

STATE OF OKLAHOMA



**OKLAHOMA**  
**Office of Management  
& Enterprise Services**

**Bureau of Narcotics and Dangerous  
Drugs Control**  
**Purchase Card Program Audit**

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**Central Purchasing Audit**

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## AUDIT HIGHLIGHTS

### Bureau of Narcotics and Dangerous Drugs Control – Purchase Card Program Audit

#### Why we conducted this audit

This report provides information on the Bureau of Narcotics and Dangerous Drugs Control's compliance with the State 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 the Bureau of Narcotics and Dangerous Drugs Control has significantly complied with the State Purchase Card Procedures and the agency's internal purchase card procedures. The Bureau of Narcotics and Dangerous Drugs Control have 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 walkthroughs and tested 75 purchases against defined compliance requirements. We reported one formal finding.

#### Agency accomplishments

We would like to commend the Bureau of Narcotics and Dangerous Drugs Control for its internal controls and administrative processes throughout the purchase card program. During the audit period, the agency has excelled in creating an effective internal requisitions submission and approval process. All purchases are required to be submitted via an online purchasing request program. The program is designed to collect relevant information concerning the purchase request and to ensure the required approvals are obtained by systematically routing the transaction through the appropriate levels of management. This process significantly reduces the risk of prohibited purchases within the agency. Additionally, the agency has an exceptionally streamlined and well-organized purchase card program with a purchase card administrator who provides quality leadership and diligently oversees the program.



*Figure 1. Oklahoma State Capitol Building*

## AUDIT FINDING SUMMARY

### [Finding 20-477-01: State Purchasing Hierarchy:](#)

Five purchases containing items that could have been purchased from statewide contracts totaling \$790.51 were purchased from local merchants.

## 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 Bureau of Narcotics and Dangerous Drugs Control's purchase card program complied with the audit objectives during the period of June 3, 2019, to June 28, 2020. As of April 28, 2020, there were three purchase card holders and two approving officials.

In total, the Bureau of Narcotics and Dangerous Drugs Control processed 1,668 purchase card transactions totaling \$789,660.77 during the audit period. Categories for purchase card transactions for the agency included purchases for lodging, under \$5,000, over \$5,000 and information technology-related purchase card transactions. We used the classical variable sampling method to randomly select our sample for testing. We exercised auditor's discretion in adjusting the confidence level and expected proportion of errors based on a risk assessment when applying the classical variable sampling technique. To ensure a sound statistical sample, a random sample of 28 standard transactions, 13 IT transactions, 14 lodging transactions and four transactions that were over \$5,000 were extracted for testing. In addition, 16 transactions were selected for audit based upon auditor's discretion and tested against a predetermined criterion.

## DETAILED FINDINGS

### [Finding 20-477-01: State Purchasing Hierarchy:](#)

**Condition:** During the substantive testwork phase of the audit, 5 transactions totaling \$790.51 out of 14 transactions totaling \$26,795.55 (36% unit error rate and 3% expenditure error rate) were noted as non-complaint with the state purchasing hierarchy. One transaction purchasing adjustable sights for glocks should have been purchased through an approved supplier using mandatory statewide contract SW220. Two transactions purchasing pharmaceutical drugs should have been purchased through an approved supplier using mandatory statewide contract SW0023A. Two transactions purchasing alarm systems and monthly monitoring services should have been purchased through an approved supplier using non-mandatory statewide contract SW1048.

TXN NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	CARD LAST 4 DIGITS	STATEWIDE CONTRACT
TXN01247788	\$331.64	Dawson Precision	06/05/2019	2536	SW220
TXN01284198	\$240.00	CareFirst Pharmacy	08/21/2019	2536	SW0023A
TXN01345430	\$141.87	Integris 4176	01/14/2020	9361	SW0023A
TXN01361628	\$25.00	Guard Tronic Inc.	02/20/2020	1705	SW1048
TXN01381728	\$52.00	Securadyne Systems Texas	04/07/2020	1705	SW1048
<b>Total</b>	<b>\$790.51</b>				

**Cause:** The purchase for adjustable sights for glocks was overlooked. The agency did not believe they could order pharmaceutical drugs through the mandatory statewide contract due to the low quantity needed. Non-mandatory contracts are listed above local and open market vendors on the purchasing hierarchy in relation to the alarm monitoring service purchases.

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

**Criteria:** The **State of Oklahoma Policy and Procedures for Purchase Card § 7.2, State Purchasing Hierarchy** states:

P-card purchases must follow the state purchasing hierarchy, which means that each of the following vendor types shall be used in this order unless the vendor does not have the item that the agency wishes to purchase or cannot meet certain other requirements.

**State Use Committee** – State Agencies shall first use merchants on the State Use Committee procurement schedule. State Use Committee statewide contracts are mandatory for use. Agencies shall reference the State Use Committee procurement schedule to ensure P-card purchases are pursuant to 74 O.S. § 3007.

**Oklahoma Correctional Industries** – If the item is not available from a merchant on the State Use Committee schedule, Agencies shall make purchases from OCI pursuant to 57 O.S. § 549.1. The P-card holder shall retain any quotes obtained in support of this transaction with the monthly transaction documentation.

**Mandatory statewide contracts** – When neither of the above meets the needs of the agency, purchases should be made from a mandatory statewide contract if the item is available, regardless of the purchase price unless the state purchasing director or designee has issued a waiver to the state agency.

**Non-mandatory statewide contracts** – If none of the above apply, Agencies are encouraged to use non-mandatory statewide contracts when possible.

**Local merchants** – upon obtaining required documentation that the above sources cannot supply the required items, the purchaser may proceed to local merchant sources. All procurement laws and rules will apply.

**Additional information** – Additional information on the above preferences may be obtained from an agency CPO and are found in the OMES Central Purchasing codified rules (260:115-7-3)

<http://omes.ok.gov/sites/g/files/gmc316/f/CentralPurchasingRules.pdf>.

Exceptions from State Use, OCI or mandatory statewide contracts must be requested from the State Use Administrator, OCI or the contracting officer listed on the statewide contract through the use of OMES-Form-109 prior to the purchase.

**Recommendation:** We recommend the agency’s purchase card administrator communicate to the cardholders the state purchasing hierarchy and verify cardholders are complying with the state purchase card procedures. Cardholders should receive guidance, access and on-the-job statewide contract training.

We recommend the state purchase card administrator revise the purchasing hierarchy policy to end at mandatory statewide contracts and remove non-mandatory statewide contracts and local merchants from the list to reduce ambiguity. Modifying the policy would also reduce risk related to reciprocity from neighboring states.

#### **Management’s response**

**Date:** 09/21/2020

**Respondent:** Purchase card administrator

**Response:** Concur

The agency agrees with the findings as described in this document and will implement changes to correct these issues.

#### **Corrective action plan**

**Contact person:** Purchase card administrator

**Anticipated completion date:** 10/01/2020

**Corrective action planned:**

The agency purchase card administrator will re-emphasize the state purchasing hierarchy in ongoing training provided to cardholders and approving officials. Additionally, the agency purchase card administrator will ensure cardholders and approving officials receive all communications regarding statewide contract issuance and renewal.

## 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 (\$)
<b>Total Expenditures:</b>	<b>1,668</b>	<b>\$789,660.77</b>
Reverse Transactions	28	\$0.00
Agent Fees	31	\$672.50
Negative Transactions	35	\$4,037.28
<b>Filtered Population:</b>	<b>1,574</b>	<b>\$793,025.55</b>
<b>Subpopulations:</b>		
IT	304	\$234,272.30
Airfare	30	\$13,075.74
Lodging	206	\$56,186.35
Over \$5,000	9	\$81,019.17
Under \$5,000	1,025	\$408,471.99
<b>Total:</b>	<b>1,574</b>	<b>\$793,025.55</b>
<b>Samples:</b>		
IT	13	\$24,089.46
Airfare	0	\$0.00
Lodging	14	\$6,189.54
Over \$5,000	4	\$35,123.96
Under \$5,000	28	\$25,775.16
Auditor's Discretion	16	\$20,870.59
<b>Total:</b>	<b>75</b>	<b>\$112,048.71</b>

## EXECUTIVE SUMMARY

### Bureau of Narcotics and Dangerous Drugs Control

**Mission statement:** Committed to honor, integrity, and excellence, the Oklahoma Bureau of Narcotics will serve the citizens of Oklahoma in the quest for a drug-free state.

**History and overview:** The Oklahoma Bureau of Narcotics and Dangerous Drugs Control (OBNDCC) is the state agency responsible for drug enforcement in Oklahoma. Primary responsibilities are to enforce the Uniform Controlled Dangerous Substance Act as outlined in the Oklahoma Statutes, Title 63; to train state and local law enforcement officers; provide leadership, logistical, technical, and tactical support to local, state, and federal agencies for drug enforcement; and to compile drug-related statistics; OBNDCC is also tasked with investigating and reducing human trafficking and money laundering in Oklahoma. Additionally, OBNDCC coordinates the Oklahoma Drug Endangered Children program to respond to children living in a drug environment.

The strength of OBNDCC lies in the unique skills and abilities of dedicated agents and support staff. They conduct a wide variety of specialized programs to combat the local availability of various domestic and foreign produced drugs, human trafficking and money laundering. Rural and metro enforcement, intelligence, diversion, regulatory, wire intercept, legal, analytical, and educational activities are directed from OBNDCC headquarters in Oklahoma City; five (5) district offices located in Ardmore, Lawton, McAlester, Tulsa, and Woodward; and fifteen (15) regional offices in Ada, Altus, Anadarko, Cherokee, Duncan, Durant, Enid, Guymon, Idabel, Muskogee, Okmulgee, Poteau, Stillwater, Vinita, and Weatherford.

OBNDCC partners with various local, state, and federal agencies on major long-term projects. OBNDCC provides leadership, training, resources, and infrastructure for local, state, and federal law enforcement entities throughout the state. From direct case support to overseeing major statewide program initiatives, OBNDCC works directly with a multitude of federal, state, and local agencies to identify and remove primary sources of drug supply, human trafficking and money laundering networks, as well as aggressive demand reduction efforts. OBNDCC maintains an aggressive and proactive approach toward reducing the local availability of drugs and addressing the ever-changing climate of narcotics distribution and abuse, human trafficking and money laundering. This, combined with future strategies, defines the character of OBNDCC and drives this agency toward the ultimate quest of creating a “drug-free,” human trafficking-free,” and “money-laundering free” Oklahoma.



## Agency information

The Oklahoma Bureau of Narcotics and Dangerous Drugs Control is made up of 129 classified, 33 unclassified and five grant employees, according to the [Oklahoma Agencies, Boards and Commissions](#) as of Sept. 30, 2019.

## Commission members

**Gretchen Zumwalt-Smith**, Chair  
**Greg Mashburn**, District Attorney  
**Dr. Layne Subera**, Lay Member  
**Jan Miller**, Lay Member  
**Derek Manning**, Sheriff Member  
**John Coonce**, Lay Member  
**Todd Gibson**, Police Chief Member

## Key staff

**Donnie Anderson**, Director (as of April 1, 2020)  
**Bob Cook**, Deputy Director (served as Interim Director from Sept. 3, 2019 to April 1, 2020)  
**John Scully**, Director (preceding Sept. 3, 2019)  
**Richie Cook**, Contracting & Acquisitions Administrator, Purchase Card Administrator