

STATE OF OKLAHOMA



OKLAHOMA
**Office of Management
& Enterprise Services**

**Oklahoma Military Department
Procurement Audit**

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Central Purchasing Audit

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AUDIT SUMMARY

Oklahoma Military Department (OMD) – Procurement Audit

Why we conducted this audit

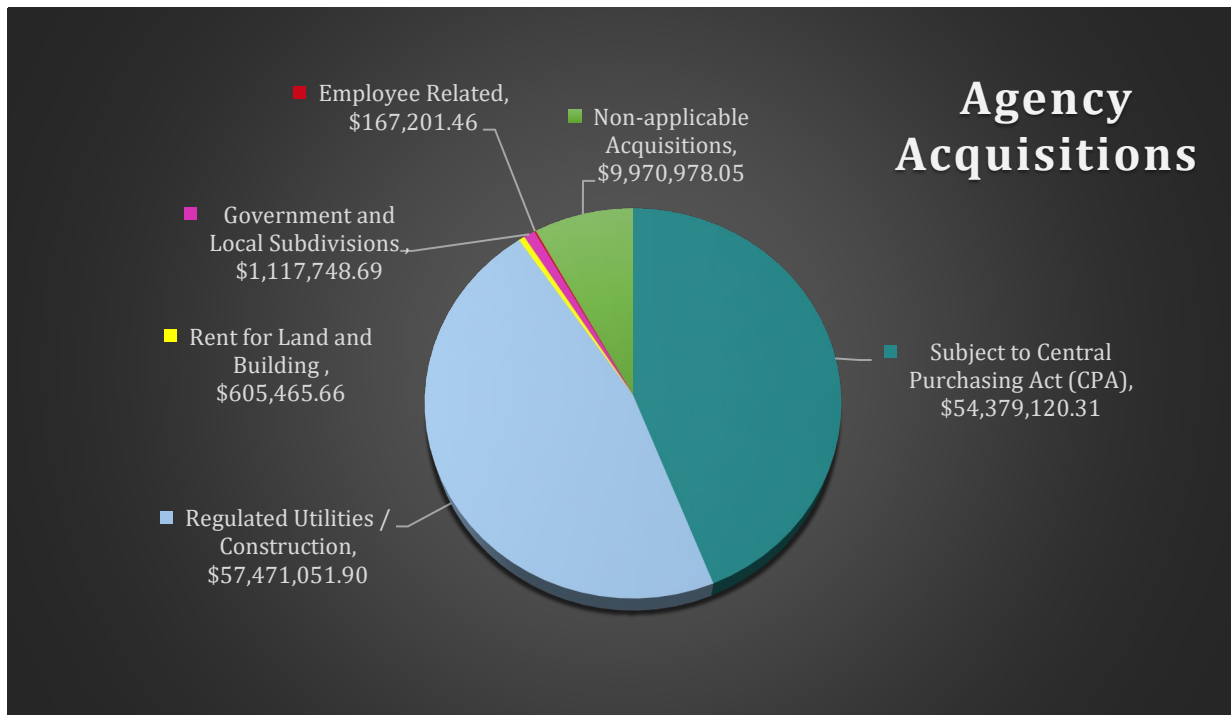
This report provides information on the agency’s compliance with the Central Purchasing Act (CPA), Oklahoma Administrative Code 260 §115, the agency’s approved internal purchasing procedures and the strength and execution of the agency’s purchasing internal control structure.



(Oklahoma National Guard Tulsa and OKC)

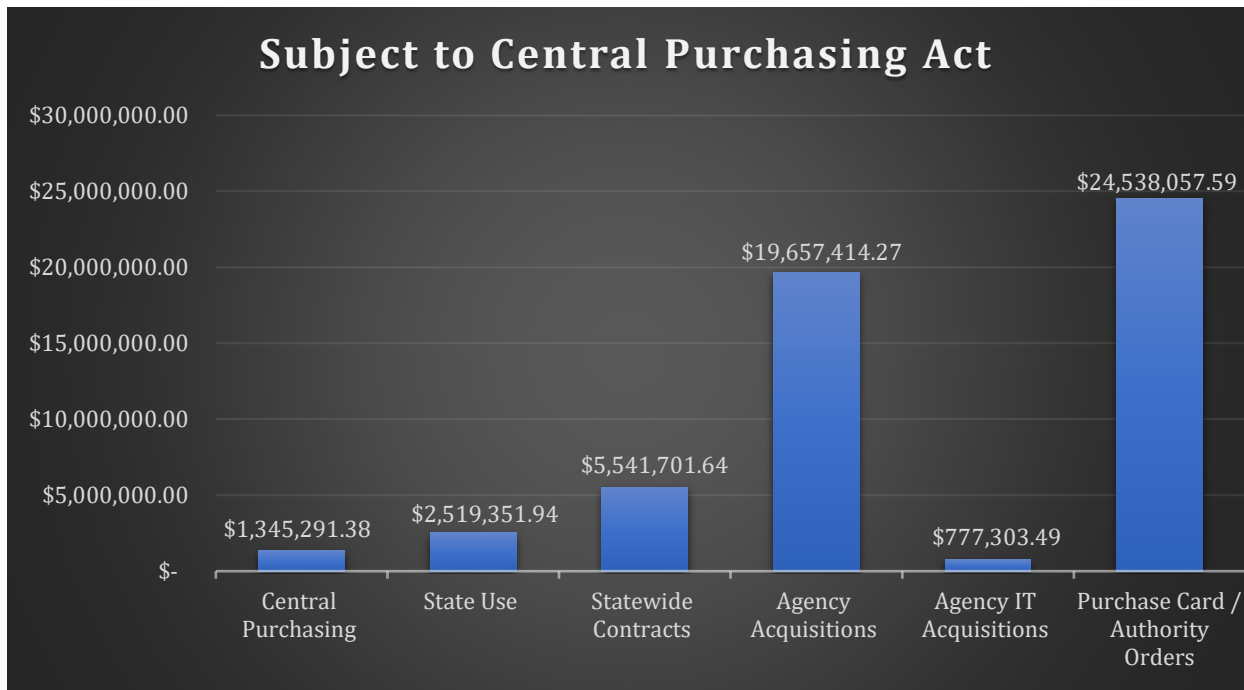
Summary of acquisitions

In total, OMD processed 831 acquisitions during the audit period from January 1, 2021 to March 22, 2022. Acquisitions were obtained by compiling non-cancelled purchase orders, expenditures with no purchase order number, and audit period expenditures on prior-to-audit-period purchase orders totaling \$123,711,566.07. Acquisitions were then separated into the following categories: subject to Central Purchasing Act (CPA); regulated utilities and construction; lease purchases and postage; rent for land and building; government and local subdivisions; employee related expenses; and non-applicable account codes. The agency’s acquisitions subject to the Central Purchasing Act totaled \$54,379,120.31. The remaining acquisitions categories are not subject to the Central Purchasing Act; therefore, they were not included in the audit. The chart below depicts agency acquisitions by category during the audit period.



Purchasing delegated to the agency

The agency's acquisitions subject to the Central Purchasing Act total \$54,379,120.31. The primary focus of our audit was the purchases delegated to the agency through the state purchasing director. The delegated purchases included agency open market acquisitions and sole source acquisitions. The agency's acquisition responsibility for purchases processed in association with the audit period, in accordance with the Central Purchasing Act was \$19,657,414.27. Agency IT acquisitions were immaterial to the acquisition population; therefore, were not tested. This amount does not include purchase card transactions. A separate audit was performed for purchase card transactions. We tested 15% of agency's open market acquisitions (68% of open market expenditures). We used the classic variable sampling method to extract a sample of acquisitions from the following threshold categories: \$0 to \$25,000, \$25,000.01 to \$50,000, and greater than \$50,000. The acquisitions performed by the agency in relation to purchases subject to the Central Purchasing Act are categorized in the chart below.



What we found

Analytical testwork was performed during the planning stage, internal control walk-throughs were completed, and 26 purchases/expenditures were tested against compliance requirements. Two formal findings were written, and we have determined that OMD did significantly comply with the Central Purchasing Act and the Oklahoma Administrative Code 260 §115. We did determine the agency significantly complied with the agency’s internal purchasing procedures.

Agency accomplishments

We would like to commend OMD for their proactivity and willingness to improve their procurement program. The agency has exceptionally responsive and well-organized procurement officers who diligently oversee the program. Purchases that require an internal purchasing requisition, designed to collect relevant information concerning the purchase request and to ensure the required approvals, are obtained by routing the requisition through the appropriate levels of management. This process significantly reduces the risk of prohibited or non-compliant purchases within the agency.

AUDIT FINDING SUMMARY

Finding 22-025-01: State Agency Requisition to OMES Purchasing Division:

One acquisition file out of two (50% error rate) did not contain the State Purchasing Director’s approval for change orders that increased the total contract to an amount greater than the agency’s authority order limit of \$50,000.

Finding 22-025-02: State Agency Requisition

Two acquisition files out of two (100% error rate) were missing form 091. Both contracts were also missing the Supplier Performance Evaluation form (OMES-FORM-CP-016) for professional services per OMD’s internal purchasing procedures.

DETAILED FINDINGS

Finding 22-025-01: State Agency Requisition to OMES Purchasing Division

Condition: During the substantive testwork phase of the audit, one acquisition file out of two (50% error rate) did not contain the State Purchasing Director’s approval for change orders that increased the total contract to an amount greater than the agency’s authority order limit of \$50,000.

#	PO NUMBER	PO AMOUNT	CHANGE ORDER AMOUNT	SUPPLIER NAME	PO DATE	CHANGE ORDER
1	0259006435	\$17,172.00	\$0.00	WASTE	06/28/2019	0
		\$34,344.00	\$17,172.00	CONNECTIONS	03/19/2020	1
		\$51,516.00	\$17,172.00	OF OKLAHOMA	06/23/2021	2
		\$68,688.00	\$17,172.00	INC	06/14/2022	3

Cause: Unknown.

Effect or Potential Effect: There is an increased risk that change orders can be made without proper approval without oversight by the proper authority allowing for the opportunity of abuse and misuse to exist.

Criteria: The **Oklahoma Administrative Code Title 260 § 115-5-11. – State agency requisitions to OMES Purchasing Division** states:

1. A state agency shall submit a requisition to the State Purchasing Director for each of its acquisitions, whenever:
 1. the agency does not have a CPO and/or approved internal purchasing procedures pursuant to the requirements of 260:115-5-3 and 260:115-5-7 and an acquisition exceeds Five Thousand Dollars (\$5,000.00);
 2. the agency’s acquisition authority has been reduced by the OMES Director and the acquisition exceeds the dollar amount of the reduced acquisition authority; or,
 3. an acquisition exceeds the state agency’s acquisition authority.

2. OMES may contract with a state agency for the services of qualified personnel to assist or conduct purchasing activities for the agency upon written request by the agency or in the event the State Purchasing Director determines the needs of the agency are such to require qualified procurement personnel. [Reference 74 O.S. §85.3] The state agency may reimburse administrative costs to OMES for the services of employees necessary to provide procurement services pursuant to this subsection.

The **Oklahoma Statewide Accounting Manual § 6.8.6. – Contract Renewals** states:

Change order requests to exercise the option to renew a multi-year contract exceeding the state agency’s purchasing threshold must be submitted to OMES Central Purchasing. In addition, the change order request shall include:

- Renewal year (e.g., second year of a three-year agreement).
- The renewal period.
- The total contract agreement period.

Recommendation: We recommend the agency develop and implement a process to ensure all documentation, including all change orders, are approved by the proper designated official in accordance with Oklahoma statutes and rules. An acquisition checklist can be helpful if put in each acquisition file to ensure all requirements have been satisfied.

Management’s Response

Date: October 06, 2022

Respondent: Financial Manager/Comptroller

Response: I concur with the findings and recommendation provided.

Corrective Action Plan

Contact person: Financial Manager/Comptroller

Anticipated completion date: February 06, 2023

Corrective action planned: The OMD Internal Purchasing Procedures will be revised to correct the procedures for multi-year contracts as outlined above and forwarded to OMES for approval. An acquisition checklist will also be developed to ensure the applicable requirements for each purchase type are completed in accordance with the applicable statutes and rules.

Finding 22-025-02: State Agency Requisitions

Condition: During the internal controls phase of the audit, we reviewed two applicable service contracts to verify the agency notified the State Purchasing Director by submission of form 091, used to report exemptions from competitive bidding within 15 days of completion of an acquisition of professional services under this policy. Both contracts (100% error rate) were missing form 091. Both contracts were also missing the Supplier

Performance Evaluation form (OMES-FORM-CP-016) for professional services per OMD's internal purchasing procedures.

#	PO NUMBER	PO DATE	PO AMOUNT	VENDOR NAME
1	0259006788	06/17/2020	\$146,979.60	TOTAL MEDICAL PERSONNEL STAFFING LLC
2	259007074	05/25/2021	\$147,106.90	TOTAL MEDICAL PERSONNEL STAFFING LLC
TOTAL			\$294,086.50	

Cause: Unknown.

Effect or Potential Effect: There is a lack of oversight by the proper authority allowing for the opportunity of abuse and misuse to exist.

Criteria: The Oklahoma Administrative Code Title 260 § 115-5-11. – State agency requisitions states:

1. A state agency shall submit a requisition to the State Purchasing Director for each of its acquisitions, whenever:
 1. the agency does not have a CPO and/or approved internal purchasing procedures pursuant to the requirements of 260:115-5-3 and 260:115-5-7 and an acquisition exceeds Five Thousand Dollars (\$5,000.00);
 2. the agency's acquisition authority has been reduced by the OMES Director and the acquisition exceeds the dollar amount of the reduced acquisition authority; or,
 3. an acquisition exceeds the state agency's acquisition authority.
2. OMES may contract with a state agency for the services of qualified personnel to assist or conduct purchasing activities for the agency upon written request by the agency or in the event the State Purchasing Director determines the needs of the agency are such to require qualified procurement personnel. [Reference 74 O.S. §85.3] The state agency may reimburse administrative costs to OMES for the services of employees necessary to provide procurement services pursuant to this subsection.

The **Oklahoma Central Purchasing Act 74 O.S. § 85.7 Competitive Bid or Proposal Procedures** states in part:

- 1.3.3. A state agency that makes an acquisition pursuant to this paragraph shall notify the State Purchasing Director within fifteen (15) days following completion of the acquisition. The Office of Management and Enterprise Services shall compile a list of the exempt contracts and send the list to a member of the Appropriations and

Budget Committee of the House of Representatives or Appropriations Committee of the Senate, if the member requests.

The Oklahoma Military Department Internal Purchasing Procedures Professional Service Contracts § B. – Professional Service Contract Requirements (Form 018 Professional Services Guide) Dated January 17, 2018 states in part:

5. The CM shall complete a Supplier Performance Evaluation form (OMES-FORM-CP-016) on all professional services contracts exceeding \$5,000 when the contract is completed.

Recommendation: We recommend the agency develop and implement a process to ensure all documentation, including all acquisitions, are approved by the proper designated official in accordance with Oklahoma statutes and rules. An acquisition checklist can be helpful if put in each acquisition file to ensure all requirements have been satisfied. It is further recommended 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 procurement process. 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: October 06, 2022

Respondent: Financial Manager/Comptroller

Response: I concur with the findings and recommendation provided.

Corrective Action Plan

Contact person: Financial Manager/Comptroller

Anticipated completion date: February 06, 2023

Corrective action planned: The OMD Internal Purchasing Procedures will be revised to include the requirement to submit form 091 to the State Purchasing Director as notification of an exemption from competitive bidding for professional services. The procedures will also be reviewed for any redundancy or unnecessary requirements that may be eliminated to improve the agency's purchasing process. When complete, the revised procedures will be forwarded to OMES CP for approval. An acquisition checklist will also be developed to ensure the applicable requirements for each purchase type are completed in accordance with the applicable statutes and rules.

APPENDIX

Methodology

- Interviews were conducted with the agency's staff members.
- Internal controls over the procurement program were documented and evaluated.
- Procurement transactions were examined.
- A statistical sample of transactions from cardholders was examined.
- Overall program compliance with the rules related to the audit objectives was evaluated.

Sampling

We used IDEA data analysis software to categorize and sample units to be tested. Below is the table depicting the sampling size per stratified category for the standard procurement acquisitions. The total population for substantive testwork was 178 totaling \$19,657,414.27. The total sampled population for substantive testwork was 26 acquisitions amounting to \$13,304,296.76. Amounts reported in the chart below are based on the initial classification within each acquisition threshold.

UNITS	SUB-POPULATION	# OF TRANSACTIONS IN SUB-POPULATION	# SAMPLED FOR TESTWORK	% SAMPLED FOR TESTWORK
	\$0 to \$25,000	114	12	11%
	\$25,000.01 to Agency's Purchase Limit	28	5	18%
	Greater than Agency's Purchase Limit	36	8	22%
	Subtotal	178	25	14%
	Judgmental		1	
	Total	178	26	15%
DOLLARS	SUB-POPULATION	\$ AMOUNT IN SUB-POPULATION	\$ AMOUNT SAMPLED FOR TESTWORK	% DOLLARS SAMPLED FOR TESTWORK
	\$0 to \$25,000	\$1,050,524.87	\$125,039.09	12%
	\$25,000.01 to Agency's Purchase Limit	\$1,011,235.91	\$187,634.63	19%
	Greater than Agency's Purchase Limit	\$17,595,653.49	\$1,391,805.04	8%
	Subtotal	\$19,657,414.27	\$1,704,478.76	9%
	Judgmental		\$11,599,818.00	
	Total	\$19,657,414.27	\$13,304,296.76	68%

EXECUTIVE SUMMARY

Organization: Oklahoma Military Department

Mission statement: The Oklahoma Military Department provides Federal and State resources enabling the Oklahoma National Guard to provide ready units and personnel to the state and nation in three roles: State, Federal and Community.



(F-16C Block 42E Fighting Falcons of the 125th Fighter Squadron at Tulsa AGB.)

State Role: To provide fully trained units, Soldiers, and Airmen to support civil authorities in times of natural or manmade disasters. Mobilize in order to provide special services in preserving peace, order, and public safety, at any time, on order of the Governor of Oklahoma.

Federal Role: As a part of the United States Army and Air Force, to provide fully trained units, Soldiers, and Airmen prepared to mobilize, deploy, and execute all war-time missions on order of the President of the United States.

Community Role: Implement and execute Federal Programs in the areas of Drop-Out Recovery/High School Completion; Science, Technology Engineering and Math (STEM) for at risk youth; and participate in local, state, and national programs that add value to America.

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 375 full time civil service employees and 15 temporary employees according to the Oklahoma Military Department as of October 2022.

Key staff

Brigadier General Thomas H. Mancino, Adjutant General, Department Head as of November 2021 and preceded by **Major General Michael C. Thompson**

Angela Tackett, Financial Manager/Comptroller

Lisa Waldrop, Contracting & Primary Certified Procurement Officer