

STATE OF OKLAHOMA



OKLAHOMA
**Office of Management
& Enterprise Services**

Tourism and Recreation Department
Purchase Card Program Audit

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Central Purchasing Audit

Report released July 2021

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AUDIT HIGHLIGHTS

Tourism and Recreation Department – Purchase Card Program Audit

Why we conducted this audit

This report provides information on the Tourism and Recreation Department’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 OTRD has significantly complied with the State Purchase Card Procedures and the agency’s internal purchase card procedures. OTRD 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 walk-throughs and tested 141 purchases against defined compliance requirements. We reported nine formal findings.

Agency accomplishments

We would like to commend OTRD for their willingness to improve their purchase card processes whenever issues were discovered during the audit. Additionally, the agency has worked to update their internal purchasing procedures as well as improve their processes to make their purchase card program more compliant and efficient.



Figure 1. Tucker Tower

AUDIT FINDING SUMMARY

[Finding 20-556-01: Competitive Bidding Film Industry](#)

The Film and Music division of OTRD bypassed competitive bidding requirements for three purchases greater than \$5,000 each. The division referenced exemption in Title 74 O.S. § 85.5b to justify the purchases. However, these purchases did not qualify for the exemption referenced.

[Finding 20-556-02: Food Policy](#)

The Film and Music division of OTRD made four purchases, totaling \$30,305.49, for food and alcohol in which the agency's food policy was not followed.

Finding 20-556-03: Prohibited Purchases

OTRD purchased products for resale totaling \$8,937.50, over the \$5,000 single transaction limit. The agency referenced exemption in Title 74 O.S. § 2239 to justify the purchases. However, this exemption does not allow the agency to bypass the state purchase card rules.

Finding 20-556-04: Split Purchase

OTRD had six instances where transactions were split to intentionally bypass the purchase card single transaction limit of \$5,000.

Finding 20-556-05: Contract Qualified Purchase

The agency paid vendor Barcode Factory a total of \$50,608.65 from April 28-May 28, 2020. The agency did not provide an acquisition file or provide evidence that the acquisition was competitively bid. Furthermore, the purchase should have been processed through OMES Central Purchasing and been pre-approved by the state chief information officer.

Finding 20-556-06: Missing Documentation

During internal controls and substantive testwork, we noted 63 out of 188 transactions were missing all supporting documentation for the purchases. In addition, 26 out of 60 transactions tested were missing a packing slip or other proof of delivery.

Finding 20-556-07: Cardholder Reasonableness

Cardholders with a spend average less than 20% of their credit limits and did not ever exceed 60% of their monthly credit limit were determined to have excessive credit limits. We determined 49 out of 117 purchase cardholders evaluated to have excessive credit limits. Analysis was performed using the months within the audit period.

Finding 20-556-08: Internal Controls – Documentation Requirements

During our testwork phase of the audit, we discovered that supporting documentation for 77 of the 141 transactions tested were not uploaded into Works. In addition, 30 of the 95 receipts tested were not signed and dated by the cardholder.

Finding 20-556-09: IT Purchases

Eighteen information technology hardware/software transactions totaling \$15,437.99 were purchased without being listed on the OMES Information Services Approved Hardware/Software list. Prior to March 1, 2020, there were nine transactions that were not on the approved list. After March 1, 2020, there were nine transactions that were neither on the Approved Hardware/Software list nor approved on an individual ePro for IT purchases or included on the IT Authority Order.

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 OTRD's purchase card program complied with the audit objectives during the period of Jan. 01, 2019, to Sept. 27, 2020. As of April 26, 2020, there were 125 purchase card holders and 43 approving officials.

In total, OTRD processed 15,513 purchase card transactions totaling \$7,199,095.10 during the audit period. Categories for purchase card transactions for the agency included purchases for lodging, airfare, under \$5,000, over \$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 110 standard transactions; 36 IT transactions, 21 over \$5,000 transactions, and 53 transactions that were under \$5,000 were extracted for testing. In addition, 31 transactions were selected for audit based upon auditor's discretion and tested against a predetermined criterion.

DETAILED FINDINGS

[Finding 20-400-01: Competitive Bidding](#)

Condition: A spend analysis was performed during the data analytics section of the audit. Data was analyzed for purchases greater than \$5,000. An anomaly was noted for three film industry transactions, two to the vendor VAST and one to COLCORD HOTEL.

The three transactions were related to film events hosted by tourism noted below:

- Oklahoma Film & Music Conference.
 - Conference was located at the Colcord Hotel on Nov. 14, 2019. The transaction total was \$7,504.93.
 - In conjunction with the conference located at Vast on Nov. 15, 2019. The transaction total was \$13,717.96.
- Statewide Familiarization Tour for Film and Music Executives located at Vast.
 - Date on receipt: Oct. 23, 2019. Subtotal: \$6,485.83 (itemized receipt).
 - Purchase date: Nov. 20, 2019. Subtotal: \$6,082.60 (actual amount charged).

The following was determined based upon a review of the information available:

- OTRD did not receive approval from state purchasing director to use the statutory exemption as indicated in 74 O.S. § 85.5b.
- The Oklahoma Central Purchasing Act 74 O.S. § 85.5b State Purchase Card statute does not exempt OTRD from competitively bidding film industry acquisitions greater than \$5,000 but would allow the purchase card transaction limit to be increased from \$5,000 to \$15,000 to allow for a streamlined payment process using the state purchase card.
- State purchasing rules for these acquisitions were circumvented.
- The three purchases were not competitively bid, when required.
- Vast was listed first as a partner for the film conference. Vast's being a conference partner and a vendor used for services during the conference creates a conflict of interest. In addition, a nonbid and nontransparent contracting process was used for their arrangement.
- Noncollusion affidavit was not obtained.
- The purchases were not accompanied by a contract or agreement.
- No formal written preapproval was obtained prior to committing to the vendors.
- An authorized commitment to the vendors occurred.
- The agency did not provide an acquisition file for the purchases.
- The purchase card preapproval form for purchase card purchases exceeding \$5,000 was not used.
- Documented preapproval was not obtained from director T. Sofsky.

Table 1 FY 20 transactions

	TRANSACTION NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	POST DATE	CARD LAST 4
1	TXN01324966	\$6,082.60	VAST	11/20/2019	11/22/2019	5103
2	TXN01327278	\$13,717.96	VAST	11/26/2019	11/29/2019	5103
3	TXN01332523	\$7,504.93	COLCORD HOTEL	12/10/2019	12/12/2019	5103
	Total	\$27,305.49				

Cause: A misunderstanding of Oklahoma Central Purchasing Act 74 O.S. § 85.5b at the time of the purchase. OTRD has various exemptions from the Oklahoma Central Purchasing Act,

making it difficult to know when and how each exemption can or should be used. An additional cause is due to an override of agency purchasing controls.

Effect or potential effect: By avoiding the competitive bidding process, the agency is not giving other vendors a fair opportunity to do business with the state. Also, the state may not be receiving the best value and/or the lowest price due to the removal of the competitive element. Oklahoma taxpayers are not given the opportunity to compete for state contracts acquired through OTRD.

Questionable purchasing may occur without the appropriate formal preapprovals. Management and procurement controls are overridden.

Criteria: The Oklahoma Central Purchasing Act 74 O.S. § 85.5b. State Purchase Card statute states:

“The State Purchasing Director may authorize the Oklahoma Film and Music Office Division of the Oklahoma Tourism and Recreation Department to utilize a state purchase card for acquisitions for programs, functions, or services essential to the mission of the agency with transaction limits not to exceed Fifteen Thousand Dollars (\$15,000). The purchase cardholders are required to sign a purchase card agreement prior to becoming a cardholder and to attend purchase card training. The Oklahoma Tourism and Recreation Department will conduct quarterly internal auditing on all purchase transactions associated with the Oklahoma Film and Music Office.”

OMES Central Purchasing Administrative Rules 260:115-7-13. Acquisitions over \$5,000 and not exceeding \$25,000 states in part:

(a) Basic Requirements. State agencies that have an internal CPO or a designated CPO through an interagency agreement and approved internal purchasing procedures pursuant to the requirements of 260:115-5-3 and 260:115-5-7 shall make acquisitions over \$5,000.00 and not exceeding \$25,000.00 pursuant to this section.

(b) Acquisition Preparation. The state agency shall prepare and document the state agency's specifications and all information required from the supplier for an acquisition. An agency shall choose an appropriate solicitation methodology, i.e. formal or informal competitive solicitation, based on the complexity of an acquisition.

(c) Supplier selection.

(1) The state agency shall solicit from a minimum of three (3) registered suppliers (if available) for acquisitions over \$5,000.00 and not exceeding \$10,000.00 and ten (10) registered suppliers for acquisitions over \$10,000.00 and not exceeding \$25,000.00, from the Supplier List in the appropriate commodity classification. Selection of suppliers shall be rotated whenever more than ten (10) suppliers are registered.



- (2) State agencies shall solicit prices and delivery dates by mail, telephone, facsimile or by means of electronic commerce.
- (3) The state agency shall make a written evaluation of criteria considered in selection of the supplier for the acquisition. Documentation of prices, delivery dates and the evaluation shall be placed in the acquisition file.
- (4) All awards shall be based on lowest and best or best value criteria.
- (5) Certifications, verifications and other required documents.
 - (A) Non-collusion certification. Pursuant to requirements in 74 O.S. §85.22, a noncollusion certification shall be included with any competitive bid and/or contract submitted to the State for goods or services. The certification shall have an authorized signature of the supplier certifying the non-collusion statement with full knowledge and acceptance of all its provisions.
 - (B) Sales Tax Permit Verification. Prior to the award of a contract, the state agency must verify that the supplier has obtained a current sales tax permit in accordance with the laws of Oklahoma. Documentation of verification of a current sales tax permit, which must be a copy of the sales tax permit, the vendor's explanation of exemption, or confirmation of the permit's status obtained from the Oklahoma Tax Commission, must be filed in the acquisition file.

Oklahoma Tourism and Recreation Department Internal Purchasing Procedures 5. OTRD Purchasing Dollar Threshold states in part:

5.1 OTRD Dollar Threshold Required Approval by Position

- 5.1.1** \$0.00 to \$5000.00 Division/Facility Manager
- 5.1.2** \$5,000.00 to \$25,000.00 Division Director
- 5.1.3** \$25,000.00 to \$50,000.00 Executive Director or designee (CFO)
- 5.1.4** Aggregate of \$50,000.00 or greater Commission Approval

5.2 For procurement dollar limitations and purchasing procedures, all OTRD employees shall comply with the requirements contained in the Oklahoma Central Purchasing Act, 74 O.S. §85.1 et seq.; OMES Central Purchasing Administrative Rules, OAC 260:115-7-1 through OAC 260:115-7-54; and OTRD policies and procedures.

Oklahoma Tourism and Recreation Department Internal Purchasing Procedures 8.5 Restrictions (include but not limited to the following) states in part:

- 8.5.1** No long-term equipment leases.
- 8.5.2** Cardholder must submit a written request and receive prior authorization for all allowable purchases over \$5,000.00.

Oklahoma Tourism & Recreation Department
Request for p/card purchase exceeding \$5000

The following information is required for all P-card transactions to exceed the \$5000.00 single transaction limit. If the purchase is for IT equipment, approval is also needed by OMES-ISD prior to payment.

1) Vendor Name _____
 2) Statewide Contract # _____
 3) Dollar Amount of Transaction _____
 4) Facility _____
 5) Name of Cardholder Making Payment _____
 6) Payment Date _____
 7) Project # (if applicable) _____ Funds _____

Notes: _____

The vendor is listed on the Statewide Contract specified above, is a regulated utility company, or the purchase qualifies as an interagency payment:
 Verified by _____ Date _____

Approvals:

P/card Administrator Approved Denied Name _____

Purchasing Approved Denied Name _____

Funding Verification Approved Denied Name _____

Division Director (for purchases of \$5000-\$24999) Approved Denied Name _____
 - or -
 Executive Director or CFO (for purchases of \$25000-\$49999)

Cabinet Secretary Approval Date (for purchases of \$25000+) Attached Date _____

The Oklahoma Tourism and Recreation Department internal purchasing procedures states in part:

Appendix A Common Violations and Consequences

(NOTE: Listed in the chart below are the most common types of cardholder violations and the consequences that will be enforced by the department when these violations occur. OTRD and OMES have the authority to cancel a card at any time. Any violation of this policy may be investigated and could result in termination and/or criminal prosecution.)

Violations	Consequences
Not Obtaining Proper Authorization for Allowable Purchases over \$5000 – Splitting purchases to circumvent the authorization requirement for purchases over \$5000.	1st Violation – Written warning. 2nd Violation – Card suspended for 1 week. 3rd Violation – Card suspended for 30 days, remedial training. 4th Violation – Card cancelled.
Inappropriate Purchases – Any purchase that is a violation as set forth in this guide or in agency or state purchasing policies and procedures.	1st Violation – Card suspended for 30 days, remedial training, and any additional penalty as required by state law and/or agency rules. 2nd Violation - Card canceled.

Violations	Consequences
Failure of Approving Official – To review documentation and notify cardholder of errors prior to statement submission to OKC.	1st Violation- Documented verbal warning. 2nd Violation - Written warning. 3rd Violation – AO responsibilities suspended for 30 days, remedial training. 4th Violation – Removal as Approving Official.

Recommendation: We recommend the agency discontinue processing film industry acquisitions without following state purchasing law and guidelines. The agency should update current business practices to avoid any misunderstanding of the Oklahoma Central Purchasing Act 74 O.S. § 85.5b. The agency should review internal purchasing authorization and documentation processes to improve accountability and transparency related to filming industries purchases.

Once the finding has been verified, agency violation protocol should be followed.

Management’s Response

Concur Partially Concur Non-Concur

Date: 07/24/2020

Respondent: Director of Finance and Administration

Response: OTRD Management concurs with the findings of the audit and has begun corrective action.

Corrective Action Plan

Contact Person: Purchase Card Administrator

Anticipated Completion Date: 08/31/2020

Corrective Action Planned: PCards for OKF&M are suspended for 30 days or until additional training is obtained. Training will include Statewide PCard Policy, OTRD PCard Policy and Procedures, required authorizations, and an examination of their exemption with Legal as it relates to other purchasing statues. In addition, OTRD is in the process of updating the PCard Policy, Purchasing Policy, and associated procedures.

Finding 20-400-02: Food Policy

Condition: During our audit of purchases over the \$5,000 purchase card limit, we noted four transactions where the agency’s food policy was not followed. The agency did not provide evidence of division director’s preapproval or an executive director’s exclusion from the agency’s food policy. Furthermore, the required agenda of event, attendee list and event justification were not provided by the agency for the four transactions listed below.

Table 2 FY 20 Transactions

TRANSACTION NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	POST DATE	CARD LAST 4	APPROVED BY
TXN01324966	\$6,082.60	VAST	11/20/2019	11/22/2019	5103	Jeanette Stanton
TXN01327278	\$13,717.96	VAST	11/26/2019	11/29/2019	5103	Jeanette Stanton
TXN01332523	\$7,504.93	COLCORD HOTEL	12/10/2019	12/12/2019	5103	Jeanette Stanton
TXN01321627	\$3,000	THE JONES ASSEMBLY	11/14/2019	11/15/2019	5103	Jeanette Stanton
Total	\$30,305.49					

Meal and alcohol purchases for the transactions listed below exceeded allowed General Services Administration per diem rate without the approval documentation as required by the State of Oklahoma Purchase Card Procedures.

Table 3 FY 20 Purchased Items

TRANSACTION NUMBER	ITEM TOTAL	VENDOR NAME	PURCHASE DATE	Number of Guests	GSA per diem meal rate per person	Meal cost per person	Alcohol cost per person	Amount exceeded GSA rate per person	Total Overpayment
TXN01324966	6,082.60	VAST	11/20/2019	39	\$15.25	\$65	\$46.68	\$96.43	\$3,760.77
TXN01327278	13,717.96	VAST	11/26/2019	235	\$30.50	\$46	\$0	\$15.50	\$3,642.50
TXN01332523	7,504.93	COLCORD HOTEL	12/10/2019	150	\$15.25	\$32	\$6.07	-	\$3,423
TXN01321627	\$3,000	THE JONES ASSEMBLY	11/14/2019	34	\$15.25	\$43.67	\$13.37	\$41.79	\$1,420.86
								Total Overpayments	\$12,247.13

Statewide Familiarity Tour for Film and Music Executives

- TXN01324966 to Vast for \$6,082.60 was hosted on Oct. 23, 2020, by the OTRD Film and Music division. The purchase date was Nov. 20, 2019, whereas, the date on the receipt was Oct. 23, 2019. Two receipts for this event were submitted. The itemized receipt dated Oct. 23, 2019, for \$6,485.83, and another receipt dated Nov. 20, 2019, for \$6,082.60 were uploaded into Works. The amount charged to the cardholder was \$6,082.60. The purpose of the dinner reception was to end the statewide familiarity tour for film and music executives to promote Oklahoma. Members of OTRD were included in the dinner reception. Alcohol was provided at the event at no charge to attendees. Members did not pay to attend the event.

Film and Music Conference

- TXN01327278 to Vast for \$13,717.96 included breakfast, lunch and beverage service for 235 attendees of the statewide Film and Music Conference. The OTRD Film and Music division hosted the event. The date of this event was Nov. 15, 2019. This was in conjunction with the Colcord Hotel purchase for the conference. Breakfast was purchased at \$14 per person, lunch at \$22 per person, and all-day beverage service for \$10 per person. The total amount spent per person was \$46, which is \$16.50 higher than the GSA per diem rate of \$30.50 per person for two meals.

Film and Music Conference

- TXN01332523 to Colcord Hotel for \$7,501.93 included hors d'oeuvres for 150 people as well as alcoholic and nonalcoholic beverages for the attendees. This event was hosted by the OTRD Film and Music division for the statewide Film and Music Conference. The date of this event was Nov. 14, 2019. Members of OTRD were included in the reception.

Film and Music Conference

- TXN01321627 to The Jones Assembly for \$3,000 included party food for 34 people as well as alcoholic beverages for the attendees. This event was hosted by the OTRD Film and Music division for the statewide Film and Music Conference. The date of this event was Nov. 13, 2019. Members of OTRD were included in the reception.

Image 1: TXN01324966 – Vast



≡ VAST ≡ *Meredith*

405.702.7262 12/4/2019
333 W Sheridan Ave OKC, OK 73102

35 PDR PM

Tbl CAPE/1 Chk 1343 Gst 39
Oct23'19 09:40PM

**Closed Check
Reprint**

39 Dinner Menu 3 @ 65.00	2535.00
39 1.2HR RECEIPTIONS	
1 Open Food	390.00
BARTENDER FEE	
1 Open Food Nontax	150.00
EQUIPMENT RENTAL	
1 Open Food Nontax	50.00
9 Coffee Cup @ 3.00	27.00
15 Old Fashioned @ 13.00	195.00
1 DBL MacIn 12	24.00
3 Grey Goose @ 9.00	27.00
23 Elijah Craig @ 12.00	276.00
1 JCB #69	65.00
0 Glass	
7 Barter & Trade @ 65.00	455.00
0 Glass	
4 J. Wilkes @ 65.00	260.00
0 Glass	
5 Stoller Chard @ 60.00	300.00
0 Glass	
2 Lola Kay @ 50.00	100.00
0 Glass	
1 Coop F5	7.00
2 MB Sundown Wht @ 7.00	14.00
2 \$	
PDR	97.50
18 %	
18% GRATUITY	877.50
House Acct	6485.83

VASTOKC.COM
Thank you for dining with us!

Subtotal	4875.00
Tax	635.83
Service Chrg	975.00
Payment	6485.83

-----10004 Check Closed 10:15PM-----

≡ VAST ≡

405.702.7262
333 W Sheridan Ave OKC, OK 73102

Date: Nov20'19 02:08PM
Card Type: Visa
Acct #: XXXXXXXXXXXXX5103*
Card Entry: KEYED
Trans Type: PURCHASE
Auth Code: 026069
Check: 5173
Table: 63/1
Server: 10008 Luksana

Subtotal: **6082.60**

Tip: _____

Total: _____

Signature _____
I agree to pay above total
according to my card issuer
agreement.



VAST

RESTAURANT • EVENTS • PRIVATE DINING

Mesaliboff

11/20/2019

Oklahoma Film and Music Office
Attn: Jeannette Stanton

Invoice Date : 11/19/2019

Invoice No : SALES00667

SERVICES RENDERED IN CONNECTION WITH YOUR EVENT AT VAST.

CHARGES

Vast ticket#1343	\$6,082.60
------------------	------------

DEPOSITS&PAYMENTS

VI*5103	-\$6,082.60
---------	-------------

TOTAL:	\$0.00
---------------	---------------

<p>IT HAS BEEN OUR PLEASURE SERVING YOU. WE LOOK FORWARD TO YOUR NEXT VISIT TO VAST. PLEASE MAKE CHECKS PAYABLE TO VAST. PLEASE REMIT A COPY OF THIS INVOICE WITH PAYMENT TO: 15 N ROBINSON AVENUE • OKLAHOMA CITY, OK 73102 • TEL 405-601-4300</p>

ORIGINAL



Image 2: TXN01327278 - Vast

VAST <small>RESTAURANT • EVENTS • PRIVATE DINING</small>		Vast V2 333 West Sheridan Ave., Oklahoma City, OK 73102 Phone: (405) 601-4300		<i>M. Stanton</i>		BEO#: 3721 PAGE 1 of 1 Date Printed: 15 Nov 2019 4:09 PM	
Banquet Check				12/4/2019			
Account:	Oklahoma Film and Music Office	Event Date	Friday, November 15, 2019				
Post As:	The Oklahoma Film + Music Conference presented by VAST	Contact:	Jeanette Stanton				
Address:	900 North Stiles Ave. Oklahoma City, OK, 73104	Phone:	(405) 522-9641				
		E-mail:	jenette.stanton@travelok.com				
		On Site Contact:					
Date	Time	Room	Event	Setup	GTD		
Fri, Nov 15	7:00 AM - 4:00 PM	Infinity Prefunction	Registration/Welcome				
Fri, Nov 15	9:00 AM - 3:30 PM	Summit	Breakout	Classroom 3 per 6			
Fri, Nov 15	9:00 AM - 4:00 PM	Summit Prefunction	Beverage Break				
Fri, Nov 15	9:00 AM - 4:00 PM	Vista 3	Breakout	Classroom 3 per 6			
Fri, Nov 15	9:00 AM - 4:00 PM	Vista 4	Breakout	Classroom 3 per 6			
Fri, Nov 15	9:00 AM - 4:00 PM	Chef's Table	Office				
Fri, Nov 15	9:00 AM - 4:00 PM	Infinity	Meeting				
Fri, Nov 15	9:00 AM - 4:00 PM	Stratus Prefunction	Unassigned				
Fri, Nov 15	9:00 AM - 4:00 PM	Skylight Prefunction	Unassigned				
Fri, Nov 15	9:00 AM - 4:00 PM	Skylight	Unassigned				
Fri, Nov 15	9:00 AM - 5:00 PM	Stratus Annex	Unassigned				
Food							
Quantity	Item	Amount	Discount	Total			
14	Bottled Water on consumption	\$3.00	-	\$42.00			
235	All Day Beverage Service	\$10.00	-	\$2,350.00			
235	Continental Breakfast	\$14.00	-	\$3,290.00			
235	Boxed Lunches	\$22.00	-	\$5,170.00			
				Subtotal:	\$10,852.00		
				Service Charge:	\$2,495.96		
				Food Subtotal:	\$13,347.96		
Function Room Rental							
Quantity	Item	Amount	Discount	Total			
1	Chef's Table	\$250.00	-	\$250.00			
				Subtotal:	\$250.00		
				Service Charge:	\$0.00		
				Function Room Rental Subtotal:	\$250.00		
Other							
Quantity	Item	Amount	Discount	Total			
8	Hosted Valet Parking	\$15.00	-	\$120.00			
				Subtotal:	\$120.00		
				Service Charge:	\$0.00		
				Other Subtotal:	\$120.00		
				Check Subtotal:	\$11,222.00		
				Total Service Charges:	\$2,495.96		
				Total Taxes:	\$0.00		
				Check Grand Total:	\$13,717.96		
				Deposit Paid:	\$0.00		
				Balance Due:	\$13,717.96		



Image 3: TXN01332523 – Colcord Hotel

Date		Time	Room	Event	Setup	GTD
Thu, Nov 14		4:00 PM - 6:30 PM	Flint Patio	Reception	Existing	150
Food						
Quantity	Item	Amount	Discount	Total		
18	Soft Drinks	\$3.00	-	\$54.00		
150	Passed Reception Hors d'Oeuvres	\$32.00	-	\$4,800.00		
				Subtotal:	\$4,854.00	
				Service Charge:	\$1,067.88	
				Food Subtotal:	\$5,921.88	
Beverage						
Quantity	Item	Amount	Discount	Total		
13	House Sparkling	\$7.00	-	\$91.00		
30	Silver Tier House Red Wine	\$7.00	-	\$210.00		
30	Silver Tier House White Wine	\$7.00	-	\$210.00		
3	Bud Light	\$4.50	-	\$13.50		
12	Michelob Ultra	\$4.50	-	\$54.00		
33	Stella Artois	\$6.50	-	\$214.50		
18	COOP F5 IPA	\$6.50	-	\$117.00		
0	Soft Drinks	\$6.50	-	\$0.00		
150	Beer and Wine - 2 Tickets Per Person	\$0.00	-	\$0.00		
				Subtotal:	\$910.00	
				Service Charge:	\$200.20	
				State Liquor Tax 13.500%:	\$122.85	
				Beverage Subtotal:	\$1,233.05	
Other						
Quantity	Item	Amount	Discount	Total		
2	Bartender Fee	\$150.00	-	\$300.00		
1	Cashier Fee	\$50.00	-	\$50.00		
				Subtotal:	\$350.00	
				Service Charge:	\$0.00	
				Other Subtotal:	\$350.00	
				Check Subtotal:	\$6,114.00	
				Total Service Charges:	\$1268.08	
				Total Taxes:	\$122.85	
				Check Grand Total:	\$7,504.93	
				Deposit Paid:	\$0.00	
				Balance Due:	\$7,504.93	

Image 4: TXN01321627 – The Jones Assembly

11/14/2019

The Jones Assembly
901 West Sheridan
OKC, OK 73106

Server: Event Bar 1 11/13/2019
Aa Troom/1 9:00 PM
Guests: 2 110004
Reprint #: 1

The Jones Assembly
901 West Sheridan
OKC, OK 73106

Server: Event Bar 1 000: 11/13/2019
09:01 PM 11/13/2019
Aa Troom/1 11/110004

SALE

Visa 11534337
Card #XXXXXXXXXXXX5163
Host/mic card present: FUNNHOUSE MEREDITH
Card Entry Method: 5
Approval: 071836

Result: \$2,550.00
+ Included Gratuity: \$450.00
= Total: \$3,000.00
+ Additional Tip: _____
= Grand Total: _____

I agree to pay the above total amount according to the card issuer agreement.

 Guest Copy

2 Grey Goose (#10.00)	20.00
3 Jack Daniels (#7.00)	21.00
5 Tito's (#7.00)	35.00
4 Bombay Sapphire (#7.00)	28.00
3 G-Buena Vista PN (#10.00)	30.00
Irish Coffee	8.00
5 G-Hillersden Sauv Blanc (#12.00)	60.00
Stella Artois	6.00
3 Old Fashion (#8.00)	24.00
3 Basil Hayden's Byr (#3.00)	9.00
Knob Creek	12.00
Topo Chico	3.00
3 Coop F5 (#6.00)	18.00
Vieux Carre	12.00
2 High West Bourye (#17.00)	34.00
BUSIDAH BOWL/UPSTAIRS	14.00
2 Old Fashion (#8.00)	16.00
2 Knob Creek (#3.00)	6.00
Stonecloud	7.00
2 G-Yardstick CAB (#13.00)	26.00
G-Maison Fortant Rose	12.00
Tito's	10.50
Double	
High West Midwinter	20.00
G-PanzivPN	13.00
Old Fashion	8.00
Ritterhouse Rye	2.00
PARTY FOOD	1,485.50
MINIMUM	560.50
SEVICE FEE	50.00
Subtotal	2,550.00
Tax Exempt 736017987	0.00
Total	2,550.00
Gratuity 18.00%	450.00
Total	3,000.00

Balance Du 3,000.00

Thank You!
Keep up with The Jones
@thejonesokc

Cause: Unknown.

Effect or potential effect: Not following the agency's internal food policy for food purchases is defying direction given by the agency's executive management and board.

Exceeding the GSA rate for meals and purchasing alcohol without the required documented approvals gives the appearance the state is not being proper stewards of state resources. In addition, drinking while working has the potential to cause additional legal risk to the state.

The overpayment of \$10,826.27 will not be recouped.

Criteria: The Oklahoma Department of Tourism Internal Food Policy effective and approved Nov. 5, 2019, states:

- I. OBJECTIVE
To create policy that establishes proper uses for agency food purchases.
- II. CONTACT
The Oklahoma Tourism and Recreation Department (OTRD) Director of Administrative Services is responsible for this policy. Suggestions for changes or improvements should be addressed thereto.
- III. COMPLIANCE AND IMPLEMENTATION
This policy shall become effective upon approval of the Executive Director of OTRD. The Director of Administrative Services shall see to the appropriate distribution of copies of this policy to the Division Directors. Division Directors shall be responsible for compliance and implementation of this policy.
- IV. GENERAL RULES
 - A. All purchases of meal or refreshment items will be approved by the applicable Division Director prior to purchase and will comply with Oklahoma Statutes, the State of Oklahoma's Statewide Accounting Manual, and the Central Purchasing Act concerning the purchase of refreshments.
 - B. Per 74 O.S. §500.18 and §2221 only;
 - i) Meal or refreshment purchases for official OTRD required training sessions, meetings, or similar activities (events) are allowable expenses, per C and D of this Section.
 - ii) All food purchases will be in the best interest of the State, for a lawful public purpose, and provided only to OTRD staff and official guests participating in the event.
 - C. SCOPE
 - i) Meal or refreshment purchases are not allowable expenses for events, such as, but not limited to:
 - (1) Ordinary or regularly scheduled day - to - day operations, staff meetings, or trainings; and
 - (2) Non - business events, retirement or birthday parties, wedding, or baby showers.
 - D. MEALS
 - i) The meal purchase will be approved by the appropriate Division Director *before* the purchase occurs.
 - ii) The event will last for four or more hours; or circumstances require that the event be scheduled during normal meal hours.
 - iii) The following supporting documentation will be provided for approval purposes before the purchase *and* with the invoice for payment:
 - (1) Include an agenda or similar notice, attendee list, itemized invoice of food items, and an event justification; and



- iv) The average cost of all food including meals and refreshments per participant, including OTRD employees and official guests does not exceed 1/4 of the General Services Administration (GSA) per diem unless approved by the Division Director. Refer to www.gsa.gov.
- E. REFRESHMENTS
- i) The refreshment purchase will be approved by the appropriate Division Director *before* the purchase occurs.
 - ii) The following supporting documentation will be provided for approval purposes before the purchase *and* with the invoice for payment:
 - (1) Include an agenda or similar notice, attendee list, itemized invoice of food items, and an event justification; and
 - iii) The average refreshment cost per participant, including OTRD employees and official guests does not exceed 1/8 of the applicable GSA per diem unless approved by the appropriate Division Director. Refer to www.gsa.gov
- F. SPECIAL APPLICATIONS
- i) When staff are performing their duties regarding research for articles and filming locations for episodes, staff of Discover Oklahoma and Oklahoma Today Magazine may be reimbursed for food or beverages under the following conditions:
 - (1) Food purchases will be for subject matter food only;
 - (2) Staff may not customize or choose items but are to be chosen by the owner or manager of the establishment. The food chosen will be requested as one of the popular items or the most photogenic plates.
 - (3) Staff may not ask for a specific number of plates in excess of what is needed for the episode or the story (aka if Discover is filming with only 1 host then 1 meal).
 - (4) Any food that is customized, made by special request, or requested outside of these parameters is considered personal food and will be paid for by the employee without reimbursement.
 - (5) The above limitations are in effect whether or not the department is paying for the food. If there are three staff members and only two are on film for the shot, then the third staff member will pay for their own meal.
- G. EXCLUSIONS
- i) This policy does not apply to:
 - (1) Exemptions under 74 O.S. §2221 or §500.18;
 - (2) Water purchased for the safety of employees during extreme weather conditions; and
 - (3) Other events deemed appropriate by the Executive Director.

The State of Oklahoma Policy and Procedures for Purchase Card effective Jan. 15, 2019, states in part:

7.08 Food Purchases

Because food purchases can easily be subject to abuse, special procedures apply when purchasing food by P-card. Some agencies have explicit statutory authority to purchase food and others have a degree of implied authority at the executive director level. Provided an agency has explicit statutory authority to purchase food, the P-card may be used for payment up to \$5,000. It is recommended that the statutory reference be included in the description or comments section of the Works transaction. For any other food purchases, the agency must have an internal policy signed by the executive director of that agency and make that policy available to OMES auditors upon request. Any food purchase where there is not explicit statutory authority must be in compliance with the agency’s food policy. Departments within the agency may not make food purchases that do not comply with agency policy unless the purchase includes documentation of prior approval from the agency executive director. Meal costs shall be limited to no more than one quarter of the daily per diem allowance. For authorized meals that exceed the per diem limitations, the entity must provide documentation of authority for the purchase. This documentation should be attached to the P-card holder’s monthly statement.

The Oklahoma Tourism and Recreation Department internal purchasing procedures states in part:

**Appendix A
Common Violations and Consequences**

(NOTE: Listed in the chart below are the most common types of cardholder violations and the consequences that will be enforced by the department when these violations occur. OTRD and OMES have the authority to cancel a card at any time. Any violation of this policy may be investigated and could result in termination and/or criminal prosecution.)

Violations	Consequences
<p>Not Obtaining Proper Authorization for Allowable Purchases over \$5000 – Splitting purchases to circumvent the authorization requirement for purchases over \$5000.</p>	<p>1st Violation – Written warning. 2nd Violation – Card suspended for 1 week. 3rd Violation – Card suspended for 30 days, remedial training. 4th Violation – Card cancelled.</p>
<p>Inappropriate Purchases – Any purchase that is a violation as set forth in this guide or in agency or state purchasing policies and procedures.</p>	<p>1st Violation – Card suspended for 30 days, remedial training, and any additional penalty as required by state law and/or agency rules. 2nd Violation - Card canceled.</p>



Violations	Consequences
<p>Failure of Approving Official – To review documentation and notify cardholder of errors prior to statement submission to OKC.</p>	<p>1st Violation – Documented verbal warning. 2nd Violation – Written warning. 3rd Violation – AO responsibilities suspended for 30 days, remedial training. 4th Violation – Removal as Approving Official.</p>

Recommendation: The agency should abide by the policy in place related to food purchases and obtain proper formal approval prior to the purchase. The preapproval and required supporting documentation should be attached to the purchase card transaction. We recommend the agency’s food policy to include the proper and improper use of purchased alcohol by Tourism at sponsored events. The policy should also address employee use during sponsored events.

The internal food policy IV.D.iii states the agency should include the invoice within the preapproval process. In general, an invoice indicates a commitment to the vendor has already taken place. The commit should not occur prior to obtaining the preapproval. We recommend this term “invoice” be replaced with “quote.”

Once the finding has been verified, agency violation protocol should be followed.

Management’s Response

Concur Partially Concur Non-Concur

Date: 07/24/2020

Respondent: Director of Finance and Administration

Response: OTRD Management concurs with the findings of the audit and has begun corrective action.

Corrective Action Plan

Contact Person: Purchase Card Administrator

Anticipated Completion Date: 8/31/2020

Corrective Action Planned: PCards for OKF&M are suspended for 30 days or until additional training is obtained. Training will include Statewide PCard Policy, OTRD PCard Policy and Procedures, required authorizations, and an examination of their exemption with Legal as it relates to other purchasing laws. In addition, OTRD is in the process of updating the PCard Policy, Purchasing Policy, and associated procedures.

Finding 20-400-03: Prohibited Purchase

Condition: During the planning phase of the audit, we determined one transaction was prohibited. TXN01327280 was a purchase to Acushnet Company on Dec. 3, 2019, for \$8,937.50.



The purchase was for resale golf items for the agency. The purchase exceeded the purchase card single purchase limit of \$5,000.

		ACUSHNET COMPANY P.O. BOX 965 FAIRHAVEN, MA 02719-0965 Tel: 800-225-8500 Fax: 508-979-3913							
INVOICE Currency: USD									
Tax No: 04-2591836									
Invoice No 908269111	Invoice Date 10/25/19	Shipment Date 10/25/19	Order Date 10/23/19						
Order No 3016755194	Whs 04B	Delivery No 23959910	Customer P.O. 5669025673		Account No US00001337 \ US00026337				
Sold To STATE OF OK DEPT OF TOURISM & REC LAKE MURRAY GOLF COURSE 2673 LODGE RD ARDMORE OK 73401-8426			Ship To Oklahoma Tourism and Recreation Dept RESORT DIVISION WAREHOUSE Suite B 317 NE 3RD ST OKLAHOMA CITY OK 73104						
Remit To Acushnet Company P.O. Box 844324 Boston, MA 02284-4324			Payment Terms Net 60 Days		Due Date 12/24/19				
			Payment Discount 2% 30 Days						
			Delivery Method FedEx Freight Priority		Frt Acct No				
Item No Description	Shipped Qty	U/M	Unit Price	Disc 1	Disc 2	Disc 3	Cstm Chrgs	Net Price	Extended
PC113S Practice Yellow Black Stripe	1625	DZ	\$5.50					\$5.50	\$8,937.50
Total Shipped Qty.	1625								
Net Order Total									\$8,937.50
Total Invoice									\$8,937.50
If paid by 11/24/19 deduct discount of \$ 178.75 (2.00 %) -- REMIT \$8,758.75									

Cause: It appears that the cardholder intended to use Oklahoma Statute Title 74 O.S. § 2239 – Exemptions from Central Purchasing as an exemption to the purchase card single purchase limit. However, this statute does not apply to purchase card transactions. The statute states in part:

“Merchandise for resale purchased for and sold over the Internet, in publications or through Department retail outlets, such as lodges, gift shops, golf course pro shops, restaurants and other purchases made for the production of such merchandise ...”

Effect or potential effect: By completing a prohibited purchase over the single purchase limit of \$5,000, it appears the agency tried to avoid the competitive bidding process and the agency did not give other vendors a fair opportunity to do business with the state.

Criteria: The State of Oklahoma Policy and Procedures for Purchase Card – Definitions effective Jan 15, 2019, states in part:

Single purchase limit – The maximum spending dollar limit a P-card holder is authorized to charge in a single transaction. Purchases shall not be split with the intent of and for the purpose of evading: 1) the P-card statutory single purchase limit of \$5,000 (the limit does not apply on statewide contract purchases, interagency

purchases, professional services per Title 18 or payment of utility transactions); 2) limits established for an individual P-card; or 3) any competitive bidding requirement. For travel purposes, lodging and transportation are considered separate transactions.

Recommendation: We recommend the cardholder associated with the transactions listed in this finding receive refresher purchase card training.

Management’s Response

Concur Partially Concur Non-Concur

Date: 4/15/2021

Respondent: Purchase Card Administrator

Response: I highly disagree with this finding. Oklahoma Statute Title 74 O.S. § 2239 – Exemptions from the Central Purchasing Act is the highest level of hierarchy over purchasing guidelines, which the purchase card falls under. There is no additional clause or language in the statute, stating that OTRD’s exemption explicitly excludes the purchase card. Therefore, by use of the exemption, this transaction is thereby in compliance with 74 O.S. § 2239 and Oklahoma Policy and Procedures for Purchase Card.

Corrective Action Plan

Contact Person: N/A

Anticipated Completion Date: 7/1/2020

Corrective Action Planned: To avoid further audit, Finance has issued a resale PO for all resale purchases. Any resale purchases that must be paid on PCard, over the \$5,000 threshold, will receive approval from Central Purchasing prior to the purchase. For FY22, Finance has requested and received an approved exception for resale, décor, and other purchases relating to guest perception experience for our exemption since there is no clear understanding.

Finding 20-400-04: Split Purchases

Condition: During the planning phase and the substantive testwork phase of the audit, we noted six instances where transactions were split to intentionally bypass the purchase card transaction limit of \$5,000. Fifteen transactions totaling \$45,308.33 made up the six exceptions. The circumstances of each exception are listed below.

Table for split instance 1: In M&M Creative Purchase

Taxation Number	Amount	Date Purchased	Vendor	Cardholder	Invoice Number
TXN01303359	\$4,224.55	10/07/2019	In M&M Creative	Casey McMonigle	3177
TXN01305117	\$4,858.75	10/09/2019	In M&M Creative	Casey McMonigle	3179
TXN01303434	\$3,652	10/07/2019	In M&M Creative	Casey McMonigle	3178



- All three purchases were for custom shirts for resale.
- Invoice date was 09/09/2019 on all three invoices.
- The billing and shipping address for all three invoices were to Beavers Bend State Park at 4350 S. Hwy 259A, Broken Bow, OK 74728.

Table for split Instance 2: Smith Dryden Purchase:

Transaction Number	Amount	Date Purchased	Vendor	Cardholder	Invoice Number
TXN01306272	\$1,793.71	10/10/2019	Smith Dryden LLC	Tyra Owen	191293
TXN01306304	\$3,235.91	10/11/2019	Smith Dryden LLC	Tyra Owen	191293A

- Both purchases were for custom shirts for resale.
- The order date was 08/21/2019 for both purchases.
- The billing and shipping address for both invoices were to OTRD Oklahoma State Park Warehouse at 317 NE 31st St., Suite B, Oklahoma City, OK 73105.

Table for split Instance 3: Artisans Apparel Purchase:

Transaction Number	Amount	Date Purchased	Vendor	Cardholder	Invoice Number
TXN01372759	\$4,511.69	03/13/2020	Artisans Apparel	Tyra Owen	INV-057515
TXN01372797	\$1,164	03/13/2020	Artisans Apparel	Tyra Owen	INV-057515

- Both purchases were for resale items and the invoices.
- Both invoices were dated 03/13/2020.
- The shipping address for both invoices was Oklahoma State Capital Visitor Center 2300 North Lincoln Blvd., Room C-20, Oklahoma City, OK 73105.

Table for split Instance 4: Ron's Discount Lumber:

Transaction Number	Amount	Date Purchased	Vendor	Cardholder	Invoice Number
TXN01416603	\$4,942.08	07/15/2020	Ron's Discount Lumber	Aron Maib	E47096
TXN01417120	\$4,094.64	07/16/2020	Ron's Discount Lumber	Aron Maib	E47691

- Both purchases were for log siding for Beavers Bend State Park.
- Invoice E47096 was created on July 15, 2020, and invoice E47691 was created on July 16, 2020.

Table for split Instance 5: Ron's Discount Buildings:

Transaction Number	Amount	Date Purchased	Vendor	Cardholder	Invoice Number
TXN01416602	\$2,476	07/15/2020	Ron's Discount Buildings	Aron Maib	10002549
TXN01416617	\$4,980	07/15/2020	Ron's Discount Buildings	Aron Maib	10002550

- Both purchases were for a different model of portable building for storage purposes.
- Both invoices were created and paid for on 07/15/2020.

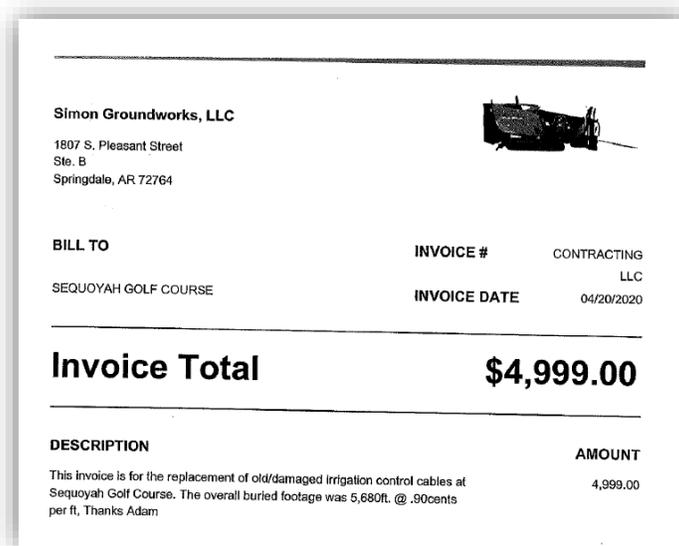
Table for split Instance 6: Tidwell Furniture

Transaction Number	Amount	Date Purchased	Vendor	Cardholder	Invoice Number
TXN01434815	\$2,875	09/02/2020	Tidwell Furniture	Aron Maib	118986
TXN01434868	\$2.50	09/02/2020	Tidwell Furniture	Aron Maib	118987

- Both receipts were dated 09/02/2020.
- TXN01434815 was for Miscellaneous furniture such as bar stools, table and a bar. TXN01434868 was for a wooden bear statue.

1. During the substantive testwork phase of the audit, we discovered that TXN01420644 appears to be intentionally structured to avoid the \$5,000 purchase card limit. The transaction was made to Simon Groundworks LLC for \$4,999 to bury irrigation control cables. The receipt uploaded by the agency states, "The overall buried footage was 5,680 ft. @ \$0.90 per ft." The total cost of the service should have been \$5,112. See Simon Groundworks Invoice below:

Image 5: Simon Groudworks Invoice



Cause: Unknown.

Effect or potential effect: By splitting or structuring a transaction to avoid the competitive bidding process, the agency is not giving other vendors a fair opportunity to do business with the state. In addition, the State is not receiving the best value and/or the lowest price due to the removal of the competitive element.

Criteria: The State of Oklahoma Policy and Procedures for Purchase Card - Definitions effective and approved Jan. 15, 2019, states in part:

Single purchase limit – The maximum spending dollar limit a P-card holder is authorized to charge in a single transaction. Purchases shall not be split with the intent

of and for the purpose of evading: 1) the P-card statutory single purchase limit of \$5,000 (the limit does not apply on statewide contract purchases, interagency purchases, professional services per Title 18 or payment of utility transactions); 2) limits established for an individual P-card; or 3) any competitive bidding requirement. For travel purposes, lodging and transportation are considered separate transactions.

Recommendation: We recommend the cardholders and approvers associated to the transactions listed in this finding attend additional purchase card training and review the State Purchase Card procedures. We also recommend the purchase card administrator review the finding to determine if the cardholders and approving officials should receive disciplinary action for their role in splitting the purchases and structuring purchases to avoid the single purchase limit for the state purchase card.

Management's Response

Concur Partially Concur Non-Concur

Date: 4/15/2021

Respondent: Purchase Card Administrator

Response: I partially agree with this finding.

Corrective Action Plan

Contact Person: Purchase Card Administrator

Anticipated Completion Date: 4/30/2021

Corrective Action Planned: Training will be held for a better understanding of split purchasing. Per FY21 Internal PCard Procedures, only the Finance team is allowed to make any type of purchases over \$5,000 with the inclusion of contracted vendors. This helps limit the errors performed at the parks. Any purchases over \$5,000 that is not on contract will receive prior approval from Central Purchasing. As for the Simon Groundworks invoice, disciplinary action will be taken against both cardholder and the facility. However, I disagree with this finding for M&M Creative, Smith Dryden, & Artisan Apparel. Oklahoma Statute Title 74 O.S. § 2239 – Exemptions from the Central Purchasing Act is the highest level of hierarchy over purchasing guidelines, which purchase card falls under. There is no additional clause stating that OTRD's exemption explicitly excludes the purchase card. These items were of an unknown quantity and these were invoice that were placed at different times, but paid at one time.

Finding 20-400-05: Contract Qualified Purchase

Condition: A spend analysis was performed during the data analytics section of the audit. Data was analyzed for split purchasing. An anomaly was noted with the vendor BAR-CODEFACTORY. The agency had paid the vendor \$50,608.65 from April 28 to May 28, 2020, through small transactions not exceeding \$3,600 per transaction. A majority of the

transactions were \$1,555. The purchase was for printers for a parking pass project. Based on further review, we determined the following:

- The agency knew in advance the total purchase for the parking pass printers would cost at a minimum \$43,998.
- The acquisition was split using three cardholders from administrative services processing purchase card transactions at different times.
- The agency did not provide an acquisition file.
- The agency did not provide evidence the acquisition was competitively bid.
- No purchasing rules were followed for an acquisition of this size.
- No evidence of executive director or board approval was provided.
- The purchase should have been processed through OMES Central Purchasing, since it exceeded the agency’s \$50,000 delegated purchasing authority.
- The purchase did not receive preapproval by the state Chief Information Officer to purchase IT related equipment.
- The internal requisition form indicated “No” for use of purchase card.
- The agency did not take advantage of the vendor discount, since the acquisitions was split into multiple transactions.
- State vendors do not receive payment until 45 days after the product is received unless the vendor provides a discount. The state payment terms policy was circumvented.
- The use or purchase of these printers for different parks has no relevance to the finding.
- Management controls were overridden and bypassed by agency personnel to process these transactions.
- The approving official for the three cardholders was M. Filonow.

Table 4 Barcode Factory purchase card transactions from 4/28/2020 to 5/28/2020

TRANSACTION NUMBER	CARD LAST 4 DIGITS	GROUP NAME	VENDOR NAME	AMOUNT	PURCHASE DATE
TXN01388617	1862	56600 Administrative Services	BARCODEFACTORY	\$3,582.55	4/28/2020
TXN01388997	3181	56600 Administrative Services	BARCODEFACTORY	\$1,555.19	4/29/2020
TXN01389010	3181	56600 Administrative Services	BARCODEFACTORY	\$1,555.19	4/29/2020
TXN01389021	3181	56600 Administrative Services	BARCODEFACTORY	\$1,555.19	4/29/2020
TXN01389030	3181	56600 Administrative Services	BARCODEFACTORY	1,555.19	4/29/2020
TXN01389720	3181	56600 Administrative Services	BARCODEFACTORY	\$2,251.05	5/1/2020
TXN01389733	3181	56600 Administrative Services	BARCODEFACTORY	\$2,885.45	5/1/2020
TXN01390517	5571	56600 Administrative Services	BARCODEFACTORY	\$1,555.52	5/5/2020
TXN01390521	1862	56600 Administrative Services	BARCODEFACTORY	\$1,555.44	5/5/2020



TRANSACTION NUMBER	CARD LAST 4 DIGITS	GROUP NAME	VENDOR NAME	AMOUNT	PURCHASE DATE
TXN01390522	5571	56600 Administrative Services	BARCODEFACTORY	\$2,255.16	5/5/2020
TXN01390523	1862	56600 Administrative Services	BARCODEFACTORY	\$1,555.52	5/5/2020
TXN01390540	1862	56600 Administrative Services	BARCODEFACTORY	\$3,588.01	5/5/2020
TXN01390542	5571	56600 Administrative Services	BARCODEFACTORY	\$1,555.47	5/5/2020
TXN01390545	5571	56600 Administrative Services	BARCODEFACTORY	\$1,555.44	5/5/2020
TXN01390554	5571	56600 Administrative Services	BARCODEFACTORY	\$1,555.40	5/5/2020
TXN01390559	1862	56600 Administrative Services	BARCODEFACTORY	\$2,889.02	5/5/2020
TXN01390570	1862	56600 Administrative Services	BARCODEFACTORY	\$1,555.57	5/5/2020
TXN01390576	5571	56600 Administrative Services	BARCODEFACTORY	\$2,255.03	5/5/2020
TXN01390577	5571	56600 Administrative Services	BARCODEFACTORY	\$1,554.82	5/5/2020
TXN01390578	1862	56600 Administrative Services	BARCODEFACTORY	\$1,555.52	5/5/2020
TXN01390976	5571	56600 Administrative Services	BARCODEFACTORY	\$2,888.48	5/6/2020
TXN01390987	5571	56600 Administrative Services	BARCODEFACTORY	\$1,555.83	5/6/2020
TXN01396994	3181	56600 Administrative Services	BARCODEFACTORY	\$1,560.63	5/22/2020
TXN01397994	5571	56600 Administrative Services	BARCODEFACTORY	\$1,558.87	5/27/2020
TXN01398616	1862	56600 Administrative Services	BARCODEFACTORY	\$1,559.69	5/28/2020
TXN01398631	1862	56600 Administrative Services	BARCODEFACTORY	\$1,559.42	5/28/2020
			Total	\$50,608.65	

According to the agency’s internal requisition form, the Barcode Factory purchase was known to be at least \$43, 998, but was split among the 26 payment transactions in Table 1.

Image 6 Internal requisition form



Oklahoma! Tourism Employee Portal

Human Resources TCP EMPLOYEE Tourism Finance TCP MANAGER Oklahoma State Parks EDIT LINKS Anonymous Reporting OKC Fleet Tech 'How-to' Resources Safety Data Sheets Checked Out Inventory COVID-19 Resources and Information

TravelOK.com

Purchasing Request

Come here for you!

Title	Parking Enforcement Equipment
Purchase Type	Purchase
Vendor	Barcode Factory
Account Number	
Priority	Urgent
Description	(Please direct to Maegan; Urgent purchase for Gino project; multiple subaccounts should be charged) Purchase of enforcement equipment for parking pass program- spreadsheet attached showing quantities for each park; Used Barcode Factory quote to calculate costs. Unit costs are discounted based on quantity, so should be ordered as one order, if possible.
Amount	\$43,998.00
Department	8800088
Class/Fund	19001
SubAccount	01
Project Number	565P007012035
Early Pay Discount %	0 %
Early Pay Discount Terms	Due in 45 Days
Early Pay Description	
Requisition Number	
SubAccount SubAccount Name	Grants in Aid
PO Number	
PCard	No
PCard Payer	
Status Comments	**All items in yellow have been ordered 5/4/20 cmb** SA 41 has been ordered JS has ordered her 6 SAs: 27, 29, 32, 35, 36, 38 5/1/2020 TM has ordered 5/5/2020
Statewide Contract #	
Agency Contact	<input type="checkbox"/> Ben Davis
Attachments	Barcode Bonanza Quote.pdf

Cause: The parking project was going to kick off soon, so the agency decided that buying the printers by purchase card would ensure that agency would receive them in time for employee training.

Effect or potential effect: Not consolidating purchases when the known amount is inevitable, gives the appearance the agency is avoiding fair and open competition. As a result, the state may not be receiving the best value and/or the lowest price due to the removal of the competitive element. In addition, Oklahoma taxpayers are not given the opportunity to compete for state contracts acquired through Department of Tourism.

Unauthorized IT equipment purchases made by the agency may not meet all IT compliance requirements or be compatible with state IT equipment.

Criteria: The Central Purchasing PROCUREMENT INFORMATION MEMORANDUM (Number 2009-03) Split Purchasing – Policy Guidance states in part:

2. The Central Purchasing Division recognizes that fair and open competition is a basic tenet of public procurement; that such competition reduces the appearance and opportunity for favoritism, and inspires public confidence that contracts are

awarded equitably and economically; and that documentation of the acts taken and effective monitoring mechanisms are important means of curbing any improprieties and establishing public confidence in the process by which commodities and contractual services are procured. It is essential to the effective and ethical procurement of commodities and contractual services that there be a system of uniform procedures to be utilized by state agencies in managing and procuring commodities and services; that detailed justification of agency decisions in the procurement of commodities and services be maintained; and that adherence by the agency and the vendor to specific ethical considerations be required.

4. Pursuant to the Central Purchasing Rules in the Oklahoma Administrative Code, Title 260:115-7-5, relating to split purchases, state agencies “shall not make split purchases **for the purpose of evading their approved dollar threshold for competitive bids**” (emphasis added). A split purchase occurs when an agency acquisition (known requirement or quantity of items), as defined by the agency, is either divided into separate transactions for the purpose of evading the appropriate statutory threshold for competitive bids; or the agency fails to consolidate a known quantity required for a purchase, and the purchases are conducted as separate transactions because the total costs would have exceeded the established statutory competitive bidding thresholds.

The OMES State of Oklahoma Policy and Procedures for Purchase Card definitions state:

Single purchase limit – the maximum spending dollar limit a P-card holder is authorized to charge in a single transaction. Purchases shall not be split with the intent of and for the purpose of evading: 1) the P-card statutory single purchase limit of \$5,000 (the limit does not apply on statewide contract purchases, inter-agency purchases, professional services per Title 18 or payment of utility transactions); 2) limits established for an individual P-card; or 3) any competitive bidding requirement. For travel purposes, lodging and transportation are considered separate transactions.

The Oklahoma Tourism and Recreation Department internal purchasing procedures states in part:

4.0 RESPONSIBILITIES

4.2 Contract and Acquisition Agent (CPO)

4.2.4 Shall verify that all acquisitions exceeding \$50,000.00 have the Commission approval prior to the issuance of a purchase order and documented within the contract file.

4.6 General Counsel

4.6.1 All contracts requiring the signature of the Executive Director shall be reviewed and approved by the OTRD General Counsel or designee prior to



being signed by the Executive Director.

5. OTRD Purchasing Dollar Threshold

5.1 OTRD Dollar Threshold Required Approval by Position

- 5.1.1 \$0.00 to \$5000.00 Division/Facility Manager
- 5.1.2 \$5,000.00 to \$25,000.00 Division Director
- 5.1.3 \$25,000.00 to \$50,000.00 Executive Director or designee (CFO)
- 5.1.4 Aggregate of \$50,000.00 or greater Commission Approval

5.2 For procurement dollar limitations and purchasing procedures, all OTRD employees shall comply with the requirements contained in the Oklahoma Central Purchasing Act, 74 O.S. §85.1 et seq.; OMES Central Purchasing Administrative Rules, OAC 260:115-7-1 through OAC 260:115-7-54; and OTRD policies and procedures.

6. OTRD Approved Purchasing Methods

6.1. Purchase Order

6.1.1 Each Division/Facility shall be responsible for determining their respective operational needs. The Division/Facility needs shall be communicated to the OTRD Purchasing Department. Division/Facility and requester shall communicate such request by either creating a PeopleSoft E-Procurement Requisition or by processing a Change Order to an existing Purchase Order by submitting OMES-FORM-CP-10 to the OTRD Purchasing Manager.

8.3 P-Card Violations and Consequences

8.3.1 Violation of P-Card rules and procedures may result in criminal prosecution and will result in disciplinary action and permanent loss of P-Card privileges. See Appendix A for Common Violations and Consequences.

Appendix A

Common Violations and Consequences

(NOTE: Listed in the chart below are the most common types of cardholder violations and the consequences that will be enforced by the department when these violations occur. OTRD and OMES have the authority to cancel a card at any time. Any violation of this policy may be investigated and could result in termination and/or criminal prosecution.)

Violations	Consequences
<p>Split Purchasing – Intentionally circumventing the \$5000 per transaction limit or exceeding individual cardholder limit on a single purchase by splitting purchase into multiple transactions.</p>	<p>1st Violation – Card suspended for 30 days, remedial training. 2nd Violation – Card canceled, employee terminated with possible criminal felony prosecution.</p>



Violations	Consequences
<p>Not Obtaining Proper Authorization for Allowable Purchases over \$5000 – Splitting purchases to circumvent the authorization requirement for purchases over \$5000.</p>	<p>1st Violation – Written warning. 2nd Violation -Card suspended for 1 week. 3rd Violation – Card suspended for 30 days, remedial training. 4th Violation – Card cancelled.</p>
<p>Inappropriate Purchases – Any purchase that is a violation as set forth in this guide or in agency or state purchasing policies and procedures.</p>	<p>1st Violation – Card suspended for 30 days, remedial training, and any additional penalty as required by state law and/or agency rules. 2nd Violation – Card canceled.</p>

Recommendation: We recommend the agency to verify the finding presented. Once the finding has been verified, agency violation protocol should be followed for the parties involved. The finding will also be forwarded to the state purchase card administer for review and determination if additional action or referrals are warranted.

Management’s Response

Concur Partially Concur Non-Concur

Date: 08/17/2020

Respondent: Director of Finance and Administrator

Response: Central Purchasing and OTRD, jointly concluded that purchases divided by facility would not constitute as split purchasing. Each facility is unique and considered its own operating unit thereby creating separation of purchases. The ability to purchase separately by facility is a highly relevant decision that governs business practices within OTRD. In addition, it is not a sustainable business practice for OTRD to obtain guidance from OMES Central Purchasing only to have it become a finding in another division of OMES. This type of disconnect from one division to another in OMES is prohibitive to the best business practices that OTRD has developed. The parties involved acted accordingly with agency directives and the recommended consequences will not be implemented.

- The agency knew in advance the total purchase for the parking pass printers would cost at a minimum \$43,998.
 - A parking enforcement purchase request was placed for bid by OTRD. The bid was awarded to Premium Parking. The decision to purchase printers was not part of the original concept for the parking pass. However, as the project moved forward, it was determined optimal to have mobile printing equipment for enforcement efforts to increase customer satisfaction and revenue generation. The need for printers was unknown during the time of bid. In addition, the awarded vendor, Premium Parking, requires a specific printer and accessories for operation. The cost per facility was below the \$5,000 limit for PCard purchases.

- The acquisition was split using three cardholders from administrative services processing purchase card transactions at different times.
 - Administrative Services is a support service for the agency including Purchasing, Accounts Payable, and Revenue. Three cardholders in Administrative Services worked together to procure the items as needed for the printing needs of the Parking Pass program. The employees are assigned to facilities for purchasing needs.
- The agency did not provide an acquisition file.
 - OTRD executed the purchase per facility which was under \$5,000 each and did not require a bid or acquisition file.
- The agency did not provide evidence the acquisition was competitively bid.
 - The cost of the printers by facility was below the dollar threshold requiring a bid. Central Purchasing and OTRD, jointly concluded that purchases divided by facility would not constitute as split purchasing. Each facility is unique and considered its own operating unit thereby creating a separation of purchases. The ability to purchase separately by facility is a highly relevant decision that governs business practices within OTRD.
- No purchasing rules were followed for an acquisition of this size.
 - The cost of the printers by facility was below the dollar threshold requiring a bid. Central Purchasing and OTRD, jointly concluded that purchases divided by facility would not constitute as split purchasing. Each facility is unique and considered its own operating unit thereby creating separation of purchases in regards to the split purchasing definition. The ability to purchase separately by facility is a highly relevant decision that governs business practices within OTRD.
- No evidence of executive director or board approval was provided.
 - The cost of the printers by facility was below the dollar threshold requiring approvals. Central Purchasing and OTRD, jointly concluded that purchases divided by facility were separate and stood alone. Each facility is unique and considered its own operating unit thereby creating separation of purchases in regards to the split purchasing definition. The ability to purchase separately by facility is a highly relevant decision that governs business practices within OTRD.
- The purchase should have been processed through OMES Central Purchasing, since it exceeded the agency's \$50,000 delegated purchasing authority.
 - The cost of the printers by facility was below the dollar threshold requiring a bid. Central Purchasing and OTRD, jointly concluded that purchases divided by facility were separate and stood alone. Each facility is unique and

considered its own operating unit thereby creating separation of purchases in regards to the split purchasing definition. The ability to purchase separately by facility is a highly relevant decision that governs business practices within OTRD.

- The purchase did not receive pre-approval by the state Chief Information Officer to purchase IT related equipment.
 - Pre-Approval not required due to the nature of the devices. OMES ISD has routinely informed OTRD that peripheral devices such as printers are out of scope for OMES ISD approval. In addition, the device would not be connected to the network and therefore was not a concern for OMES ISD to review. OTRD and OMES meet monthly to discuss projects and purchases. In this meeting, OMES staff verbally confirmed that purchases of this nature do not need to be approved. Furthermore, the OTRD Strategist stated OMES is in the process of aligning their requirements to be more realistic for business processes and auditing requirements. OMES ISD approval on all IT related equipment includes too many items that OMES ISD is not prepared to handle.
 - Requiring CIO approval for printers is prohibitive to best business practices for OTRD and OMES per OMES IT Strategist, Karen Duncan.
- The internal requisition form indicated “No” for use of purchase card.
 - The internal purchase request form was not entered by purchasing staff. Employees without knowledge of purchasing rules, send requests to Purchasing via the Purchase Request list in SharePoint per OTRD Procedures. Purchasing is the final determination of the proper purchasing method. The “No” indication is not relevant to the final purchase method.
 - OTRD business process were misunderstood by OMES Audit and clarification was not requested.
- The agency did not take advantage of the vendor discount, since the acquisitions was split into multiple transactions.
 - Bar Code Factory provided a discount for all of the orders based on quantity. The reduced prices per item are listed below in comparison to MSRP and the cost of one unit.
 - Free shipping was provided on select items. Items with free shipping are indicated below.

Description	SKU	Quantity	MSRP	Unit Cost	OTRD Cost	Comments
Printer	ZQ51-AUE0000-00	60	762.00	586.74	479.00	Free Shipping
Paper	10023347	33	66.04	66.04	61.87	

Adapter	P1031365-024	30	75.00	57.29	48.08	Free Shipping
Mount	AK17463-002	60	97.00	63.87	60.74	
Case	P1063406-038	60	74.00	53.67	47.12	Free Shipping
Vehicle Cradle	P1063406-062	60	146.00	107.01	93.81	Free Shipping
Cable Adapter	P1063406-031	60	49.00	34.23	32.11	Free Shipping
Twist Lock	P1063406-045	60	24.00	21.48	15.73	
Quote Total			73,549.32	55,918.02	47,194.71	
Shipping					219.31	
Grand Total					47,414.02	

- State vendors do not receive payment until 45 days after the product is received unless the vendor provides a discount. The state payment terms policy was circumvented.
 - It is the decision of the OTRD CFO, to disregard the Early Pay Discount due to lack of statewide support from OMES DCAR. In addition, it is not a sustainable business practice. OTRD does take advantage of early pay discounts when offered by the vendor however, all vendors are paid within a reasonable time. During the time OTRD, has disregarded the Early Pay Discount, Accounts Payable moved from a work load of 750+ invoices at all times to less 350. Staff are able to investigate past due balances and monitor invoices more closely. In addition, the metrics recorded on all invoices for OTRD, help provide a visual of the workload for AP staff. The work environment created without the burden of Early Pay Discount has boosted employee morale and created a viable AP Team which has not existed at OTRD in more than 5 years. Cut off notices have reduced from 2-3 per day to 1-2 per month because staff are better able to focus on strategic and proactive actions instead of always reacting to disasters caused by late payments.
 - OTRD interprets the Early Pay Discount to only apply to invoices paid by PO. So this would not apply to a PCard payment. Payment was made upon shipment, which is an acceptable practice.
- The use or purchase of these printers for different parks has no relevance to the finding.
 - Central Purchasing and OTRD, jointly concluded that purchases divided by facility were separate and stood alone. Each facility is unique and considered its

own operating unit thereby creating separation of purchases in regards to the split purchasing definition. The ability to purchase separately by facility is a highly relevant decision that governs business practices within OTRD.

- Management controls were overridden and bypassed by agency personnel to process these transactions.
 - Management controls were not overridden or bypassed. Due to the nature of the purchase by subaccount, the total cost per facility was under the dollar threshold for approvals. Central Purchasing and OTRD, jointly concluded that purchases divided by facility were separate and stood alone. Each facility is unique and considered its own operating unit thereby creating separation of purchases in regards to the split purchasing definition. The ability to purchase separately by facility is a highly relevant decision that governs business practices within OTRD.
- The approving official for the three cardholders was M. Filonow.
 - M. Filonow is the appropriate approve for the cardholders and acted in accordance to her duties. All cardholders working Finance and report to M. Filonow as detailed on the agency organizational chart.

Corrective Action Plan

Contact Person: Director of Finance and Administrator

Anticipated Completion Date: 8/31/2020

Corrective Action Planned: OTRD requires the cooperation of the aforementioned OMES Divisions to coordinate guidance provided by a Statewide Program to OMES Audit and back to the agency. OTRD will wait for a response from the aforementioned divisions of OMES before proceeding to changing the agency's business operations strategy. At this time, corrective action is not necessary as OTRD acting within approved guidelines provided by OMES.

Auditor's Note: No documentation has been provided by the agency to support approval from Central Purchasing.

[Finding 20-400-06: Missing Documentation](#)

Condition:

1. During the substantive testwork phase of the audit, we reviewed 188 transactions totaling \$478,643.83 for multiple attributes to determine compliance with the State Purchase Card Procedures as well as the agency's Internal Purchasing Procedures.

We noted 63 of the 188 (33.5% error rate) transactions tested were missing all supporting documentation totaling \$214,054.85. We were unable to determine if the purchases were prohibited, complied with state purchasing hierarchy, or if the prices paid appeared to be fair and reasonable. In addition, we were unable to determine if sales tax was paid on purchases made in Oklahoma and were unable to determine if products purchased were delivered to the agency through the review of receiving documentation.

2. During the internal controls testing and testwork phase of the audit, we reviewed 60 transactions for which the product was shipped after the purchase totaling \$123,709.90.

We noted 26 of the 60 transactions tested (43.3% error rate) totaling \$34,558.19 were not accompanied by with a packing slip or other proof of delivery. We were unable to determine products purchased were received by the agency through the review of a vendor packing slip or proof of delivery document.

Cause: Unknown.

Effect or potential effect: Without obtaining a receipt the audit team was unable to determine what was purchased, at what cost and quantity, and if the purchase was made for legitimate and valid governmental purposes. Insufficient receipting documentation creates an opportunity for unauthorized transactions to occur and go undetected. This creates unnecessary risk for the agency, cardholders, and approving officials signing off on the transactions. In addition, there is no verification that goods and/or services were actually received by the agency without proper receiving documentation.

Criteria: The State of Oklahoma Policy and Procedures for Purchase Card § 10.1 Receipts and Supporting Documentation for all Transactions states:

“Receipts shall be obtained for **all** purchases regardless of the order method. The receipt shall give an itemized and detailed description of the purchase and must include at a minimum: 1) merchant name, 2) date of purchase, 3) description, 4) unit price and quantity, and 5) transaction total. A detailed and itemized carbon copy is acceptable. A copy of the rental car contract must accompany any fuel receipt for which payment was made by P-card. **Receipts cannot be manually modified in any way by either the merchant or agency.** A credit receipt or email detailing the reason for credit from the merchant is required for all credit transactions. All posted transactions must have a corresponding written document.”

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.

The State of Oklahoma Policy and Procedures for Purchase Card § 12.2 Cycle Retention states:

All supporting documentation must be retained by the agency for the specified records retention period.

The Oklahoma Tourism and Recreation Department Internal Purchasing Procedures 8.6.3 states:

The Cardholder or their designated Proxy must code each transaction in Works and attach all supporting documentation.

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

Concur Partially Concur Non-Concur

Date: 4/15/2021

Respondent: Purchase Card Administrator

Response: I agree with this finding. The SharePoint invoice and purchase request sites were not the best method for retaining PCard receipts, invoices and other documentation. Volumes of older data started to archive themselves within the system and making it difficult to search and retrieve.

Corrective Action Plan

Contact Person: Purchase Card Administrator

Anticipated Completion Date: 8/1/2020

Corrective Action Planned: At the beginning of August 2020, Finance created a Share-Point document library that is designed to hold higher volumes documentation in comparison to a list. This is the central location for PCard document retention. We also went back to uploading the same documentation into Works as well, to serve as backup.

Finding 20-400-07: Cardholder Reasonableness

Condition: A spending analysis was performed on cardholder’s credit limits. 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. An 11-month period was analyzed. Cardholders with a spend average less than 20% of their credit limits and did not ever exceed 60% of their monthly credit limit were determined to have excessive credit limits. We determined 49 out of 117 purchase cardholders evaluated to have excessive credit limits. Analysis was performed using the months within the audit period.

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	9146	\$5,000	6	\$3,850.43	\$641.74	12.83%	\$2,880.51	57.6%
2	6872	\$2,500	7	\$3,340.34	\$477.19	19.09%	\$1,407.76	56.3%
3	4606	\$100,000	4	\$58,112.68	\$14,528.17	14.53%	\$49,560.09	49.6%
4	4518	\$10,000	7	\$13,155.78	\$1,879.40	18.79%	\$4,378.93	43.8%
5	8354	\$5,000	11	\$7,779.23	\$707.20	14.14%	\$1,984.57	39.7%
6	7828	\$25,000	11	\$50,800.08	\$4,618.19	18.47%	\$9,466.54	37.9%
7	7890	\$20,000	6	\$19,047.12	\$3,174.52	15.87%	\$7,565.29	37.8%
8	8571	\$1,000	11	\$1,311.21	\$119.20	11.92%	\$375.78	37.6%
9	9282	\$15,000	11	\$25,919.55	\$2,356.32	15.71%	\$5,218.72	34.8%
10	3073	\$10,000	7	\$13,359.43	\$1,908.49	19.08%	\$3,397.71	34.0%
11	8855	\$15,000	9	\$14,035.72	\$1,559.52	10.40%	\$4,960.46	33.1%
12	7380	\$1,000	8	\$1,506.74	\$188.34	18.83%	\$325.23	32.5%
13	8960	\$20,000	11	\$24,028.82	\$2,184.44	10.92%	\$5,973.28	29.9%
14	4887	\$1,000	4	\$541.19	\$135.30	13.53%	\$289.90	29.0%
15	3318	\$20,000	2	\$5,754.09	\$2,877.05	14.39%	\$5,742.13	28.7%
16	6063	\$2,500	6	\$2,088.34	\$348.06	13.92%	\$710.88	28.4%
17	6360	\$20,000	10	\$26,330.21	\$2,633.02	13.17%	\$5,574.18	27.9%
18	9875	\$2,500	8	\$2,405.94	\$300.74	12.03%	\$651.83	26.1%
19	7986	\$5,000	5	\$3,314.89	\$662.98	13.26%	\$1,279.80	25.6%
20	4564	\$7,500	3	\$1,371.86	\$457.29	6.10%	\$1,845.52	24.6%
21	503	\$5,000	8	\$4,907.21	\$613.40	12.27%	\$1,154.14	23.1%
22	9780	\$15,000	8	\$16,626.02	\$2,078.25	13.86%	\$3,416.68	22.8%
23	7019	\$15,000	11	\$18,799.10	\$1,709.01	11.39%	\$3,247.22	21.7%
24	3641	\$2,500	7	\$1,384.63	\$197.80	7.91%	\$501.54	20.1%
25	8603	\$10,000	5	\$4,883.09	\$976.62	9.77%	\$1,622.21	16.2%
26	6127	\$5,000	1	\$789.58	\$789.58	15.79%	\$789.58	15.8%

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	773	\$5,000	2	\$1,946.52	\$973.26	19.47%	\$781.04	15.6%
28	5857	\$7,500	7	\$4,776.87	\$682.41	9.10%	\$1,165.60	15.5%
29	9259	\$2,500	4	\$730.47	\$182.62	7.30%	\$360	14.4%
30	8948	\$5,000	2	\$748.32	\$374.16	7.48%	\$713.64	14.3%
31	9665	\$5,000	11	\$4,423.87	\$402.17	8.04%	\$693.32	13.9%
32	8412	\$5,000	11	\$3,092.33	\$281.12	5.62%	\$689.03	13.8%
33	3096	\$10,000	1	\$1,295	\$1,295	12.95%	\$1,295	13.0%
34	3880	\$5,000	3	\$1,045.88	\$348.63	6.97%	\$640	12.8%
35	7647	\$1,000	1	\$127.30	\$127.30	12.73%	\$127.30	12.7%
36	8083	\$5,000	1	\$596.53	\$596.53	11.93%	\$596.53	11.9%
37	8680	\$5,000	2	\$819.98	\$409.99	8.20%	\$524.87	10.5%
38	9177	\$10,000	8	\$5,406.01	\$675.75	6.76%	\$1,049	10.5%
39	8980	\$5,000	6	\$1,616.78	\$269.46	5.39%	\$509.95	10.2%
40	9885	\$5,000	4	\$948.36	\$237.09	4.74%	\$417.50	8.4%
41	1040	\$10,000	8	\$4,613.95	\$576.74	5.77%	\$818.09	8.2%
42	6018	\$25,000	5	\$5,412.03	\$1,082.41	4.33%	\$1,959.88	7.8%
43	2894	\$5,000	3	\$479.39	\$159.80	3.20%	\$225.35	4.5%
44	6638	\$5,000	6	\$956.38	\$159.40	3.19%	\$224.34	4.5%
45	7957	\$50,000	1	\$5,860.47	\$5,860.47	11.72%	\$2,079.40	4.2%
46	9625	\$5,000	2	\$402.34	\$201.17	4.02%	\$203.08	4.1%
47	7070	\$7,500	2	\$233.40	\$116.70	1.56%	\$167.40	2.2%
48	9086	\$2,500	1	\$35	\$35	1.40%	\$35	1.4%
49	6499	\$2,500	2	\$184.74	\$92.37	3.69%	\$14.25	0.6%

Cause: Unknown.

Effect or potential effect: Having the transaction and card limits set more than the individual cardholder's needs increases the potential fraud that could occur if the cards were compromised.

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

Concur Partially Concur Non-Concur

Date: 4/16/2021

Respondent: Purchase Card Administrator

Response: It is a need for card limits to temporarily fluctuate to adjust for park operations, especially in emergency situations. However, I adjust permanent limits on an annual basis by reviewing last fiscal year's data.

Corrective Action Plan

Contact Person: Purchase Card Administrator

Anticipated Completion Date: 7/31/2021

Corrective Action Planned: I will continue reviewing and adjusting card limits annually based on prior year's performance for every cardholder.

Finding 20-400-08: Internal Controls – Documentation Requirements

Condition: During our testwork phase of the audit, we discovered that supporting documentation for 77 of the 141 (54.6% error rate) transactions tested, totaling \$191,246.74, were not uploaded into Works as required by the agency's internal purchasing procedures.

In addition, it was discovered that 30 of the 95 (31.6% error rate) receipts tested, totaling \$65,849.86, were not signed and dated by the cardholder as required by the agency's internal purchasing procedures.

Cause: Unknown.

Effect or potential effect: Cardholders are not following the agency's internal purchasing procedures; therefore, the requirements listed in the internal purchasing procedures are not effective.

Criteria: The Oklahoma Tourism and Recreation Department Internal Purchasing Procedures § 8.4.2 Purchase Price and Receipts states: Receipts shall be obtained and uploaded into Works.

The Oklahoma Tourism and Recreation Department Internal Purchasing Procedures § 8.6.2 Cardholder/Proxy Responsibilities states: The cardholder must sign and date all receipts and invoices.

Recommendation: We recommend the agency adhere to the internal purchasing procedures as designated by the agency's management by uploading receipts into Works as well as signing and dating all invoices and receipts. 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 the 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 Central Purchasing for approval.

Management's Response

Concur Partially Concur Non-Concur

Date: 4/16/2021

Respondent: Purchase Card Administrator

Response: The old policy and procedures may not have been enforced well enough, nor was there proper adequate training for program participants under the former administration.

Corrective Action Plan

Contact Person: Purchase Card Administrator

Anticipated Completion Date: 11/17/2020

Corrective Action Planned: Agency-wide PCard training was provided for all program participants in November 2020. Document upload to Works is now strictly enforced. Receipts and invoices are no longer signed and dated per FY21 Internal Policy & Procedures.

[Finding 20-400-09: IT Purchases](#)

Condition: During the substantive testwork phase of the audit, 18 Information Technology (IT) transactions out of 35, totaling \$15,437.99, (51% unit error rate and 47% expenditure rate) were noted as purchases for hardware that are not listed on the Office of Management and Enterprise Services (OMES) – Information Services Approved Hardware/Software list. Prior to March 1, 2020, there were nine transactions that were not on the Approved Hardware/Software list. After March 1, 2020, there were nine transactions that were neither on the Approved Hardware/Software list, approved on an individual ePro for IT purchases, nor added to the agency's IT authority Order.

During testing, we used the Approved Hardware/Software list posted on the OMES website on Sept. 1, 2020. Information Services does not archive previous Approved Hardware/Software lists; therefore, the list for items at the time of purchase is unobtainable.

TRANSACTION NUMBER	ITEM TOTAL	VENDOR NAME	PUCHASE DATE	POST DATE	CARD LAST 4 DIGITS
TXN01328398	\$106.68	Hughes Net	12/3/2019	12/4/2019	5571
TXN01329122	\$132.08	WSC Windstream	12/5/2019	12/5/2019	5571
TXN01331786	\$173.56	New Wave Sparklight	12/10/2019	12/11/2019	5571
TXN01334919	1233.44	New Wave Sparklight	12/16/2019	12/17/2019	5571
TXN01337314	\$544.70	Lake Region Tech.	12/20/2019	12/23/2019	5571
TXN01340170	\$501.93	Dish Business	1/3/2020	1/6/2020	1767
TXN01341298	\$18.62	Standley Systems	1/6/2020	1/8/2020	1767
TXN01341293	\$1,432.99	TELECOMP	1/7/2020	1/8/2020	3949
TXN01342671	\$630.57	ATT Bill Payment	1/9/2020	1/10/2020	5571
TXN01344518	\$1,336.50	New Wave Sparklight	1/13/2020	1/14/2020	5571
TXN01370312	\$1,336.50	New Wave Sparklight	3/10/2020	3/11/2020	5571
TXN01371818	\$1,150	SHI International	3/11/2020	3/13/2020	1862
TXN01378206	\$412.16	Verizon Wireless	3/28/2020	3/30/2020	3181
TXN01378849	\$2,036.56	Verizon Wireless	3/31/2020	3/31/2020	3181
TXN01387300	\$1,336.50	New Wave Sparklight	4/23/2020	4/24/2020	0071
TXN01400462	\$766	Wal-Mart	6/3/2020	6/4/2020	8960
TXN01407233	\$577.90	Verizon Wireless	6/20/2020	6/22/2020	6299
TXN01414282	\$1,711.30	Century Link	7/10/2020	7/10/2020	3949
Total	\$15,437.99				

Cause: Purchasing IT services and products with the state purchase card is confusing and the requirements can be difficult to understand. State purchase card procedures for IT purchases were revised to include individual ePro as an option after March 1, 2020, for hardware/software items.

Effect or potential effect: Purchase cardholders and agency administration will most likely abandon or greatly reduce the use of the state purchase card to purchase IT items costing the state approximately \$300 to \$500 per transaction in rebates and cost related to resources for processing the acquisition including state employees time. The additional cost, loss of savings and added resources is absorbed through non-IT funding.

Criteria: The State of Oklahoma Policy and Procedures for Purchase Card § 7.11, Information Technology released Jan. 5, 2019, states:

IT purchases shall be made in accordance with Title 62 O.S. § 34.12.B and the IT Standards and Policies located at omes.ok.gov/services/information-services/policy-standards-publications. All hardware and software acquisitions must be on the *Approved Hardware/Software* list located on the above website. **All IT purchases exceeding \$5,000 must be listed on a statewide contract.** IT acquisitions shall comply with the applicable Oklahoma Information Technology Accessibility Standards issued by OMES, also available on the above website.

Refer to Title 62 O.S. § 34.12.B. and the Central Purchasing Rules (OMES Administrative Rules, OAC 260:115-7-54) for rules and procedures regarding

information technology acquisitions and exceptions at omes.ok.gov/sites/g/files/gmc316/f/CentralPurchasingRules.pdf and to the Procurement Information Memorandum (PIM) 06292015 for Delegation of Authority from CIO for Certain IT Procurement Purchases at ok.gov/dcs/searchdocs/app/manage_documents.php?id=1195. IT & Telecom services and repairs are not included in this delegation of authority.

IT & Telecom services and repairs are **not** listed on the *Approved Hardware/Software* list, although they may be included in the contract covering the items on the list. The annual cost of services and repairs should be estimated and included on the IT authority order. Single transactions for IT repairs and services are capped at \$5,000 unless listed on a statewide contract.

Additional information regarding IT procurement may be obtained from the agency's IT strategist and account executive. IS contact information can be accessed by clicking on the *Partnering with OMES IS Contact List* located at omes.ok.gov/services/information-services/partnering-with-information-services.

The **State of Oklahoma Policy and Procedures for Purchase Card § 7.13, Information Technology** released March 1, 2020, states:

IT purchases shall be made in accordance with Title 62 O.S. § 34.12.B and the IT Standards and Policies located at <https://omes.ok.gov/services/information-services/policy-standards-publications>. All hardware and software acquisitions must be on the *Approved Hardware/Software* list located on the above website, or be approved by IT through the ePro process. **All IT purchases exceeding the statutory single transaction limit must be listed on a statewide contract.** IT acquisitions shall comply with the applicable Oklahoma Information Technology Accessibility Standards issued by OMES, also available on the above website.

Refer to Title 62 O.S. § 34.12.B. and the Central Purchasing Rules (OMES Administrative Rules, OAC 260:115-7-54) for rules and procedures regarding information technology acquisitions and exceptions at <https://omes.ok.gov/services/purchasing/purchasing-processes-rules-statutes> and to the Procurement Information Memorandum (PIM) Delegation of Authority at https://www.ok.gov/dcs/searchdocs/app/manage_documents.php?id=1482. IT & Telecom services and repairs are not included in this delegation of authority.

IT & Telecom services and repairs are not listed on the *Approved Hardware/Software* list, although they may be included in the contract covering the items on the list. The annual cost of services and repairs should be estimated and included on the IT authority order. Single transactions for IT repairs and services

are capped at the statutory single transaction limit unless listed on a statewide contract.

Additional information regarding IT procurement may be obtained from the agency's IT strategist and account executive. IS contact information can be accessed by clicking on the Partnering with OMES IS Contact List located at <http://omes.ok.gov/services/information-services/partnering-with-information-services>.

The Oklahoma Statute Title 62 O.S. § 34.12.B – Duties of Information Services Division states:

No agency of the executive branch of the state shall use state funds for or enter into any agreement for the acquisition of any category of computer hardware, software or any contract for information technology or telecommunication services and equipment, service costs, maintenance costs, or any other costs or fees associated with the acquisition of the services or equipment, without written authorization of the Chief Information Officer or a designee except the following:

1. A purchase less than or equal to Five Thousand Dollars (\$5,000.00) if such product is purchased using a state purchase card and the product is listed on either the Approved Hardware or Approved Software list located on the Office of Management and Enterprise Services website; or
2. A purchase over Five Thousand Dollars (\$5,000.00) and less than or equal to Twenty-five Thousand Dollars (\$25,000.00) if such product is purchased using a state purchase card, the product is listed on an information technology or telecommunications statewide contract, and the product is listed on either the Approved Hardware or Approved Software list located on the Office of Management and Enterprise Services website.

Recommendation: We recommend the Chief Information Officer revise, simplify, and streamline the IT purchasing process and procedures for purchase cards. IT purchases that are common or used by multiple agencies can be streamlined and simplified by pre-approving products, software and services one time for all agencies over an extended period. The current procedures allow for preapproval using the approved hardware/software list; however, the list is not comprehensive. Software, including maintenance agreements, are removed from the list after 365 days; therefore, the individual approval process is redundant due to requiring the process to be performed each year for multiple agencies using the same software. In addition, an archived record of the list is not retained, which does not allow for a review against the list at the time of purchase.

Most of the time, IT purchases are not included on the hardware/software list or listed on the agency's IT authority order at the beginning of the year. The agency is left with

performing an individual ePro (requisition/IT preapproval) request that is routed through the agency and OMES IT for preapproval. The ePro workflow is very similar for a \$5 purchase compared to a \$45,000 purchase. The ePro request double encumbers agency funds when the agency chooses to use the state purchase card; therefore, tying up agency non-IT budgets. The agency can set the ePro to be encumbered directly from the IT purchase card authority order; however, a line item is created each time an IT purchase is made with the purchase card which creates hundreds of lines on the authority order. The efficiencies gained by using the purchase card are offset by this process and are counterproductive. This is not a feasible solution to the problem. If an item goes through the individual ePro process, the items are not added to the hardware/software list unless the agency specifically makes the request. At one point, hardware/software items are added to the hardware/software list, however the items are later removed unknown to the agencies. The individual preapproval process then repeats itself.

It is important to mention that IT items are on statewide IT contracts but not on the hardware/software list. The purchaser is unable to make this purchase with the purchase card since the item is not on both, without performing an individual ePro, when the purchase is greater than \$5,000. A different scenario exists for non-hardware/software items that are on statewide contracts. These purchases still require an individual ePro, alleviating efficiencies obtained though creating the statewide contract. Since the IT consolidation there was no identified method for using the state purchase card to purchase IT items until the hardware/software list option was added in 2015. On March 1, 2020, the individual ePro option was added the state purchase card procedures. The purchasing method for non-hardware/software IT purchases has not been mentioned within the procedures.

The rules and process for emergency IT purchase card purchases are no different from non-emergency transactions except for the executive order that only increased the limit that can be used. The same process is used. For example, the agency needs webcams and headsets due to COVID-19. The agency is required to go through the same process for this emergency IT purchase in a time of need. Noncompliance is inevitable in these circumstances due to the agency having to make a choice between timely meeting the emergency or using an extensive preapproval process.

Communication is another factor in the procurement process. Confusion is generated when the IT strategist, IT account manager, purchase card administration and others provide different answers to purchasing IT items. Communication can be affected by the amount of options available to make an IT purchase when using the state purchase card. When answers are provided without all the options mentioned, then answers can differ depending on who you ask. The current options are:

1. Make a direct purchase when the item is listed on the Approved Hardware/Software list.



2. Submit a help ticket to have the item placed on the Approved Hardware/Software list, then make the purchase directly to the vendor once the item has been added to the list.
3. Add the item or service to the IT Authority Order at the beginning of the year, then make the purchase directly to the vendor.
4. Add the item or service using a change order to the IT AO during the year, then make the purchase directly to the vendor.
5. Obtain an individual ePro prior to making the IT purchase.
6. Obtain an ePro charged to the agency's IT AO, creating a new line for each individual IT purchase made.

Guidance has also been given to agencies, stating the agency does not have to process the IT item through OMES. This is not one of the available purchasing options or methods. Delegation to individually exempt IT purchases from OMES preapproval oversight has not been granted. Miscommunication and misunderstandings can be contributed to a lack of or no training on the subject.

In addition, we recommend the state policy and procedures for purchasing IT products and services with the state purchase card be reviewed to ensure approvals take into consideration the method, timing and need of purchase. More education on this topic is advised to communicate to individuals involved in the process of IT purchases to understand the requirements and processes when using the purchase card to obtain IT products and services.

Management's Response

Concur Partially Concur Non-Concur

Date: 4/22/2021

Respondent: Purchase Card Administrator

Response: Many of these IT services are on statewide contracts through OMES and already approved by IT. However, I did notice that the other IT services were not routed properly through OMES-ISD which bypass the IT ePro process. Furthermore, the suggested cost savings from utilization of the purchase card instead of purchase order, is an unjustified reason for support of a state purchase card program. The purchase card program is timely and consuming for cardholders and administration. OTRD will continue to make the best purchasing decisions as it sees fit.

Corrective Action Plan

Contact Person: Purchase Card Administrator

Anticipated Completion Date: 6/30/2021

Corrective Action Planned: Finance will ensure the PCard IT authority order will properly route through the IT ePro process for FY 22.

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	15,513	\$7,199,095.10
Reverse Transactions	198	\$0
Agent Fees	22	\$413
Negative Transactions	285	\$58,592.05
Filtered Population	15,008	\$7,257,274.15
Subpopulations:		
IT	880	\$324,265.87
Airfare	21	\$8,410.25
Lodging	228	\$50,052.76
Over \$5,000	96	\$897,325.34
Under \$5,000	13,783	\$5,977,219.93
Total	15,008	\$7,257,274.15
Samples:		
IT	36	\$34,517.76
Airfare	0	\$0
Lodging	0	\$0
Over \$5,000	21	\$183,905.89
Under \$5,000	53	\$46,258.66
Auditor’s Discretion	31	\$55,118.40
Total	141	\$319,800.71

EXECUTIVE SUMMARY

Tourism and Recreation Department

Mission statement: To advance the exceptional quality of life in Oklahoma by preserving, maintaining, and promoting our natural assets and cultural richness.

History and overview: Administered by an executive director, the department began in 1931 when the Oklahoma Legislature appropriated funds for the land on which Lake Murray is located. In 1951, Lake Murray State Park also became the site for the first of seven state-owned lodges. Through the years, park, lodge and tourism programs rested in the Planning and Resources Board, the Department of Commerce and Industry and the Industrial Development and Park Department. In 1972, the legislature created the Oklahoma Tourism and Recreation Department, which is made up of four divisions. The Division of State Parks operates the Oklahoma State Parks System, providing a myriad of affordable outdoor recreational and vacation opportunities to millions of visitors every year. The Oklahoma Film and Music Office promotes the film and music industry by actively recruiting film and music productions to utilize our incredible talent and take advantage of the 12 eco-regions of unique terrain. The Travel Promotion Division markets Oklahoma through regional, national, and international advertisement and travel promotion programs such as Travel Information Centers, Discover Oklahoma television show, and Oklahoma Today magazine, and Oklahoma’s tourism information site TravelOK.com. In 2018, tourism was Oklahoma’s third largest industry and contributed nearly \$9.6 billion to Oklahoma’s economy in direct visitor spending; \$708 million in state and local taxes; and supported over 103,600 jobs throughout the state.

Agency information

The agency is made up of 78 classified, 325 unclassified employees, and 325 temporary (seasonal) employees according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 1, 2020.

Agency director **Jerry Winchester**

Key staff (during the audit period):

Katherine Nichols, Director of Finance and Administration

Maegan Filonow, Purchasing Manager, Procurement Lead

Michael Ellis, Procurement Specialist, Purchase Card Administrator