

STATE OF OKLAHOMA



OKLAHOMA
**Office of Management
& Enterprise Services**

Health Care Authority
Purchase Card Program Audit

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AUDIT HIGHLIGHTS

Oklahoma Health Care Authority - Purchase Card Program Audit

Why we conducted this audit

This report provides information on the Oklahoma Health Care Authority'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 OHCA has significantly complied with the State Purchase Card Procedures and the agency's internal purchase card procedures. OHCA 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 65 purchases against defined compliance requirements. We reported three formal findings.

Agency accomplishments

We commend OHCA for its proactivity to reduce risk in the purchase card program during the COVID-19 pandemic. As employees were placed in a remote work environment at the beginning of 2020, the agency placed the majority of its purchase cards in a suspended profile. This action significantly reduced unnecessary risk regarding prohibited purchases and lost or stolen purchase cards without affecting agency operations. Additionally, the agency has an exceptionally responsive and well-organized purchase card administrator who provides quality leadership to the program.



Oklahoma State Capitol

AUDIT FINDING SUMMARY

[Finding 21-807-01: Purchase Card Controls and Limits](#)

A review of purchase card controls and limits found two of four active cards averaged less than 20% of the card's monthly credit limit and did not once exceed 60% of the monthly

credit limit. The purchase card is unnecessarily at risk when the transaction limit or credit limit is set more than the individual cardholder's needs.

Finding 21-807-02: Transaction Editing

Two of three transactions totaling \$24,783.95 did not have a statewide contract selected in the online banking category drop-down menu for purchases exceeding the single transaction limit of \$5,000. In addition, three of 11 transactions totaling \$7,211.98 were found to have statewide contracts selected from the online banking category drop-down menu even though the vendors are not on statewide contracts.

Finding 21-807-03: Products Shipped

Nine of 25 transactions totaling \$9,95.18 did not contain a packing slip or other proof of delivery within the purchase card documentation.

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 OHCA's purchase card program complied with the audit objectives during the period of Jan. 1, 2020 to April 15, 2021. During the audit period, there were 14 cardholders and 9 approving officials with purchase card activity in the Bank of America WORKS system.

In total, OHCA processed 768 purchase card transactions totaling \$535,441.03 during the audit period. Categories for purchase card transactions for the agency included: purchases for airfare, under \$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 33 standard transactions and 19 IT transactions were extracted for testing. In addition, 13 transactions were selected for audit based upon auditor's discretion and tested against a predetermined criterion.

DETAILED FINDINGS

Finding 21-807-01: Purchase Card Controls and Limits

Condition: During the testwork phase of the audit for purchase card control and limits, we determined two of four active cards (50% error rate) exceeded predetermined percentage thresholds for monthly credit limits set during our purchase card risk analysis. We analyzed the total expenditures on each card and total number of months each card was used to cal-

culate an average spend and highest cycle spend for each card. A 15-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 two cardholders' monthly credit limits could be reduced without impacting agency operations. This finding is related to the audit objective to determine if the agency has implemented controls and if those controls are effective.

#	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	0560	\$50,000	15	\$21,821.99	\$1,454.80	2.91%	\$11,409.83	22.82%
2	9005	\$25,000	15	\$58,579.14	\$3,905.28	15.62%	\$11,474.40	45.90%

Cause: The agency placed all but four cards in a suspended profile in March 2020 due to the COVID-19 pandemic. Due to the reduced number of active cardholders, the agency wanted to ensure the cardholders had sufficient funds to purchase items required by the agency.

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).

Single transaction limits for the individual p-card accounts should be set based on state agency needs. Utilizing \$5,000 per transaction as the baseline, cards assigned higher single transaction limits should be limited to those assigned procurement duties requiring higher transaction limits, such as purchasing from statewide contracts or paying utilities. Agencies with OMES-approved higher fair market limits up to \$25,000 (an application for higher limits must be approved by the State Purchasing Director) should restrict the higher single transaction limit to a select few cards. Agencies may also choose to set single transaction limits below the \$5,000 baseline. Single transaction limit assignment over \$5,000 should be reviewed no less than annually by the agency P-card administrator, and may be reviewed periodically by OMES for appropriateness of assignment.

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

We recommend cards with a highest monthly cycle spend of less than \$15,000 have the credit limit reduced to \$15,000. Currently, the credit limit risk per month totals \$75,000 for the two cards noted in this finding. With the recommended credit limit reductions, the credit limit risk per month would total \$30,000. This would result in a \$45,000 (60%) credit limit risk reduction per month without affecting the cardholders' ability to make purchases or interfering with agency operations.

Management's Response

Date: 06/25/2021

Respondent: Purchase card administrator

Response: Concur

Corrective Action Plan

Contact person: Purchase card administrator

Anticipated completion date: 07/01/2021

Corrective action planned:

The monthly limit for card ending in 0560 will be lowered to \$5,000. The monthly limit for card ending in 9005 will be lowered to \$20,000. The cardholder for the card ending in 9005 is the agency travel coordinator. Now that travel is expected to increase, it is believed a monthly limit of \$20,000 is needed. The monthly usage will be reviewed to ensure monthly limits are more in line with monthly usage.

[Finding 21-807-02: Transaction Editing](#)

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

1. Two transactions out of three (67% error rate), totaling \$24,783.95, 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.

#	TRANSACTION NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	POST DATE	CARD LAST 4 DIGITS
1	TXN01439682	\$12,436.74	PRESIDIO NET-WORKED SOLUT	09/15/2020	09/16/2020	6906
2	TXN01460360	\$12,347.21	SKC COMMUNICA-TION PRODUCT	11/12/2020	11/16/2020	6906
	TOTAL	\$24,783.95				

- Three transactions out of 11 (27% error rate), totaling \$7,211.98, had a statewide contract selected in the category column drop-down menu even though the vendor is not on a statewide contract.

#	TRANSACTION NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	POST DATE	CARD LAST 4 DIGITS
1	TXN01354479	\$486.98	AMAZON.COM L18NK0CH3 AMZN	02/04/2020	02/05/2020	2501
2	TXN01372295	\$1,725	BROOKS INDUSTRIES	03/12/2020	03/13/2020	3631
3	TXN01429300	\$5,000	ACL SERVICES LTD	08/18/2020	08/19/2020	6906
	TOTAL	\$7,211.98				

Cause: Oversight in the month-end review process contributed to the errors in transaction editing.

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 educated employees regarding the requirements and processes in reviewing purchase card transactions.

Management's Response

Date: 06/25/2021

Respondent: Purchase card administrator

Response: Concur

We concur that the findings are correct.

Corrective Action Plan

Contact person: Purchase card administrator

Anticipated completion date: Immediate and ongoing

Corrective action planned:

Cardholders and approvers will be participating in continuous individual training regarding errors found in edited transactions.

Finding 21-807-03: Products Shipped

Condition: During the substantive testwork phase of the audit, we discovered 9 out of 25 transactions (36% error rate), totaling \$9,095.18, did not contain a packing slip or other proof of delivery for products shipped within the purchase card documentation.

#	TRANSACTION NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	POST DATE	CARD LAST 4 DIGITS
1	TXN01366848	\$49	WALKER COMPANIES	03/03/2020	03/04/2020	2501
2	TXN01374908	\$478.64	NEWVIEW OKLAHOMA	03/18/2020	03/19/2020	2501
3	TXN01405085	\$1,682.19	AMZN Mktp US MY26A0S52	06/12/2020	06/15/2020	2501
4	TXN01405089	\$8.99	AMAZON.COM MY6E85U40 AMZN	06/12/2020	06/15/2020	2501
5	TXN01425802	\$2,564.50	AMZN Mktp US MF2076Y01	08/10/2020	08/11/2020	2501
6	TXN01433670	\$952.20	SQ VINCENT MUDD	08/28/2020	08/31/2020	2501
7	TXN01443992	\$890	AMZN Mktp US M47OG4UX1	09/25/2020	09/28/2020	2501
8	TXN01511031	\$2,240.91	AMZN Mktp US 3S90U0XX3	04/13/2021	04/14/2021	2501
9	TXN01477018	\$228.75	STAPLES	01/08/2021	01/11/2021	9005
	TOTAL	\$9,095.18				

Cause: Oversight in the month-end review process contributed to the missing receiving documentation.

Effect or potential effect: When the cardholder is not collecting the packing slip or other proof of delivery, there is no documentation to support that the products were received by the agency.

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.

Agencies that determine that it is advantageous to the agency to ship items to the location of usage, must include this process in their internal purchasing procedures. The agency must obtain proof of receipt and confirm that items are not used for personal use. The agency is required to ensure that all items are properly accounted for, according to all rules and policies, and ensure items are returned to the agency upon employee termination.

Recommendation: We recommend the agency develop, implement, and communicate to all receiving employees the process for collecting and submitting documents to the cardholder. Also, we recommend the agency communicate to all cardholders the importance of collecting and maintaining receiving documents for items purchased that are shipped to the agency. In final, we recommend the agency create procedures to conduct monitoring activities to autonomously review the supporting documentation to determine continuous compliance with the receiving requirements.

Management's Response

Date: 06/25/2021

Respondent: Purchase card administrator

Response: Concur

Corrective Action Plan

Contact person: Purchase card administrator

Anticipated completion date: Immediate and ongoing

Corrective action planned:

Cardholders and approvers will participate in continuous individual training regarding missing packing slips or delivery confirmation. For deliveries that do not include packing slips, cardholders will be instructed to obtain and upload to the transaction email delivery confirmations from the ordering unit. Approvers will be instructed to flag, if applicable, and return to cardholder transactions that do not contain packing slips or delivery confirmation communications.

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:	768	\$535,441.03
Reverse transactions	30	\$120.00
Agent fees	22	\$500.00
Negative transactions	7	\$447.40
Filtered population	709	\$535,268.43
Subpopulations:		
IT	360	\$407,705.67
Airfare	19	\$6,216.31
Lodging	0	\$0.00
Over \$5,000	0	\$0.00
Under \$5,000	330	\$121,346.45
Total	709	\$535,268.43
Samples:		
IT	19	\$66,074.01
Airfare	0	\$0.00
Lodging	0	\$0.00
Over \$5,000	0	\$0.00
Under \$5,000	33	\$28,632.32
Auditor’s Discretion	13	\$51,007.02
Total	65	\$145,713.35

EXECUTIVE SUMMARY

Oklahoma Health Care Authority

Mission statement: To responsibly purchase state and federally-funded health care in the most efficient and comprehensive manner possible; to analyze and recommend strategies for optimizing the accessibility and quality of health care; and to cultivate relationships to improve the health outcomes of Oklahomans.

History and overview: The Oklahoma Health Care Authority administers two health programs for the state. The first is SoonerCare, Oklahoma's Medicaid program. SoonerCare works to improve the health of qualified Oklahomans by ensuring that medically necessary benefits and services are available. Qualifying Oklahomans include certain low-income children, seniors, the disabled, those being treated for breast and cervical cancer and those seeking family planning services. The second program OHCA operates is Insure Oklahoma, which assists qualifying adults and small business employees in obtaining health care coverage for themselves and their families.

Agency information

The Agency is made up of 487.75 unclassified, 20 grant, and seven temporary employees according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 1, 2020.

Board members

Stanley Hupfeld, Chairman
Alex Yaffe, Vice Chairman
Dr. Jean Hausheer, Member
Dr. Laura Shamblin, Member
Randy G. Curry, D.Ph., Member
Marc Nuttle, Member
Phillip Kennedy, Member
Tanya Case, Member
Robert Boyd, Member

Key staff

Kevin Corbett, Chief Executive Officer
Aaron Morris, Chief Financial Officer
Kimberly Wilson, Director of Procurement and Contracts
April Jones, Procurement Manager, Purchase Card Administrator
Stormy Davenport, Financial Analyst III, Backup Purchase Card Administrator