

STATE OF OKLAHOMA



OKLAHOMA
Office of Management
& Enterprise Services

Oklahoma Department of Transportation
Purchase Card Program Audit

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AUDIT HIGHLIGHTS

Oklahoma Department of Transportation - Purchase Card Program Audit

Why we conducted this audit

This report provides information on the Oklahoma Department of Transportation's (ODOT) 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 ODOT has significantly complied with the State Purchase Card Procedures and the agency's internal purchase card procedures. ODOT 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 117 purchases against defined compliance requirements. We reported three formal findings.



AUDIT FINDING SUMMARY

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

Finding 21-345-03: Products Shipped

Twenty out of 35 transactions were not accompanied with a packing slip or other proof of delivery.

Finding 21-345-02: Purchase Card Controls and Limits

Twenty seven of 53 active cards exceeded predetermined percentage thresholds for monthly credit limits set during our purchase card risk analysis.

Finding 21-345-01: Transaction Editing

One hundred percent of transactions tested did not have a statewide contract selected in the category drip-down menu for purchases exceeding \$5,000.

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 ODOT's purchase card program complied with the audit objectives during the period of January 1, 2020 to August 20, 2021. During the audit period, there were 281 cardholders and 78 approving officials with purchase card activity in the Bank of America WORKS system.

In total, ODOT processed 29,731 purchase card transactions totaling \$27,514,312.32 during the audit period. Categories for purchase card transactions for the agency include purchases for under \$5,000, over \$5,000, and Information Technology (IT)-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 56 transactions less than or equal to \$5,000, 34 greater than \$5,000, and 23 IT transactions were extracted for testing. In addition, four transactions were selected for audit based upon auditor's discretion and tested against a pre-determined criterion.

Agency Accomplishments

The agency's Purchase Card Program is streamlined and well organized. The P-card administrator and back-up P-card administrator have 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 administrators have implemented a training program for program participants in the agency that facilitates all updates and important information regarding purchase card processes creating cohesion among all field divisions. ODOT has an exceptionally organized, well-run Purchase Card Program and P-card administrators who diligently oversees the program.

DETAILED FINDINGS

[Finding 21-345-03: Products Shipped](#)

Condition: During the internal controls testing and testwork phase of the audit, we reviewed 35 transactions for which the product was shipped after the purchase.

We noted 20 out of the 35 transactions tested (57.14% error rate) totaling \$40,766.71 were not accompanied with a packing slip or other proof of delivery. We were unable to determine products purchased were received by the agency through a review of a vendor packing slip or proof of delivery document.

Cause: Unknown.

Effect or Potential Effect: There is no verification that goods and/or services were received by the agency without proper receiving documentation.

Criteria: The State of Oklahoma Policy and Procedures for Purchase Card § 10.6 Products Shipped states, “in addition to the receipt, a packing slip or proof of delivery must be obtained (proof of delivery may be obtained from carrier’s website). The receiver’s signature is recommended on the packing slip or proof of delivery.”

Recommendation: We recommend the agency communicate to all cardholders the importance of collecting and maintaining supporting documentation for all purchase card transactions.

The agency should have one central location where all cardholders can retain supporting documentation. We recommend the agency enforce their internal controls and ensure all cardholders are uploading their transaction documentation into Works or update their Internal Purchasing Procedures to include a location for all documentation to be stored. Approving officials should not approve a cardholder’s transaction until they verify all necessary documentation has been uploaded or sent to the designated location set by the agency. In addition, we recommend the agency create procedures to conduct monitoring activities and autonomously review purchase card documentation to determine continuing compliance with the state and internal purchasing procedures.

Management’s Response

Date: 02/09/2022

Respondent: Contracting and Acquisitions Administrator

Response: Concur - ODOT has notified all cardholders of this requirement. Additionally, we have discussed this with the ODOT buyers who are reaching out to cardholders when auditing the monthly p-card purchases.

Corrective Action Plan

Contact person: Contracting and Acquisitions Administrator

Anticipated completion date: Ongoing

Corrective action planned: Monthly auditing to ensure shipping information is provided.

[Finding 21-345-02: Purchase Card Controls and Limits](#)

Condition: During the planning phase of the audit for purchase card control and limits, we determined 27 of 53 active cards (51% error rate) exceeded predetermined percentage thresholds for monthly credit limits set during our purchase card risk analysis. Due to the

size of the agency, we randomly selected 20% (53 of 267) of cards to review. We analyzed the total expenditures on each card and total number of months each card was used in order to calculate an average spend and highest cycle spend for each card. A 14-month period was analyzed. The spend on each of the cards noted below averaged less than 20% of the card's monthly credit limit and did not once exceed 60% of the monthly credit limit. It was determined that 27 cardholders monthly credit limits could be reduced without affecting agency operations. The credit limit risk analysis and percentages used are not part of the state purchase card procedures but used by the auditors to determine if controls related to cardholder risk are in place and operating effectively. This finding is related to the audit objective to determine if the agency has implemented controls and if those controls are effective.

Number of Cards	Last 4 digits of Card	Monthly Credit Limit	Active Months	Total Spend	Avg Monthly Spend	Avg % Spent	Highest Cycle Spend	% Of Credit Limit on Highest Spend
1	1316	\$5,000.00	1	\$23.20	\$23.20	0.46%	\$23.20	0.46%
2	8291	\$5,000.00	1	\$24.99	\$24.99	0.50%	\$24.99	0.50%
3	9246	\$5,000.00	1	\$24.99	\$24.99	0.50%	\$24.99	0.50%
4	3706	\$5,000.00	2	\$97.73	\$48.87	0.98%	\$53.25	1.07%
5	1717	\$5,000.00	4	\$202.67	\$50.67	1.01%	\$110.00	2.20%
6	1166	\$5,000.00	1	\$61.44	\$61.44	1.23%	\$61.44	1.23%
7	8160	\$5,000.00	12	\$777.80	\$64.82	1.30%	\$251.16	5.02%
8	1452	\$5,000.00	4	\$313.99	\$78.50	1.57%	\$204.08	4.08%
9	9292	\$5,000.00	2	\$172.40	\$86.20	1.72%	\$140.61	2.81%
10	5881	\$5,000.00	4	\$375.67	\$93.92	1.88%	\$153.98	3.08%
11	4827	\$5,000.00	1	\$100.00	\$100.00	2.00%	\$100.00	2.00%
12	9301	\$5,000.00	7	\$719.83	\$102.83	2.06%	\$304.45	6.09%
13	9456	\$5,000.00	5	\$516.41	\$103.28	2.07%	\$200.00	4.00%
14	9902	\$5,000.00	4	\$464.99	\$116.25	2.32%	\$195.12	3.90%
15	5227	\$5,000.00	4	\$470.43	\$117.61	2.35%	\$183.33	3.67%
16	0859	\$5,000.00	8	\$1,086.39	\$135.80	2.72%	\$304.65	6.09%
17	3049	\$5,000.00	5	\$695.77	\$139.15	2.78%	\$326.32	6.53%
18	7143	\$5,000.00	5	\$742.80	\$148.56	2.97%	\$260.00	5.20%
19	2023	\$5,000.00	4	\$599.87	\$149.97	3.00%	\$318.95	6.38%
20	7404	\$5,000.00	3	\$499.93	\$166.64	3.33%	\$376.49	7.53%
21	2896	\$5,000.00	6	\$1,145.54	\$190.92	3.82%	\$449.00	8.98%
22	2387	\$5,000.00	5	\$1,020.98	\$204.20	4.08%	\$427.42	8.55%
23	3788	\$5,000.00	12	\$2,646.30	\$220.53	4.41%	\$1,528.65	30.57%
24	1364	\$5,000.00	4	\$978.20	\$244.55	4.89%	\$399.98	8.00%
25	0932	\$5,000.00	4	\$981.42	\$245.36	4.91%	\$299.92	6.00%
26	1591	\$5,000.00	12	\$5,359.98	\$446.67	8.93%	\$2,048.98	40.98%

Number of Cards	Last 4 digits of Card	Monthly Credit Limit	Active Months	Total Spend	Avg Monthly Spend	Avg % Spent	Highest Cycle Spend	% Of Credit Limit on Highest Spend
27	3853	\$5,000.00	9	\$4,155.26	\$461.70	9.23%	\$2,210.29	44.21%
28	9228	\$5,000.00	13	\$6,013.73	\$462.59	9.25%	\$1,924.67	38.49%
29	4966	\$5,000.00	3	\$1,400.80	\$466.93	9.34%	\$668.03	13.36%
30	8009	\$5,000.00	6	\$2,867.88	\$477.98	9.56%	\$847.30	16.95%

Cause: Unknown.

Effect or Potential Effect: There is unnecessary risk on the cardholder and the agency when the transaction limit or credit limit is set in excess of the individual cardholder's needs.

Criteria: The **State of Oklahoma Policy and Procedures for Purchase Card § 3.2.2, P-card Controls and Limits** states in part:

State agencies are required to establish the following categories of controls and limits on each P-card. These mandatory limits are required by the issuing bank and the card provider, Visa. The mandatory categories are:

- Card limit (dollar amount per cycle).
- Single purchase limit (dollar amount per transaction).
- Merchant category code group. (See section 7.1.1 of these procedures for exception process).

The agency P-card administrator should set the card limits for the P-cards based on state agency needs or past usage. The agency P-card administrator may set the single purchase limit for a P-card holder at an amount less than \$5,000, if desired; or an amount greater than \$5,000 for those making statewide contract purchases and paying for utilities. However, agencies should not set single purchase limits inappropriately high. P-card limits should be reviewed no less than annually to determine if set limits are still appropriate. Attempted purchases outside of state or agency controls will decline.

The **State of Oklahoma Policy and Procedures for Purchase Card § 6.1, Agency P-card Administrator Responsibilities** states:

The state agency P-card administrator is the primary interface between the agency's cardholders and the State P-card Office, and the issuing bank. Agency P-card administrators must have a signed State Purchase Card Employee Agreement form on file in their office for themselves and any backup adminis-

trators, and both primary and backup P-card administrators must be current with P-card training.

Agency administrators are responsible for:

- ...
- Processing authorized requests for P-cards and maintaining controls for active cards, including setting and changing card spend profiles, ordering cards, deactivating cards, adding and deleting users, and setting permissions.
- ...

Recommendation: We recommend that the purchase card administrator evaluate the usage of each purchase card and adjust individual credit limits as needed. In addition, we recommend that management implement a minimum usage calculation that can be used by the purchase card administration to lower credit limits when necessary.

We recommend that cards with a highest monthly cycle spend of less than \$1,000 have the credit limit reduced to \$1,000, cards with a highest monthly cycle spend between \$1,000 and \$3,000 have the credit limit reduced to \$3,000, and the card with the monthly credit limit of \$25,000 be reduced to \$15,000. Currently, the credit limit risk per month totals \$3.2 million for the 86 cards noted in the finding. With the recommended credit limit reductions, the credit limit risk per month would total \$1.4 million. This would result in a \$1.8 million (-55%) credit limit risk reduction per month without affecting the cardholder's ability to make purchases or interfering with agency operations.

Management's Response

Date: 02/09/2022

Respondent: Contracting and Acquisitions Administrator

Response: Concur – ODOT is in the process of reviewing the limits for all cardholders and will have that completed no later than 2/28/22.

Corrective Action Plan

Contact person: Contracting and Acquisitions Administrator

Anticipated completion date: 02/28/22

Corrective action planned: Review and adjusting of P-Card limits to appropriate profiles.

[Finding 21-345-01: Transaction Editing](#)

Condition: During the substantive testwork phase of the audit, we discovered the following regarding transaction editing:

1. Thirty-two transactions out of thirty-two (100% error rate), totaling \$614,442.65, did not have a statewide contract selected in the category drop-down menu for purchases exceeding the single purchase limit of \$5,000. These vendors are on statewide contracts.

#	TXN NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	POST DATE	CARD LAST 4 DIGITS
1	TXN01417200	\$5,279.13	5873	7/16/2020	7/17/2020	ATT BUS PHONE PMT
2	TXN01432708	\$5,370.13	5873	8/27/2020	8/28/2020	ATT BUS PHONE PMT
3	TXN01477162	\$5,374.40	8897	1/11/2021	1/12/2021	T&W TIRE LAWTON
4	TXN01477146	\$5,945.40	8897	1/11/2021	1/12/2021	T&W TIRE LAWTON
5	TXN01477180	\$6,150.02	5873	1/11/2021	1/12/2021	ATT BUS PHONE PMT
6	TXN01431648	\$6,158.25	2084	8/25/2020	8/26/2020	A1 FREEMAN RELOCATION
7	TXN01475946	\$7,291.20	8490	1/6/2021	1/8/2021	BROWN CO MANUFACTURING &
8	TXN01477677	\$8,603.39	1548	1/12/2021	1/13/2021	VERIZONWRLSS RTCCR VB
9	TXN01475877	\$9,431.12	4988	1/7/2021	1/8/2021	HALL MANUFACTURING
10	TXN01426524	\$9,535.80	4988	8/12/2020	8/13/2020	HALL MANUFACTURING
11	TXN01417185	\$9,992.50	8467	7/16/2020	7/17/2020	T&W TIRE ELK CITY
12	TXN01475362	\$10,000.00	2084	1/5/2021	1/7/2021	IMC RENTALS
13	TXN01475893	\$10,322.46	8490	1/7/2021	1/8/2021	SOUTHERN TIRE MART #350
14	TXN01413356	\$10,504.32	5873	7/7/2020	7/8/2020	ATT BUS PHONE PMT
15	TXN01479583	\$12,104.26	1548	1/15/2021	1/18/2021	XEROX CORPORATION/RBO
16	TXN01477706	\$12,360.64	1548	1/12/2021	1/13/2021	AT&T PREMIER EBIL
17	TXN01442529	\$13,804.38	8467	9/23/2020	9/24/2020	APEX, INC.
18	TXN01444183	\$15,188.00	2084	9/28/2020	9/29/2020	FASTENAL COMPANY 01OK011
19	TXN01477129	\$16,584.52	8897	1/11/2021	1/12/2021	T&W TIRE LAWTON
20	TXN01477143	\$17,796.00	5873	1/11/2021	1/12/2021	BG PRODUCTS INC
21	TXN01451927	\$18,204.68	2084	10/19/2020	10/20/2020	FASTENAL COMPANY 01OK011
22	TXN01477724	\$18,860.00	4988	1/12/2021	1/13/2021	MIDSTATE TRAFFIC CONTROL
23	TXN01455754	\$19,262.00	4997	11/2/2020	11/3/2020	MIDSTATE TRAFFIC CONTROL
24	TXN01465573	\$19,271.20	4988	12/3/2020	12/4/2020	HALL MANUFACTURING
25	TXN01477149	\$22,482.75	1548	1/11/2021	1/12/2021	AT&T PREMIER EBIL
26	TXN01465469	\$24,636.35	8467	12/3/2020	12/4/2020	FENSCO INC

27	TXN01445288	\$28,888.75	2084	10/1/2020	10/2/2020	FASTENAL COMPANY 01OKO11
28	TXN01477175	\$29,314.15	1548	1/11/2021	1/12/2021	AT&T PREMIER EBIL
29	TXN01477109	\$29,457.03	1548	1/11/2021	1/12/2021	AT&T PREMIER EBIL
30	TXN01446897	\$31,016.06	2084	10/6/2020	10/7/2020	FASTENAL COMPANY 01OKO11
31	TXN01477133	\$35,863.76	1548	1/11/2021	1/12/2021	AT&T PREMIER EBIL
32	TXN01444164	\$139,390.00	2084	9/25/2020	9/29/2020	FASTENAL COMPANY 01OKO11
	TOTAL	\$614,442.65				

Cause: Unknown.

Effect or Potential Effect: There is an increased risk of making unauthorized purchases when transactions are not edited correctly.

Criteria: The **State of Oklahoma Policy and Procedures for Purchase Card § 11, Transaction Editing** states in part:

The following information shall be listed in the bank's transaction system. Some of the information is automatically populated for suppliers registering as a Level III merchant; however, the airlines and lodging establishments have 30 days to provide the Level III 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 on the Allocation Detail screen. This task should be performed on a weekly or daily basis to ensure adequate time for the reconciliation and payment process at the end of the cycle. Supporting documentation is required for all travel transactions paid by P-card regardless of dollar amount.

- **Standard purchases:** Internal agency procedures will determine if a description is required for transactions less than \$5000 or the approved amount up to \$25,000. Statewide contract number, if applicable, shall be selected utilizing the provided drop-down menu. Transactions greater than the agency's approved single transaction limit up to \$25,000, or \$5000 if no higher limit has been approved, must have a description in either the description field or the comment section and must have the SW contract number or exempt category selected from the category column drop-down list. No other transaction types may exceed the agency's approved limit up to \$25,000, or \$5000 if no higher limit has been approved, per transaction.

Recommendation: We recommend the agency implement a process where the approving official should not approve transactions if the information is not correct and complete in the online banking system's category drop-down menu when required by the State Purchase Card Procedures. In addition, it is advised to further educate employees regarding the requirements and processes in reviewing purchase card transactions.

Management's Response

Date: 02/09/2022

Respondent: Contracting and Acquisitions Administrator

Response: Concur – ODOT will be checking these monthly to make sure the selection is made timely.

Corrective Action Plan

Contact person: Contracting and Acquisitions Administrator

Anticipated completion date: Ongoing

Corrective action planned: Monthly monitoring of transactions in Works.

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:	29,731	\$27,514,312.32
Reverse Transactions	556	\$33,958.37
Agent Fees	51	\$974
Negative Transactions	335	\$59,222.07
Filtered Population:	28,789	\$27,538,602
Subpopulations:		
IT	901	\$1,426,950.54
Airfare	44	\$17,213.76
Lodging	997	\$257,302.92
Over \$5,000	746	\$12,323,020.03
Under \$5,000	26,101	\$13,514,114.77
Total:	28,798	\$27,538,602

Samples:		
IT	23	\$159,835.10
Airfare	0	\$0.00
Lodging	0	\$0.00
Over \$5,000	34	\$1,212,153.01
Under \$5,000	56	\$84,435.15
Auditor's Discretion	4	\$485,569.64
Total:	117	\$1,941,992.90

EXECUTIVE SUMMARY

Mission statement: To provide a safe, economical, and effective transportation network for the people, commerce, and communities of Oklahoma.

History and overview: Created by the Oklahoma Legislature in 1976 as an overall coordinating agency for the state's highways, railways, and waterways, this agency superseded the original Oklahoma State Department of Highways, implemented by legislation in 1911. The Oklahoma Aeronautics Commission and Rail Planning were also placed under ODOT jurisdiction. The Waterways Branch was transferred from the Commerce Department to ODOT in 1993. The Oklahoma Aeronautics Commission became a separate agency as of July 1, 2002. The department is primarily funded by motor vehicle fuel taxes, legislative appropriations, and a return of federal matching dollars from the Federal Highway Trust Fund. ODOT's annual budget, totaling more than \$1.7 billion in federal and state funds, is applied to highway construction and maintenance activities, railways, waterways, public rural transit programs and administration statewide. While the primary business is construction and maintenance of the state's highways, the agency also promotes intermodal transportation. A nine-member Transportation Commission appointed by the governor, Oklahoma Speaker of the House, and President Pro Tempore of the Oklahoma Senate sets departmental policy and oversees general operations. The commission is made up of eight members representing geographic districts corresponding with ODOT's eight field divisions, along with one at-large member. The commission meets on the first Monday of each month in the R.A. Ward Transportation Building in Oklahoma City.

Agency information

The Agency is made up of 600 classified and 105 unclassified employees according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 1, 2020.

Agency director

Tim Gatz, Secretary of Transportation



Key staff: (during the Audit Period)

Laura Bybee, Purchase Card Administrator, Contracting and Acquisitions Administrator

Jennifer Hankins, Back-up Purchase Card Administrator, Procurement Division Manager