

STATE OF OKLAHOMA



OKLAHOMA
**Office of Management
& Enterprise Services**

State Department of Education
Purchase Card Program Audit

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Table of Contents

| | |
|------------------------------------|-----------|
| AUDIT HIGHLIGHTS | 3 |
| Why we conducted this audit | 3 |
| What we found..... | 3 |
| Agency accomplishments | 3 |
| AUDIT FINDING SUMMARY | 4 |
| AUDIT OVERVIEW | 4 |
| DETAILED FINDINGS | 4 |
| APPENDIX..... | 10 |
| Methodology | 10 |
| Sampling..... | 10 |
| EXECUTIVE SUMMARY | 11 |
| Agency information | 11 |
| Board members | 11 |
| Key staff..... | 11 |

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AUDIT HIGHLIGHTS

State Department of Education – Purchase Card Program Audit

Why we conducted this audit

This report provides information on the State Department of Education’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 SDE has significantly complied with the State Purchase Card Procedures and the agency’s internal purchase card procedures. SDE 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 walkthroughs, and tested 88 purchases against defined compliance requirements. We reported one formal finding.



Figure 1. Oklahoma State Capitol Building

Agency accomplishments

We would like to commend the State Department of Education for its internal controls and administrative process throughout the purchase card program. Throughout the audit period, the agency excelled in creating an effective internal requisition submission and approval process. 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 and Executive Director of Operational Support who provides quality leadership and diligently oversees the program.

AUDIT FINDING SUMMARY

[Finding 20-265-01: IT Purchases](#)

Three Information Technology hardware/software transactions totaling \$4,122.94 were purchased without being listed on the OMES – Information Services Approved Hardware/Software list.

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 SDE’s purchase card program complied with the audit objectives during the period of June 03, 2019, to July 27, 2020. As of March 30, 2020, there were six cardholders and three approving officials within the agency.

In total, SDE processed 2,103 purchase card transactions totaling \$722,984.94 during the audit period. Categories for purchase card transactions for the agency included purchases for airfare, lodging, under-\$5,000, over-\$5,000 and IT-related purchase card transactions. We used the judgmental sampling method as well as classic variable sampling method to select our sample for testing airfare, lodging, over-\$5,000, under-\$5,000, and IT-related transactions. 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 classic variable sample of 76 standard transactions, 30 under-\$5,000 transactions, 13 airfare transactions, and 33 lodging transactions were extracted for testing. In addition, 12 transactions were selected for audit based upon auditor’s discretion and tested against a predetermined criterion.

DETAILED FINDINGS

[Finding 20-265-01: IT Purchases](#)

Condition: During the substantive testwork phase of the audit, three Information Technology transactions out of eight (43% unit error rate and 38% expenditure rate) were noted as purchases for hardware that are not listed on the Office of Management and Enterprise Services – Information Services Approved Hardware/Software list. All three transactions that were not on the Approved Hardware/Software list were completed prior to March 1, 2020.

During testing, we used the Approved Hardware/Software list posted on the OMES website on Sept. 1, 2020. Information Services does not archive previous Approved Hardware/Software lists; therefore, the list for items at the time of purchase is unobtainable.



| Transaction number | Item total | Vendor name | Purchase date | Post date | Card last 4 digits |
|--------------------|-------------------|----------------------------------|---------------|------------|--------------------|
| TXN01346097 | \$1,398.00 | Apple (MacBook with accessories) | 01/16/2020 | 01/16/2020 | 1962 |
| TXN01273795 | \$475.94 | Staples Direct (Printer Ink) | 08/01/2019 | 08/02/2019 | 7151 |
| TXN01290353 | \$2,249.00 | Apple (MacBook) | 09/08/2019 | 09/09/2019 | 7151 |
| Total | \$4,122.94 | | | | |

Cause: Purchasing IT services and products with the state purchase card is confusing and the requirements can be difficult to understand. State purchase card procedures for IT purchases were revised to include individual ePro as an option after March 1, 2020, for hardware/software items.

Effect or potential effect: Purchase cardholders and agency administration will most likely abandon, or greatly reduce, the state purchase card’s use to purchase IT items costing the state approximately \$300 to \$500 per transaction in rebates and costs related to resources for processing the acquisition including state employees time. The additional cost, loss of savings and added resources is absorbed through non-IT funding.

Criteria: The **State of Oklahoma Policy and Procedures for Purchase Card § 7.11, Information Technology** released Jan. 5, 2019, states:

IT purchases shall be made in accordance with Title 62 O.S. § 34.12.B and the IT Standards and Policies located at <https://omes.ok.gov/services/information-services/policy-standards-publications>. All hardware and software acquisitions must be on the *Approved Hardware/Software* list located on the above website. **All IT purchases exceeding \$5,000 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.

Refer to Title 62 O.S. § 34.12.B. and the Central Purchasing Rules (OMES Administrative Rules, OAC 260:115-7-54) for rules and procedures regarding information technology acquisitions and exceptions at <http://omes.ok.gov/sites/g/files/gmc316/f/CentralPurchasingRules.pdf> and to the Procurement Information Memorandum (PIM) 06292015 for Delegation of Authority from CIO for Certain IT Procurement Purchases at https://www.ok.gov/dcs/searchdocs/app/manage_documents.php?id=1195. IT & Telecom services and repairs are not included in this delegation of authority.

IT & Telecom services and repairs are **not** listed on the *Approved Hardware/Software* list, although they may be included in the contract covering the items on the list. The annual cost of services and repairs should be estimated and included on the IT authority order. Single transactions for IT repairs and services are capped at \$5,000 unless listed on a statewide contract.

Additional information regarding IT procurement may be obtained from the agency's IT strategist and account executive. IS contact information can be accessed by clicking on the *Partnering with OMES IS Contact List* located at <http://omes.ok.gov/services/information-services/partnering-with-information-services>.

The **State of Oklahoma Policy and Procedures for Purchase Card § 7.13, Information Technology** released March 1, 2020, states:

IT purchases shall be made in accordance with Title 62 O.S. § 34.12.B and the IT Standards and Policies located at <https://omes.ok.gov/services/information-services/policy-standards-publications>. All hardware and software acquisitions must be on the *Approved Hardware/Software* list located on the above website, or be approved by IT through the ePro process. **All IT purchases exceeding the statutory single transaction limit 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.

Refer to Title 62 O.S. § 34.12.B. and the Central Purchasing Rules (OMES Administrative Rules, OAC 260:115-7-54) for rules and procedures regarding information technology acquisitions and exceptions at <https://omes.ok.gov/services/purchasing/purchasing-processes-rules-statutes> and to the Procurement Information Memorandum (PIM) Delegation of Authority at https://www.ok.gov/dcs/searchdocs/app/manage_documents.php?id=1482. IT & Telecom services and repairs are not included in this delegation of authority.

IT & Telecom services and repairs are not listed on the *Approved Hardware/Software* list, although they may be included in the contract covering the items on the list. The annual cost of services and repairs should be estimated and included on the IT authority order. Single transactions for IT repairs and services are capped at the statutory single transaction limit unless listed on a statewide contract.

Additional information regarding IT procurement may be obtained from the agency's IT strategist and account executive. IS contact information can be accessed by clicking on the *Partnering with OMES IS Contact List* located at <http://omes.ok.gov/services/information-services/partnering-with-information-services>.

The **Oklahoma Statute Title 62 O.S. § 34.12.B – Duties of Information Services Division** states:

No agency of the executive branch of the state shall use state funds for or enter into any agreement for the acquisition of any category of computer hardware, software or any contract for information technology or telecommunication services and equipment, service costs, maintenance costs, or any other costs or fees associated with the acquisition of the services or equipment, without written authorization of the Chief Information Officer or a designee except the following:

1. 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
2. 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 state purchasing director revise, simplify and streamline the IT purchasing process and procedures for purchase cards. IT purchases that are common or used by multiple agencies can be streamlined and simplified by pre-approving products, software and services one time for all agencies over an extended period of time. The current procedures allow for pre-approval using the approved hardware/software list; however, the list is not comprehensive. Software, including maintenance agreements, are removed from the list after 365 days; therefore, the individual approval process is redundant due to requiring the process to be performed each year for multiple agencies using the same software. In addition, an archived record of the list is not retained, which does not allow for a review against the list at the time of purchase.

The majority of the time, IT purchases are not included on the hardware/software list or listed on the agency's IT authority order at the beginning of the year. The agency is left with performing an individual ePro (requisition / IT pre-approval) request that is routed through the agency and OMES IT for pre-approval. The ePro workflow is very similar for a \$5 purchase compared to a \$45,000 purchase. The ePro request double encumbers agency funds when the agency chooses to use the state purchase card; therefore, tying up agency non-IT budgets. The agency can set the ePro to be encumbered directly from the IT purchase card authority order; however, a line item is created each time an IT purchase is made with the purchase card creating hundreds of lines on the authority order. The efficiencies gained by using the purchase card are offset by this process and are counterproductive. This is not a feasible solution to the problem. If an item goes through the individual ePro process, the items are not added to the hardware/software list unless the agency specifically makes the

request. At one point, hardware/software items are added to the hardware/software list. However, the items are later removed, unknown to the agencies. The individual pre-approval process then repeats itself.

It is important to mention that IT items are on statewide IT contracts but not on the hardware/software list. The purchaser cannot make this purchase with the purchase card since the item is not on both, without performing an individual ePro, when the purchase is greater than \$5,000. A different scenario exists for non-hardware/software items on statewide contracts. These purchases still require an individual ePro, alleviating efficiencies obtained through creating the statewide contract. Since the IT consolidation, there was no identified method for using the state purchase card to procure IT items until the hardware/software list option was added in 2015. On March 1, 2020, the individual ePro option was added to the State Purchase Card Procedures. The purchase method for non-hardware/software IT purchases has not been mentioned within the procedures.

The rules and process for emergency IT purchase card purchases are no different from non-emergency transactions with the exception of the executive order that only increases the transaction limit. The same process is used. For example, the agency needs webcams and headsets due to COVID-19. The agency is required to go through the same process for this emergency IT purchase in a time of need. Non-compliance is inevitable in these circumstances because the agency must decide between timely meeting the emergency or following an extensive pre-approval process.

Communication is another factor in the procurement process. Confusion is generated when the IT strategist, IT account manager, purchase card administration and others provide different answers for purchasing IT items. Communication can be affected by the number of options available for IT purchases with the state purchase card. When answers are provided without all the options mentioned, answers can differ depending on who you ask. The current options are:

1. Make a direct purchase when the item is listed on the Approved Hardware/Software list.
2. Submit a help ticket to have the item placed on the Approved Hardware/Software list, then make the purchase directly to the vendor once the item has been added to the list.
3. Add the item or service to the IT Authority Order at the beginning of the year, then make the purchase directly to the vendor.
4. Add the item or service using a change order to the IT AO during the year, then make the purchase directly to the vendor.
5. Obtain an individual ePro prior to making the IT purchase.
6. Obtain an ePro charged to the agency's IT AO, creating a new line for each individual IT purchase made.

Guidance has also been given to agencies, stating the agency does not have to process the IT item through OMES. This is not one of the available purchasing options or methods. Delegation to individually exempt IT purchases from OMES oversight has not been granted. Miscommunication and misunderstanding can be attributed to a lack of training on the subject.

In addition, we recommend the state policy and procedures for purchasing IT products and services with the state purchase card be reviewed to ensure approvals take into consideration the method, timing and need of purchase. More education on this topic is advised to communicate the process of IT purchases so involved individuals understand the requirements and processes when obtaining IT products and services with the purchase card.

Auditor's Note to Clarify: The purchasing process and procedures are statutorily under the purview of the Chief Information Officer (CIO) of the state and not the state purchasing director.

Management's Response

Concur Partially Concur Non-Concur

Date: 11/30/2020

Respondent: Agency Purchase Card Administrator and Executive Director of Operational Support

Response: The Oklahoma State Department of Education (OSDE) has at all times been using the OMES authorized-individual epro option for all IT purchases prior to it being formally added to the pcard procedures on March 1, 2020. In each instance (3 total identified in the audit report), this method of IT acquisitions by OSDE was accepted by OMES ISD. By using the individual epro option, it was approved and determined to not be necessary to use other options listed above. All Epros for IT purchases identified in this finding were approved by OMES ISD prior to purchase.

Corrective Action Plan

Contact person: Chief Financial Officer and Executive Director of Operational Support

Anticipated completion date: N/A

Corrective action planned: OSDE believes a corrective action plan is not required at this time because its IT acquisition process was accepted by OMES ISD. Additionally, pcard procedures have been updated as of March 1, 2020 to include the individual epro option. OSDE will continue to comply with the IT Standards and Policies, Central Purchasing Rules and the Pcard procedures when making IT purchases.

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: | 2,103 | \$722,984.94 |
| Reverse transactions | 98 | \$0.39 |
| Agent fees | 351 | \$3,991.50 |
| Negative transactions | 109 | \$16,678.47 |
| Filtered population: | 1,545 | \$735,672.30 |
| Subpopulations: | | |
| IT | 32 | \$15,071.59 |
| Airfare | 254 | \$111,667.58 |
| Lodging | 647 | \$227,670.86 |
| Over \$5,000 | 6 | \$97,008.74 |
| Under \$5,000 | 606 | \$284,253.53 |
| Total: | 1,545 | \$735,672.30 |
| Samples: | | |
| IT | 0 | \$0.00 |
| Airfare | 254 | \$5,759.32 |
| Lodging | 33 | \$29,926.33 |
| Over \$5,000 | 0 | \$0.00 |
| Under \$5,000 | 30 | \$24,726.41 |
| Auditor's discretion | 12 | \$25,281.87 |
| Total: | 88 | \$85,693.93 |

EXECUTIVE SUMMARY

State Department of Education

Mission statement: The Oklahoma State Department of Education champions excellence for all Oklahoma students through leadership, engagement and service.

History and overview: The Oklahoma State Department of Education and State Board of Education are responsible for the supervision of state public school education. The department is under the direction of the State Board of Education, consisting of seven members. The superintendent of public instruction is elected to a four-year term by the people, or appointed by the governor, to fill an unexpired term, and serves as a voting member and chair of the board. The other six members are appointed by the governor, confirmed by the Oklahoma Senate and serve four-year terms. The department oversees many aspects of public education, including accreditation, state standards, school improvement, special education services, federal and state finances, child nutrition programs, teacher certification and effectiveness, school finance, school transportation, reading, student testing, gifted/talented, school accountability, literacy and Indian education.

Agency information

The Agency is comprised of 287 unclassified employees according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 01, 2020.

Board members

Joy Hofmeister, State Superintendent of Public Instruction

William Flanagan

Carlisha Bradley

Jennifer Monies

Estela Hernandez

Brian Bobek

Kurt Bollenbach

Key staff

Phil Bacharach, Chief of Staff

Keith Hicks, Executive Director of Operational Support, Approving Official

Mathangi Shankar, Chief Financial Officer, Purchase Card Administrator