not confirmed.

The agency stated the employee was contacting the vendor for a reimbursement.

Criteria: State of Oklahoma Purchase Card Procedures (effective Jan. 1, 2016) § 5.3 Prohibited Purchases states in part:

- 5.3.3 Diem food and beverages as authorized by the State Travel Reimbursement Act, Oklahoma State Travel Policy and any other statute pertaining thereto.
- 5.3.4 Cash, cash advances, automatic teller machine (ATM) transactions.
- 5.3.5 Goods or services for personal use.

5.3.6 Items not for official state business.

State of Oklahoma Purchase Card Procedures (effective Jan. 1, 2016) § 5.12 **Travel Acquisitions** states in part:

5.12.3 **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 P-Card 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.

State of Oklahoma Policy & Procedures for Purchase Card and Online Booking Tool (effective Feb. 15, 2017) § 8.4 **Lodging** states in part:

The p-card holder shall verify that the lodging establishment and price is in compliance with the STRA and the Statewide Accounting Manual. In general, lodging rates may not exceed the GSA published lodging rates unless using a designated hotel. See Section 50.30.04 of the Statewide Accounting Manual for more information on lodging restrictions and exceptions.

The entity travel arranger or traveler shall verify that in-state lodging charges do not include Oklahoma lodging tax, municipality tax, city tax, occupancy tax, or tourism tax. See Section 7.10.

Recommendation: We recommend the agency discontinue using the purchase card for prohibited purchases. We also recommend additional training for agency travelers, cardholders and approving officials in relation to purchase cards used for travel purposes. It is the traveler, cardholder, approving official and purchase card administrator's responsibility to ensure a reimbursement is obtained. The overpayment should be reimbursed by the traveler or cardholder. The overpayment is not the hotel's responsibility to credit.

Management's response

Date: 5/19/20

Respondent: Chief financial officer

Response: Partially concur and Non-concur

TXN00977695 and TXN00977716: Per documentation on the transaction, it is clearly mentioned that a reimbursement or refund would be processed. This may have in fact occurred, but we were unable to obtain the documentation proving that it did. Both the cardholder and the traveler are no longer with the agency.

TXN01054090: Cardholder contacted the Hotel and a refund was issued for the excess charges and taxes. Please see attached.

Corrective action plan: ODMHSAS will ensure the agency's internal p-card trainings focus on how to avoid these transactions. Also ODMHSAS will work to ensure that refunds, if they occur, will be to be processed in a timely manner. ODMHSAS will also improve the review of submitted documentation to ensure we have the appropriate documents are submitted and retained according to ODMHSAS's document retention schedule.

Anticipated completion date: Ongoing

Corrective action planned: Ongoing



| | | | |
|--|--|--|--|
| Lahcen Dallaly 1820 cherrstone Norman OK 73072 United States | | Folio No. : 192657 A/R Number : Group Code : Company : dept of mental health Membership No. : Invoice No. : | Room No. : 9013 Arrival : 03-09-18 Departure : 03-09-18 Conf. No. : Rate Code : IGCOR Page No. : 1 of 1 |
|--|--|--|--|

| Date | Description | Charges | Credits |
|----------------|--|----------------|----------------|
| 03-09-18 | State Tax - Room - Adj | -10.02 | |
| 03-09-18 | State Tax - Room - Adj | -10.02 | |
| 03-09-18 | State Tax - Room - Adj | -10.02 | |
| 03-09-18 | State Tax - Room - Adj | -10.02 | |
| 03-09-18 | Hotel Occupancy Tax - Adj | -4.76 | |
| 03-09-18 | Hotel Occupancy Tax - Adj | -4.76 | |
| 03-09-18 | Hotel Occupancy Tax - Adj | -4.76 | |
| 03-09-18 | Hotel Occupancy Tax - Adj | -4.76 | |
| 03-09-18 | Visa Refund-tax exempt XXXXXXXXXXXX8949 | | -59.12 |
| 05-07-20 | Miscellaneous Other - Adj rate adj | -104.00 | |
| 05-08-20 | Visa rate adj XXXXXXXXXXXX0419 | | -104.00 |
| Total | | -163.12 | -163.12 |
| Balance | | 0.00 | |

Guest Signature: _____
 I have received the goods and / or services in the amount shown herein. I agree that my liability for this bill is not waived and agree to be held personally liable in the event that the indicated person, company, or associate fails to pay for any part or the full amount of these charges. If a credit card charge, I further agree to perform the obligations set forth in the cardholder's agreement with the issuer.

Holiday Inn Express Hotel & Suites
 2201 N. Stone Wood Circle
 Broken Arrow, OK 74012
 Telephone: (918) 355-3200 Fax: (918) 355-3443

Owned and Operated by SJS Hospitality LLC. Please be advised that a fee of \$150 per day will be applied for smoking in a non-smoking room or for

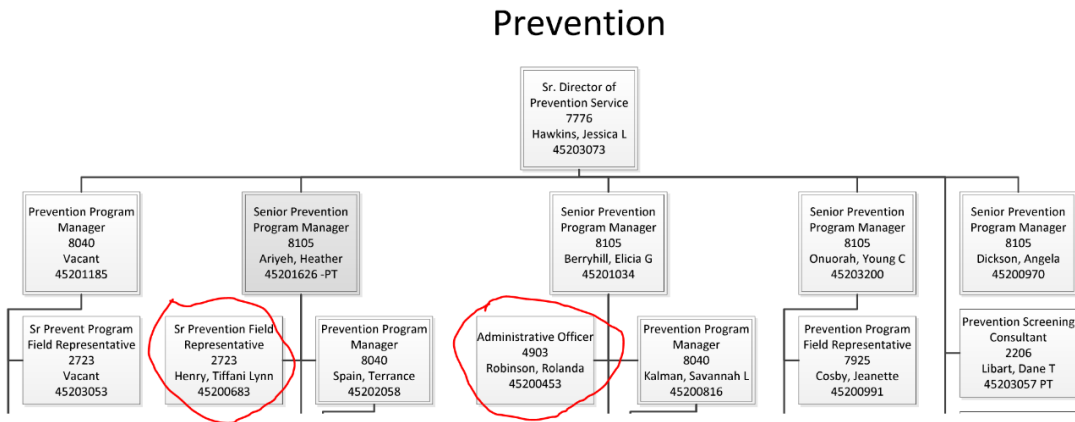
Auditors' response:

The agency can obtain a credit from the hotel in relation to taxes for the state's portion of the charges but not for the lodging and taxes related to hotel charge in excess of the GSA rate. The overpayment for the lodging fee and related taxes are the traveler's or cardholder's responsibility and not an overcharge by the hotel. The amount noted in the finding was

the responsibility of the traveler or cardholder to reimburse the state for the overpayment made on the purchase card.

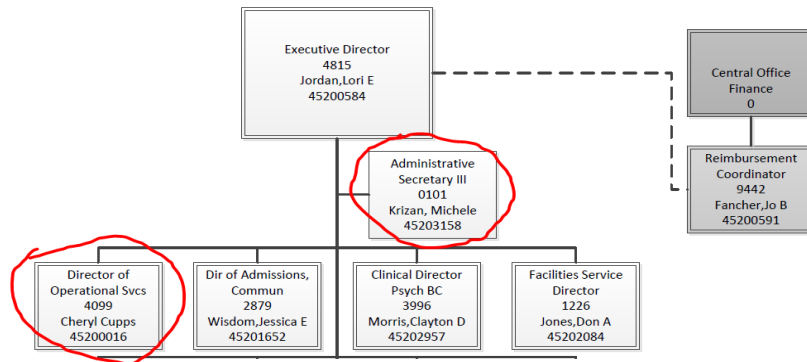
Finding 20-452-02: Approving officials

Condition: During the phases of planning and substantive testwork, auditors discovered two approvers were not at least one level above the cardholder, according to the organizational charts. During substantive testwork, cardholder Robinson was discovered to be on the same level as approver Henry. The individual approved 144 transactions during the audit period totaling \$39,032.95.



During the planning phase of the audit, cardholder Krizan was found to be one level above approver Cupps, according to the organizational chart. The individual approved 24 transactions during the audit period totaling \$3,645.33.

**Griffin Memorial Hospital
Organization Chart**



Effect or potential effect: 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 unauthorized, unsupported or unallowable transactions to occur and go undetected. In addition, disputes or unresolved issues may not be properly resolved by the approving official. Accordingly, this could weaken controls in relation to the proper review and approval process of purchase card expenditures and monthly reconciliations.

Cause: The agency stated both approvers have a higher salary than their cardholders. The agency also pointed out one of the cardholders was the secretary to the executive director. The second approver, the agency stated, is a supervisor. The approvers may, in fact, be one level above the cardholders, but the organizational chart does not reflect their respective agency positions.

Criteria: State of Oklahoma Policy & Procedures for Purchase Card and Online Booking Tool (effective Feb. 15, 2017) **§ 6.2 Approving Official Responsibilities** states in part:

Entity approving officials and back-up approving officials must be at least one level above the p-card holder's position (based on the organizational chart or other determined method), be current with p-card training, and have a signed State Purchase Card Employee Agreement on file with the entity p-card administrator. The entity must designate any back-up entity approving official in writing. All persons and officials reviewing and approving transactions utilizing the state purchase card shall assume the same responsibility and accountability as the purchase card holder.

Recommendation: Auditors recommend the agency structure its purchase card program so the approving official is at least one level above all cardholders in the agency's P-card program. Further, the P-card administrator or their designated backups should regularly review the agency's organizational chart to make certain that approving officials are at least one level higher than cardholders whose statements they review and approve. This review could also be included as part of the process for evaluating and assigning new approving officials. If the organizational chart is not correctly arranged to reflect the appropriate structure, the agency should review the organizational chart to make the corresponding changes.

Management's response

Date: 5/19/20

Respondent: Chief financial officer

Response: Non-Concur

The organizational chart used by the auditor is not reflective of the lines of authority, or the chain of command of ODMHSAS. It merely provides the reporting structure. The Position Identification Number-PIN (title) as well as the salary structure will determine the agency's hierarchy. ODMHSAS HR was contacted on this finding

and they reiterated that both these supervisors were at least one level or higher than the cardholder, based on their pin as well as their salary structure.

Due to the inaccuracy of this finding ODMHSAS's requests that this finding be removed from the audit.

Corrective action plan

Anticipated completion date: None

Corrective action planned: None

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 State of Oklahoma Purchase Card Procedures (2016), State of Oklahoma Policy & Procedures for Purchase Card and Online Booking Tool (2017) and rules promulgated thereto were evaluated.

Sampling

| | Transactions | Amount |
|-----------------------|--------------|-----------------------|
| Total expenditures | 7,438 | \$3,245,816.39 |
| Reverse transactions | -192 | -\$0.00 |
| Agent fees | -138 | -\$2,103.00 |
| Negative transactions | -236 | \$26,130.01 |
| Filtered population | 6,872 | \$3,269,843.40 |
| | | |
| Subpopulation | 6,872 | \$3,269,843.40 |
| Lodging | 598 | \$176,763.01 |
| Airfare | 121 | \$53,720.25 |
| IT | 287 | \$431,799.54 |
| Over \$5,000 | 45 | \$427,696.54 |
| Under \$5,000 | 5,821 | \$2,179,864.06 |
| Total: | 6,872 | \$3,269,843.40 |
| | | |
| Samples | | |
| Lodging | 33 | \$13,970.88 |
| Airfare | 15 | \$7,377.67 |
| Over \$5,000 | 41 | \$358,622.45 |
| Under \$5,000 | 36 | \$29,815.85 |
| IT | 34 | \$403,905.39 |
| Auditor’s discretion | 25 | \$71,130.92 |
| Total: | 184 | \$884,823.16 |

EXECUTIVE SUMMARY

Oklahoma Department of Mental Health and Substance Abuse Services

Mission statement: To promote healthy communities and provide the highest quality care to enhance the well-being of all Oklahomans.

History and overview: The Oklahoma Department of Mental Health and Substance Abuse Services was established through the Mental Health Law of 1953, although services to Oklahomans with mental illness date back to early statehood. The department is responsible, through contract and direct operations, for mental health and substance abuse prevention and treatment services statewide. This includes acute care and inpatient services, residential treatment, community-based treatment and outpatient services, crisis stabilization, programs for assertive community treatment, services for children and families, and a statewide community prevention network along with education and awareness activities. In addition, the department is responsible for the establishment of rules regulating all substance abuse treatment programs and related services in Oklahoma, ADSAC certification and related functions, as well as rules that regulate residential care and community mental health treatment programs. The department also oversees and manages the behavioral health component of Oklahoma's Medicaid program.

Board members:

Victor Albert, J.D.
Major General Rita Aragon
Brent Bell, D.O.
Brian Bush, J.D.
Joel Carson
Tricia Everest, J.D.
Bruce Fisher
Mary Anne McCaffree, M.D.
Glenna Stumblingbear-Riddle, Ph.D.
J. Andy Sullivan, M.D.
Ronna Vanderslice, Ed.D.

Key staff (during the audit period):

Carrie Slatton-Hodges, Interim Deputy Commissioner as of Feb. 2, 2020
Terri White, Commissioner preceding Feb. 1, 2020
Richard Edwards, Chief Financial Officer
Mathew Hamrick, Chief Procurement Officer as of Oct. 22, 2018
Rosalyn Mathias, CPA, Comptroller and Purchase Card Administrator