

STATE OF OKLAHOMA



OKLAHOMA
Office of Management
& Enterprise Services

Oklahoma Historical Society
Purchase Card Program Audit

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Table of Contents

AUDIT HIGHLIGHTS 3

AUDIT FINDING SUMMARY 3

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

Oklahoma Historical Society – Purchase Card Program Audit

Why we conducted this audit

This report provides information on the compliance of OHS 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 OHS has significantly complied with the State Purchase Card Procedures and the agency's internal purchase card procedures. OHS 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 two formal findings.

Agency Accomplishments

We would like to commend OHS for their willingness to improve their purchase card procedures whenever issues were discovered throughout the audit. OHS follows an internal preapproval process to ensure purchases are made in accordance with the State of Oklahoma Purchase Card Procedures, statutes and rules. There are routine updates and reminders for cardholders about purchasing policy and best practices. We would like to recognize Debbie Munson for providing quality leadership and outstanding program awareness.

AUDIT FINDING SUMMARY

[Finding 21-350-01: Internal Purchasing Procedures](#)

During the testwork phase of the audit, we noted one transaction missing prior approval from the OHS IT director and OMES Information Services account executive, three transactions missing an inventory control form, and six packing slips that were not marked "received" or dated by the cardholder, all of which are required by the agency's internal purchasing procedures.

Finding 21-350-02: Purchase Card Controls and Limits

Cardholders with a spend average less than 20% of their credit limits and who did not ever exceed 75% of their monthly credit limit were determined to have excessive credit limits. We determined 19 out of 32 cardholders evaluated to have excessive credit limits. Analysis was performed using the months within the audit period.

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 OHS’s purchase card program complied with the audit objectives during the period of Jan. 1, 2020, to Feb. 22, 2021. As of March 1, 2021, there were 32 active purchase cardholders and five approving officials.

In total, OHS processed 2,888 P-card transactions totaling \$1,166,380.97 during the audit period. Categories for P-card transactions for the agency included purchases for under \$5,000, over \$5,000 and Information Technology. 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 risk assessment when applying the classical variable sampling technique. To ensure a sound statistical sample, a random sample of 35 standard transactions, 23 IT transactions, and five transactions over \$5,000 were extracted for testing. In addition, 54 transactions were selected for audit based upon auditor’s discretion and tested against a predetermined criterion.

DETAILED FINDINGS

Finding 21-350-01: Internal Purchasing Procedures

Condition: During the substantive testwork phase of the audit, we discovered the following regarding the agency’s internal purchasing procedures:

1. One IT transaction out of one (100% error rate), totaling \$500, was not part of the agency’s IT authority order or on the State of Oklahoma approved hardware/software list. This transaction was also missing prior approval from the OHS IT director and the OMES IS account executive required by the agency’s internal purchasing procedures.

TXN NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	POST DATE	CARD LAST 4 DIGITS
TXN01341551	\$500.00	INSPERITYTIME& ATT	01/07/2020	01/08/2020	5067
Total	\$500.00				

- An inventory control form for three out of four transactions tested (75% error rate), totaling \$5,076.52, was not submitted to the agency's finance division as required by the agency's internal purchasing procedures.

TXN NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	POST DATE	CARD LAST 4 DIGITS
TXN01358024	\$875.00	RED RIVER PHOTO SERVICE	2/12/2020	2/13/2020	2531
TXN01389180	\$3,151.67	SKC COMMUNICATION PRODUCT	4/28/2020	4/30/2020	1797
TXN01438563	\$1,049.85	AMAZON	9/11/2020	9/14/2020	1797
Total	\$5,076.52				

- Six out of 13 packing slips tested (46% error rate), totaling \$16,817.16, were not marked received or dated by the cardholder as required by the agency's internal purchasing procedures.

TXN NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	POST DATE	CARD LAST 4 DIGITS
TXN01359726	\$2,169.93	EARTHVIEW INC	2/14/2020	2/17/2020	0251
TXN01389180	\$3,151.67	SKC COMMUNICATION PRODUCT	4/28/2020	4/30/2020	1797
TXN01403604	\$10,107.00	BATTERIES PLUS	6/10/2020	6/11/2020	1797
TXN01438563	\$1,049.85	AMAZON	9/11/2020	9/14/2020	1797
TXN01466789	\$299.29	VALLEY LASER	12/4/2020	12/7/2020	1797
TXN01474272	\$39.42	STAPLES	12/31/2020	1/4/2021	1797
Total	\$16,817.16				

Cause

- Agency stated the IT transaction was an agency error and that it was not submitted for IT approval.
- Agency stated that an inventory control form was not completed because the items purchased did not meet agency inventory requirements.
- Unknown.

Effect or Potential Effect: The agency's current purchasing practices are not in line with the agency's internal purchasing procedures.

Criteria

- The Oklahoma Historical Society Internal Purchasing Procedures § 6.2 Information Technology/Telecom Purchases states:**

Hardware and software requests that are not part of the IT Authority Order or on the State of Oklahoma Approved Hardware/Software list must have approval from

the OHS IT Director and must be submitted to the OMES Information Services (IS) Account Executive (AE) for approval before the purchase may proceed.

2. The Oklahoma Historical Society Internal Purchasing Procedures § 4.1.15 Procurement Procedures states:

If the request is for IT, the Primary CPO will route the request to the agency's IT Director and Office of Management and Enterprise Services, Account Executive (OMES AE) for review and approval.

3. The Oklahoma Historical Society Internal Purchasing Procedures § 9.1 Inventory Control states:

Each Division shall designate one person responsible for documentation and maintaining record of purchased items that are considered to be an inventory item. The designated individual is responsible for submitting an Inventory Control form containing all relevant item information to the Finance Division each time an acquisition is \$500 or more, or if the acquisition is a portable device, such as a computer tablet, camera, or other type of IT device.

4. The Oklahoma Historical Society Internal Purchasing Procedures § 5.5 Purchase Card Procedures states in part:

Merchandise that was not received at the time of purchase (such as shipped items) must also provide a packing slip or verification that the item was received. The packing slip must also be signed by the purchase card holder, marked "received", and dated.

Recommendation: We recommend the agency adhere to the internal purchasing procedures as designated by agency management by receiving prior approval from the agency's IT director and OMES account executive for purchases that are not part of the IT authority order or on the State of Oklahoma Approved Hardware/Software list, submitting inventory control forms when necessary, and dating and marking "received" on packing slips by the cardholder.

We further recommend the agency review and evaluate the agency's internal procedures to determine if the requirements mentioned in this finding are necessary, effective and efficient for the purchase card program. At completion of the review and evaluation of the agency's internal purchasing procedures, the agency may decide to make revisions as deemed necessary. If revisions are made, the agency should submit the revised internal purchasing procedures to OMES Central Purchasing for approval.

Management's Response

Date: 7/19/2021

Respondent: Oklahoma Historical Society

Response: Partially Concur

1. This was an oversight by the agency. The cardholder was unaware that a purchase request and IT approval were not in place when the invoice was paid. The cardhold-

er has been made aware of the issue and she will start checking to make sure approvals are in place before invoices are paid.

2. Inventory forms were not done on the SKC Communications and Amazon purchases because the individual items purchased did not meet the agency's inventory requirements. Red River Photo was also not inventoried. This is an agency oversight. Inventory requirements in the revised Internal Purchasing Procedures have been amended to exclude items displayed in an exhibit
3. Packing slips were not marked "received" and dated by the cardholder. This is an agency oversight and internal purchasing procedures are being updated to eliminate this practice.

Corrective Action Plan

Contact Person: Principal Assistant

Anticipated Completion Date: In-process

Corrective Action Planned: Internal purchasing procedures have been updated to address these issues and submitted for approval on May 10, 2021.

[Finding 21-350-02: Purchase Card Controls and Limits](#)

Condition: During the testwork phase of the audit for purchase card control and limits, we determined 19 of 32 active cards (59% 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 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 75% of the monthly credit limit. It was determined that 19 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	Average monthly spend	Average % spent	Highest cycle spend	% of credit limit on highest spend
1	0050	\$5,000.00	8	\$5,801.59	\$725.20	14.50%	\$2,144.00	42.88%
2	0080	\$10,000.00	14	\$17,976.57	\$1,284.04	12.84%	\$2,655.31	26.55%
3	0743	\$5,000.00	13	\$8,268.69	\$636.05	12.72%	\$1,273.26	25.47%
4	1297	\$10,000.00	14	\$9,588.03	\$684.86	6.85%	\$5,025.00	50.25%
5	1865	\$20,000.00	5	\$11,622.53	\$2,324.51	11.62%	\$7,574.08	37.87%
6	1981	\$7,500.00	14	\$18,016.15	\$1,286.87	17.16%	\$2,631.82	35.09%
7	2598	\$5,000.00	14	\$9,938.97	\$709.93	14.20%	\$2,699.08	53.98%

Number of cards	Last 4 digits of card	Monthly credit limit	Active months	Total spend	Average monthly spend	Average % spent	Highest cycle spend	% of credit limit on highest spend
8	3156	\$5,000.00	14	\$10,962.54	\$783.04	15.66%	\$1,784.13	35.68%
9	4464	\$5,000.00	14	\$6,698.54	\$478.47	9.57%	\$1,357.21	27.14%
10	5022	\$5,000.00	13	\$1,787.65	\$137.51	2.75%	\$246.53	4.93%
11	5157	\$5,000.00	9	\$6,019.62	\$668.85	13.38%	\$2,172.32	43.45%
12	6022	\$5,000.00	13	\$12,125.62	\$932.74	18.65%	\$1,906.28	38.13%
13	6107	\$5,000.00	7	\$4,618.32	\$659.76	13.20%	\$912.04	18.24%
14	6342	\$5,000.00	14	\$6,324.35	\$451.74	9.03%	\$1,857.63	37.15%
15	7702	\$10,000.00	8	\$8,423.71	\$1,052.96	10.53%	\$3,410.76	34.11%
16	7991	\$5,000.00	5	\$4,796.59	\$959.32	19.19%	\$1,592.19	31.84%
17	8917	\$50,000.00	3	(\$259.00)	(\$86.33)	-0.17%	\$402.19	0.80%
18	9552	\$5,000.00	3	\$1,851.70	\$617.23	12.34%	\$917.68	18.35%
19	9995	\$5,000.00	14	\$11,654.61	\$832.47	16.65%	\$1,501.77	30.04%

Cause: The agency has sole cardholders in remote locations and their credit limit is needed in case of emergency purchases.

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 administrators, 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. Additionally, 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 also recommend having one designated purchase cardholder at each department for emergency purchases and this being their only task as cardholder, therefore making this their routine purchase and decreasing the risk.

Management's Response

Date: 6/24/2021

Respondent: Principal Assistant

Response: Partially Concur

The cardholder with the \$50,000 limit has been reduced.

The employee with the \$10,000 limit manages the Museum Store which had reduced traffic due to the pandemic and shut-down. We anticipate she will need to retain her limit as things return to normal.

The remaining employees work at offsite and/or remote locations and it is the agency's preference that these individuals keep their limits slightly higher in case emergency situations arise.

Corrective Action Plan

Contact person: Purchase Card Administrator

Anticipated completion date: Completed

Corrective action planned: Continue to monitor cardholder use and limits and adjust as necessary.

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:	2,888	\$1,166,380.97
Reverse Transactions	44	\$0.00
Agent Fees	2	\$34.00
Negative Transactions	47	\$11,917.83
Filtered Population:	2,795	\$1,178,264.80
Subpopulations:		
IT	436	\$254,334.44
Airfare	2	\$681.59
Lodging	29	\$3,835.54
Over \$5,000	8	\$100,438.24
Under \$5,000	2,320	\$818,974.99
Total:	2,795	\$1,178,264.80
Samples:		
IT	23	\$62,080.09
Airfare	0	\$0.00
Lodging	0	\$0.00
Over \$5,000	5	\$77,165.24
Under \$5,000	35	\$30,470.69
Auditor's Discretion	54	\$30,551.19
Total:	117	\$200,267.21

EXECUTIVE SUMMARY

Oklahoma Historical Society

Mission statement: The mission of the Oklahoma Historical Society is to collect, preserve, and share the history and culture of Oklahoma and its people.

History and overview: The Oklahoma Historical Society, both a state agency and a private membership organization, is dedicated to the preservation and perpetuation of Oklahoma's history. Founded in May 1893 by the Oklahoma Territorial Press Association, it was declared an agency of the territorial government in 1895. The Oklahoma Historical Society Board of Directors consists of twenty-five members, twelve of whom are appointed by the governor and thirteen elected by the society membership for three-year terms. Members of the board are appointed and elected by congressional district to help ensure statewide representation.

The central offices; the State Museum; extensive collections of books, manuscripts, newspapers, photographs, genealogical, and other historical research materials, maintained in the Research Division, are housed in the Oklahoma History Center. The *Chronicles of Oklahoma and Mistletoe* Leaves are both published by the society.

Agency information

The Agency is made up of 92 classified, 21 unclassified and 59 temporary employees according to the [Oklahoma Agencies, Boards, and Commissions Book](#) as of September 1, 2020.

Board members

Harold Aldridge Jr.

Jack D. Baker

Randy Beutler

Teresa Black Bradway

F. Ford Drummond

Cheryl Evans

Deena Fisher

Billie Fogarty

Dan Lawrence

Patricia Loughlin

Jonita Mullins

Bill Settle

Kenneth Sivard

Barbara Thompson

Weldon Watson

Alan Loeffler

Ann Hargis

Terry Mabrey

Lindsay Robertson

Donna Sharpe

Charles Tate

James R. Waldo

Allen Wright

Duke R. Ligon

Karen Keith

Key staff: (during audit period)

Dr. Bob Blackburn, Executive Director

Terry Howard, Deputy Director

Debbie Munson, Contracting & Acquisitions Agent, Purchase Card Administrator

Nicole Harvey, Executive Secretary, Backup Purchase Card Administrator