

STATE OF OKLAHOMA



OKLAHOMA
Office of Management
& Enterprise Services

OKLAHOMA MILITARY DEPARTMENT
Purchase Card Program Audit

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Central Purchasing Audit
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Table of Contents

AUDIT HIGHLIGHTS	3
Why we conducted this audit	3
What we found.....	3
AUDIT FINDING SUMMARY	3
AUDIT OVERVIEW	3
DETAILED FINDINGS	4
APPENDIX	8
Methodology	8
Sampling.....	8
EXECUTIVE SUMMARY	9
Agency information	9
Key Staff	9

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AUDIT HIGHLIGHTS

Oklahoma Military Department - Purchase Card Program Audit

Why we conducted this audit

This report provides information on the Oklahoma Military Department's (OMD) 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 OMD has significantly complied with the State Purchase Card Procedures and the agency's internal purchase card procedures. OMD 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 149 purchases against defined compliance requirements. We reported two formal findings.

AUDIT FINDING SUMMARY

[Finding 20-025-01: Employee Agreements](#)

11 of 58 employee agreements were signed on or after we engaged with the agency. The agency did not have a formal, signed employee agreement for program participants as required by state purchase card procedures.

[Finding 20-025-02: Purchase Card Controls and Limits](#)

22 of 44 active cards exceeded predetermined percentage thresholds for monthly credit limits set during our purchase card risk analysis.

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 OMD's purchase card program complied with the audit objectives during the period of January 1, 2020 to June 1, 2021. During the audit period, there were 44 cardholders and 14 approving officials with purchase card activity in the Bank of America WORKS system.

In total, OMD processed 6,825 purchase card transactions totaling \$3,960,584.19 during the audit period. Categories for purchase card transactions for the agency included: purchases for under \$5,000, over \$5,000, close to \$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 48 transactions less than or equal to \$5,000, 13 greater than \$5,000, 18 close to \$5,000 and 22 IT transactions were extracted for testing. In addition, 48 transactions were selected for audit based upon auditor's discretion and tested against a pre-determined criterion.

DETAILED FINDINGS

Finding 20-025-01: Employee Agreements

Condition: During the planning phase of the audit, we found that 11 of the 58 employee agreement forms (19% error rate) were signed on or after we engaged for a purchase card with the agency on September 29, 2020. Five of the 44 (11% error rate) employee agreement forms were for cardholders and six of 14 (43% error rate) were approving officials. Two employee agreement forms were missing to reflect the members current role in the purchase card program for backup purchase card administrator and cardholder and one employee agreement form did not select the cardholder's role.

Cause: Unknown.

Effect or Potential Effect: The agency does not have a formal, signed document indicating that the program participant is aware of, understands, and agrees to follow the policies and procedures of the state purchase card program.

Criteria: The **State of Oklahoma Policy and Procedures for Purchase Card § 3.5, State Purchase Card employee Agreement** states in part:

All state agency P-card administrators, approving officials and cardholders must read and sign the *State Purchase Card Employee Agreement* in the appropriate signature block before assuming their duties or being issued P-cards. By signing the agreement, the participant acknowledges that he or she understands the intent of the P-card program and agrees to follow these procedures and any policies or directives established by OMES to supplement these procedures. The State Purchase Card Employee Agreement (OMES Form CP-059) is located on the OMES portal at <https://omes.ok.gov/services/purchasing/state-purchase-card>.

Recommendation: We recommend the agency purchase card administrator obtains signed employee agreement forms from each program participant and maintain them on file when members become a part of the purchase card program.

Management's Response

Date: 11/1/2021

Respondent: Comptroller

Response: Concur

OMD concurs with your recommendation that all P-cardholders and approving officials have a signed agreement form on file to acknowledge that he or she understands the rules and regulations that govern the P-card program.

Corrective Action Plan

Contact Person: Purchase Card Administrator

Anticipated Completion Date: 11/30/2021

Corrective Action Planned: The P-card administrator will ensure that a signed employee agreement form is obtained from each P-cardholder and approving official prior to requesting a purchase card. The forms and training information will be maintained by the P-card administrator and reviewed annually for any necessary updates.

Finding 20-025-02: Purchase Card Controls and Limits

Condition: During the testwork phase of the audit for purchase card control and limits, we determined 22 of 44 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 calculate an average spend and highest cycle spend for each card. A 17-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 22 cardholders monthly credit limits could be reduced without affecting agency operations.

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	1557	\$30,000.00	9	28,844.47	\$3,204.94	10.68%	8,448.49	28.16%
2	0623	\$15,000.00	16	23,561.44	\$1,472.59	9.82%	4,084.67	27.23%
3	5621	\$15,000.00	17	30,748.50	\$1,808.74	12.06%	6,422.77	42.82%
4	4609	\$15,000.00	16	18,097.17	\$1,131.07	7.54%	5,972.49	39.82%
5	1977	\$25,000.00	14	45,998.83	\$3,285.63	13.14%	11,853.63	47.41%
6	2378	\$5,000.00	7	5,247.31	\$749.62	14.99%	2,195.33	43.91%
7	4797	\$10,000.00	17	25,512.52	\$1,500.74	15.01%	5,847.36	58.47%
8	1594	\$15,000.00	17	28,601.44	\$1,682.44	11.22%	2,750.19	18.33%
9	9103	\$10,000.00	11	21,177.79	\$1,925.25	19.25%	4,566.57	45.67%
10	3417	\$100,000.00	1	3,050.01	\$3,050.01	3.05%	3,050.01	3.05%
11	4501	\$5,000.00	2	655.91	\$327.96	6.56%	390.84	7.82%
12	5073	\$5,000.00	2	861.43	\$430.72	8.61%	732.96	14.66%
13	1394	\$40,000.00	13	37,390.12	\$2,876.16	7.19%	10,904.85	27.26%
14	0074	\$10,000.00	16	15,936.79	\$996.05	9.96%	3,861.11	38.61%
15	3999	\$25,000.00	13	18,826.52	\$1,448.19	5.79%	5,403.81	21.62%

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
16	9779	\$25,000.00	3	5,533.11	\$1,844.37	7.38%	3,287.26	13.15%
17	2845	\$2,500.00	3	178.29	\$59.43	2.38%	97.27	3.89%
18	3116	\$10,000.00	10	13,124.38	\$1,312.44	13.12%	3,539.49	35.39%
19	1691	\$25,000.00	7	2,676.76	\$382.39	1.53%	1,400.00	5.60%
20	8758	\$25,000.00	17	17,731.20	\$1,043.01	4.17%	5,243.72	20.97%
21	7449	\$10,000.00	1	51.99	\$51.99	0.52%	51.99	0.52%
22	1465	\$5,000.00	13	3,215.00	\$247.31	4.95%	574	11.48%

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 more than 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. 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.

Management's Response

Date: 11/1/2021

Respondent: Comptroller

Response: Concur

OMD understands that internal controls are a necessary part of an effective operation and fully agrees with the audit recommendation for p-card controls and limits.

Corrective Action Plan

Contact Person: Purchase Card Administrator

Anticipated Completion Date: 11/30/2021

Corrective Action Planned: The P-Card administrator with guidance from the CFO started actions to drastically reduce the credit limits on the 22 purchase cards that were identified with an unnecessarily high limit. The cardholders have been notified of the changes and were given guidance to contact the P-card administrator to request an increase when a purchase exceeds their current limit. The P-card administrator can provide documentation of the new cardholder limits upon your request. In addition, the P-card administrator will submit an annual report on October 15th to the CFO of cardholder limits and spend rates to determine if any changes are necessary. As mentioned in the audit, setting appropriate credit limits is a sound internal control that will help to reduce the potential risk to the cardholder and the agency.

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:	6,825	\$3,960,584.19
Reverse Transactions	207	\$40,262.53
Agent Fees	31	\$451.75
Negative Transactions	152	\$19,845.95
Filtered Population:	6,435	\$3,939,715.86
Subpopulations:		
IT	415	\$165,584.71
Airfare	23	\$9,718.26
Lodging	192	\$55,125.56
Over \$5,000	62	\$814,954.76
Under \$5,000	5,743	\$2,894,332.57
Total:	6,435	\$3,939,715.86
Samples:		
IT	22	\$19,981.95
Airfare	0	\$0.00
Lodging	0	\$0.00
Over \$5,000	13	\$264,726.93
Under \$5,000	48	\$43,785.68
Close to \$5,000	18	\$89,404.67
Auditor’s Discretion	48	\$123,415.58
Total:	149	\$541,314.81

EXECUTIVE SUMMARY

Oklahoma Military Department

Mission statement: To preserve the state and the nation through the organization and training of the Oklahoma National Guard, to be ready for federal duty when called upon by the president of the United States, pursuant to congressional authority, and to be ready for state duty when called upon by the governor of Oklahoma.



138th Fighter Wing

History and overview: Initiated by the U.S. Congress in 1890 when it authorized one regiment of organized militia for Oklahoma Territory, the Territorial Legislature passed a law, in 1895, providing for the organization and development of the Volunteer Militia, the Oklahoma National Guard. The Oklahoma Military Department was established in 1951 and serves as the administrative agency for all matters concerning the Oklahoma National Guard and other military organizations. The governor, as commander-in-chief of the National Guard, appoints the adjutant general, the executive and administrative officer. The Army National Guard operates with an authorized strength of 6,682 personnel statewide under three major commands, the Oklahoma Regional Training Institute and the Camp Gruber Training Center. The major commands are the Forty-fifth Infantry Brigade Combat Team, Ninetieth Troop Command, and the Forty-fifth Field Artillery Brigade. The Air National Guard has an authorized strength of 2,317 personnel operating from air bases in Oklahoma City and Tulsa.

The National Guard has three missions: (1) to provide trained units and individuals available for active duty during war or national emergency; (2) to provide units organized, equipped, and trained to function efficiently in the protection of life and property and preservation of peace, order, and public safety under competent orders of federal or state authorities; and (3) to participate in local, state, and national programs which add value to America.

Agency information

The Agency is made up of 65 classified, 261 unclassified and 45 temporary employees according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of September 1, 2020.

Key Staff

Major General Michael C. Thompson, Adjutant General, Department Head

Angela Tackett, Financial Manager/Comptroller

Anita Thorpe, Contracting & Procurement Officer, Purchase Card Administrator