



**Oklahoma Department of
Rehabilitation Services**
Purchase Card Program Audit

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AUDIT HIGHLIGHTS

Oklahoma Department of Rehabilitation Services – Purchase Card Program Audit

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.



Empowering Oklahomans with Disabilities

What We Found: Audit Conclusion

It has been determined that the Oklahoma Dept. of Rehabilitation Services 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. Analytical test work was performed during the planning phase, internal control walkthroughs were performed and 184 purchases were tested against a minimum of nine compliance requirements for each transaction. One¹ formal finding was written.

Audit Finding Summary

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

[Finding 19-805-01: Information Technology \(IT\):](#)

IT purchases (six) totaling \$188,244.15 were made over the \$25,000 statutory limit.

AUDIT OVERVIEW

This audit was performed pursuant to 74 O.S. § 85.5.E. and the State of Oklahoma Purchase Card Procedures. The audit was to determine if the OKDRS Purchase Card Program complied with the audit objectives during the period of July 1, 2017, to Nov. 26, 2018. As of Jan. 28, 2017, there were 84 cardholders and 32 approving officials. OKDRS processed 8,947 purchase card transactions totaling \$3,335,144.55 during the audit period. Categories for purchase card transactions for the agency included: purchases under \$5,000, purchases over \$5,000, airfare, lodging and information technology purchases. The classical variable sampling method was used to randomly select the sample for testing. Auditor’s judgment was exercised in adjusting the confidence level and expected proportion of errors based on a risk assessment when applying the classic variable

¹ During the release of Finding 19-805-01, auditors received a legal opinion from OMES general counsel on the issue of agencies using the purchase card for IT purchases over the \$25,000 statutory limit. “The authority of the Chief Information Officer to delegate certain information technology products and services to a state agency pursuant to 62 O.S. §34.11.1(I) was not nullified by the adoption of SB105. The Chief Information Officer retains broad authority to delegate IT purchases to state agencies. If the Chief Information Officer desires to delegate his authority by increasing state agencies’ purchasing threshold based on certain identified criteria to \$50,000, such can be accomplished by the issuance of a new PIM.” OMES ISD *Memo re PCard Threshold 190207* (Feb. 7, 2019).



sampling technique. To ensure a sound, statistical sample, a random sample of 34 standard transactions was tested along with 33 lodging, 17 airfare, 53 IT and 53 transactions were selected based upon auditor’s discretion and tested against selected criteria.

Agency Accomplishments

The agency’s Purchase Card Program is streamlined and well organized. The P-card administrator has created a system of accountability to reduce risk within the program. There are routine updates and reminders for cardholders about purchasing policy and best practices. The purchase card administrator has implemented a training program for program participants in the agency that facilitates all updates and important information regarding purchase card processes. OKDRS has an exceptionally organized, well-run Purchase Card Program and a P-card administrator who diligently oversees the program.

DETAILED FINDINGS

(The most significant audit findings are detailed in the audit report. All exceptions noted during the audit have been provided to the agency’s management.)

Finding 19-805-01: IT

Condition: During the substantive testwork phase of the audit, exceptions were noted related to Information Technology (IT). There were 19 transactions tested for compliance with IT standards, six of the 19 transactions (32% error rate) were in excess of the \$25,000 IT purchase card limit allowed at the time of the purchase. The total of these transactions was \$188,244.15.

Transaction	Vendor	Amount (\$)
TXN00960005	Standley Systems LLC	\$31,550.79
TXN00997143	Standley Systems LLC	\$32,746.85
TXN01030875	Standley Systems LLC	\$30,986.49
TXN01067979	Standley Systems LLC	\$31,156.65
TXN01113007	Standley Systems LLC	\$30,707.08
TXN01155073	Standley Systems LLC	\$31,096.29
Total:		\$188,244.15

Effect or Potential Effect: The agency is in violation of the Oklahoma statute that prohibits IT spending on purchase cards greater than \$25,000.

Cause: The agency referenced the copiers as being part of an IT statewide contract. The agency relied on approvals from OMES IT to make payments using the purchase card.



Criteria: The **State of Oklahoma Purchase Card Procedures § 7.11, 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. All IT purchases exceeding \$5000 must be listed on a statewide contract.

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, and to the Procurement Information Memorandum (PIM) 06302015 for Delegation of Authority for Certain Purchases at https://www.ok.gov/dcs/searchdocs/app/manage_documents.php?id=1195

The **Oklahoma State Finance Act 62 O.S. § 34.11.1.F.16 – Chief Information Officer** states:

For all state agencies, approve the purchasing of all information technology and tele-communication services and approve the purchase of any information technology and telecommunication product except the following:

a. a purchase less than or equal to Five Thousand Dollars (\$5,000.00) if such product is purchased using a state purchase card and the product is listed on either the Approved Hardware or Approved Software list located on the Office of Management and Enterprise Services website, or

b. a purchase over Five Thousand Dollars (\$5,000.00) and less than or equal to Twenty-five Thousand Dollars (\$25,000.00) if such product is purchased using a state purchase card, the product is listed on an information technology or telecommunications statewide contract, and the product is listed on either the Approved Hardware or Approved Software list located on the Office of Management and Enterprise Services website;

Recommendation: We recommend the policy and procedures for purchasing IT hardware and software with the state purchase card be reviewed to ensure approvals take into consideration the method of purchase. In addition, more education on this topic is advised



to communicate to individuals involved the requirements and processes when using the purchase card to obtain IT hardware or software.

Management's Response: Concur

Date: 9/24/2019

Respondent: CPO manager

Response: The practice used during the audit period is now allowed by OMES as per PIM: 02.26.2019 Delegation of Authority from CIO for Certain IT Procurement Purchases. Based on the current PIM 02.26.2019 we will continue to use the Pcard to pay the copier lease agreements quarterly. We will obtain OMES approval prior to setting up the Pcard authority order for copier leases.

Corrective Action Plan

Contact Person: Purchase Card Administrator

Anticipated Completion Date: 9/24/2019

Corrective Action Planned: DRS is allowed to make p-card payments against the statewide contract by setting up an authority order for the copier leases. The latest PIM allows for purchases up to \$50,000 from the approved hardware/software list or statewide contracts. DRS will obtain approval from OMES IT department when setting up the authority order PO for the copiers each year.



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 P-card procedures and rules promulgated thereto were evaluated.

Sampling

	Transactions	Amount
Total Expenditures	8,947	\$3,335,144.55
Reverse Transactions	- 208	- \$0.00
Agent Fees	- 351	- \$3,289.00
Negative Transactions	- 376	\$22,421.81
Filtered Population	8,012	\$3,354,277.36
Sub-population	8,012	\$3,354,277.36
Lodging	1,585	\$395,858.50
Airfare	251	\$103,319.51
IT	795	\$470,760.75
Over \$5,000	21	\$282,276.49
Under \$5,000	5,360	\$2,102,062.11
Total:	8,012	\$3,354,277.36
Samples		
Lodging	33	\$14,049.56
Airfare	17	\$6,474.97
Over \$5,000	8	\$66,593.87
Under \$5,000	34	\$39,635.87
IT	53	\$380,938.89
Auditor’s Discretion	45	\$68,297.25
Total:	190	\$575,990.41



EXECUTIVE SUMMARY

Organization: Oklahoma Department of Rehabilitation Services

Mission Statement: To empower Oklahomans with disabilities.

History and Overview: The Oklahoma Department of Rehabilitation Services provides assistance to Oklahomans with disabilities through vocational rehabilitation, employment, independent living and residential and outreach education programs. The agency also determines medical eligibility for disability benefits. The commission meets for 11 months per year at the DRS State Office, Disability Determination Services, Oklahoma School for the Blind or Oklahoma School for the Deaf.

Agency Information

The agency is made up of 709 classified and 167 unclassified employees, according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 10, 2018.

Board Members

Chair – Jace Wolfe, Ph.D., CCC-A

Vice Chair – Wes Hilliard

Member – Emily Cheng

Key Staff: (during the audit period)

Melina Freundt, Executive Director (as of Nov. 1, 2018)

Noel Tyler, Executive Director (through Oct. 31, 2018)

Randy Weaver, Management Services Administrator

Kathy Lowry, Contracts and Purchasing Manager

Vickie Hardy, Administrative Programs Officer