



**Oklahoma Board of Veterinary
Medicine
Purchase Card Audit**

Audit and Internal Investigations
Report Released November 2016

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AUDIT HIGHLIGHTS

Oklahoma Board of Veterinary Medicine - Purchase Card Program Audit
 Completed March 2016

Why We Conducted This Audit

This report provides information on the agency's compliance of the Purchase Card Program with the state Purchase Card Procedures and the strength and execution of the agency's approved internal control procedures.

What We Found

We have determined the Oklahoma Board of Veterinary Medicine has significantly complied with the state purchase card procedures and the agency's internal purchasing procedures. The agency has also implemented internal controls and the controls appear to be operating effectively in relation to the agency's purchase card program. We performed analytical test work during our planning, completed internal control walkthroughs, and tested 32 purchases against a minimum of 9 compliance requirements for each transaction. Four formal findings were written.



Audit Finding Summary

(Findings are listed by order of importance. Error rates are based on transactions reviewed.)

Finding 16-790-01: Merchant Preferences/Statewide Contracts:

The agency did not comply with merchant preferences through the use of statewide contracts.

Finding 16-790-02: Approving Official/Cardholder Statement

Three cardholder statements did not contain a signature by an approving official that is one level higher.

Finding 16-790-04: Description Field

Cardholders did not fill in the required information for airfare transactions.

(The most significant audit findings are detailed in our audit report. All exceptions noted during our audit have been provided to agency's management.)

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 the agency's purchase card program was in compliance with the audit objectives during the period of Dec. 8, 2014, to Dec.9, 2015. As of Dec. 9, 2015, there were two purchase cardholders and one approving official in the agency.

In total, the agency spent \$8,379.98 over 56 purchase card transactions for the audit period. Transactions reviewed for testing included purchases under \$5,000 and airfare transactions. We used the classical variable sampling method to randomly select our sample for testing. We exercised auditor judgment in adjusting the confidence level and expected proportion of errors in the population based on the risk assessment when applying the classical variable sampling technique. To ensure a sound statistical sample, a minimum sample size of 32 transactions was tested.

DETAILED FINDINGS

Finding 16-790-01: Merchant Preferences/Statewide Contracts:

Condition: During our substantive test work, we noted 19 (100 percent error rate) transactions did not comply with merchant preferences.

- Five transactions, totaling \$641.70, were for office supplies from a non-State Use vendor.
- Four transactions, totaling \$780.51, were for ammunitions and t-shirts and were not purchased through the mandatory statewide contracts.
- Ten transactions, totaling \$2,362.24, were for airfare and were not purchased through the statewide airfare contract.

Effect or Potential Effect: Pre-approved products from the qualified nonprofit entities were not purchased by the agency.

Cardholders circumvented controls that promote reduced cost and increased value for goods and services to the State of Oklahoma.

Cause: The agency stated the prices for office supplies were cheaper through McClain Chitwood than through the State Use contract.

The agency stated ammunition was on backorder through the statewide contract at the time the purchases were made. The agency also stated they were unaware of the statewide contract for t-shirts.

At the time of purchases, the agency had not been trained or made aware of the new online booking system used to purchase airfare.

Criteria: The Oklahoma State Purchase Card Procedures §6, **Purchase Card Operations**, states in part:

6.5 Merchant preferences

P-Card purchases shall comply with the following preferences for certain merchants or types of contracts:

6.5.1 State Use Committee- State Entities shall make P-Card purchases from merchants on the State Use Committee procurement schedule. State Use Committee statewide contracts are mandatory for use. State entities shall reference the State Use Committee procurement schedule to ensure P-Card purchases are pursuant to 74 O.S. § 3007.

6.5.3 Mandatory statewide contracts- State Entities shall make purchases from mandatory statewide contracts regardless of the purchase price unless the State Purchasing Director has issued a waiver to the State Entity.

Recommendation: We recommend the agency cardholders use mandatory statewide State Use products and services when available.

We also recommend the agency communicate to the cardholders the requirements of mandatory statewide contracts and verify that the cardholder is complying with the requirements. Cardholder should receive guidance, access and on-the-job training on how to use mandatory statewide contracts and Concur, the online travel and airfare booking tool for state agencies.

Management's Response

Date: 3/3/2016

Respondent: Executive Director

Response: Concur- We will do our best to be fiscally responsible.

Finding 16-790-02: Approving Official/Cardholder Statement:

Condition: 1) While testing internal controls, we discovered cardholders were not printing out or reconciling their own monthly statements. In our substantive test work, we noted 8 out of 9 statements (89 percent error rate) did not contain the cardholder's signature.

2) During our substantive test work, we noted 3 out of 9 monthly cardholder statements (33 percent error rate) did not contain a signature by an approving official one level higher than the cardholder.

Effect or Potential Effect: 1) When the cardholder reconciliation is not reviewed in its entirety, the risk of purchases made outside of state statute, rules and/or procedures increases.

2) In the absence of the approving officials' signatures on cardholder statements, there is no support showing the cardholders' monthly statement and supporting documentation was independently reviewed for accuracy, completeness, appropriateness of the purchase and whether

the transactions were conducted according to state statutes, rules, procedures and sound business practices. Inadequate participation from the agency's approving official increases the risk that p-cards could be misused.

Cause: 1) The agency did attach a reconciliation sheet created by each individual cardholder in Microsoft Excel with the end of month paperwork as a reconciliation document. The reconciliation does not include the cardholder statement from the Bank of America Works system.

2) The agency was not aware the approving official was required to sign the cardholder statement.

Criteria: 1) The State of Oklahoma Purchase Card Procedures §6.14.1, **P-card holder responsibilities** states in part:

Transactions shall be reconciled by the P-Card holder. In reconciling the transactions, P-Card holders shall use transaction documents to verify purchases and returns are accurately listed in the banks online system.

2) The State of Oklahoma Purchase Card Procedures §3.6, **State Entity Approving Officials**, states in part:

One or more State Entity staff members designated by the State Entity P-Card Administrator to review and approve P-Card holder transactions. State Entity Approving Officials must be at least one level above the P-Cardholder's position and be current with P-Card training. The State Entity P-Card Administrator may designate in writing, Back-up State Entity Approving Officials. The Back-up State Entity Approving Official must be at least one level above the P-Cardholder's position, be current with P-Card training and have a signed P-Card Employee Agreement on file with the State Entity P-Card Administrator.

Recommendation: 1) We recommend the agency revise their internal procedures to ensure that the cardholder is reconciling their transactions with the appropriate documentation from the Bank of America Works System. .

2) Establish and implement procedures to ensure all monthly cardholder statements are signed and dated by the approving official upon concurrence of the reconciliation performed by the cardholder. Further, we recommend that purchase card management monitor such cardholder statements to ensure adherence to the established procedures.

Management's Response

Date: 3/3/2016

Respondent: Executive Director

Response: Concur- We have printed the statements & both the signer and approver are signing each.

Finding 16-790-04: Description Field:

Condition: During our testing of airfare transactions, we noted all 10 transactions did not contain the correct information in the online banking system's description field as required by the State Purchase Card Procedures.

Effect or Potential Effect: Essential information regarding the use of the state's purchase card to purchase travel-related expenses is undocumented and accountability within the system is weakened.

Cause: The agency was not aware of all the travel information requirements to include in the online banking system's description field.

Criteria: The State of Oklahoma Purchase Card Procedures §6.13.1.2.2, **P-card transaction editing**, states in part:

The following information shall be listed in the Bank's transaction system. Some of the information is automatically populated due to Airlines and Lodging Establishments registering as Level 3 merchant; however, the airlines and lodging establishments have 30 days to provide the Level 3 information. Therefore, the P-Card holder is responsible for ensuring the following information is included and may have to enter all of it in the Description field under "Allocation":

- **Airline purchases:** Traveler's name, employee ID number, itinerary/confirmation number, date of travel, and purpose of travel; for travelers that are authorized non-state personnel, include the traveler's name; the justification for the travel, to and from destination; and, dates of travel.
- **Lodging purchases:** Traveler's name, employee ID number, number of nights, City/State, purpose of travel, confirmation number and room rate stating (1) designated hotel; or, (2) standard GSA lodging rate; or, (3) federal high GSA lodging rate.

Recommendation: We recommend the agency implement a process where the approving official should not approve transactions if the cardholder has not entered the correct information in the online banking system's notes field when required by the State Purchase Card Procedures.

Management's Response

Date: 3/3/2016

Respondent: Executive Director

Response: Concur-We will ensure all correct information is input before approval.

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	56	\$8,379.98
Reverse Transactions	0	0
Agent Fees	0	0
Negative Transactions	(2)	\$16.32
Filtered Population	54	\$8,396.30
Sub Population	54	\$8,396.30
Lodging	0	\$0.00
Airfare	10	\$2,362.24
Under \$5,000	44	\$6,034.06
Over \$5,000	0	\$0.00
IT	0	\$0.00
Total:	54	\$8,396.30
Samples		
Airfare	10	\$2,362.24
Under \$5,000	12	\$4,064.05
Judgmental	10	\$938.99

EXECUTIVE SUMMARY

Oklahoma Board of Veterinary Medicine

Mission Statement: To regulate the practice of veterinary medicine by the licensure of veterinarians and veterinary technicians, as well as the investigation of complaints to ensure that licensed veterinarians and euthanasia technicians are practicing within the provisions of the law.

History and Overview:

The primary responsibility and obligation of the Oklahoma Board of Veterinary Medical Examiners as specified in Title 59 Sec. 698.1 et seq and Title 774 of the Oklahoma Administrative Code is to protect the public from the unprofessional, improper, incompetent and unlawful practice of veterinary medicine. Laws, rules and regulations governing the granting and subsequent use of the privilege to practice veterinary medicine are conferred on the Board by the citizens of the State of Oklahoma, acting through their elected representatives. Additionally, the duties of proceeding against the unprofessional and unlawful practice of veterinary medicine and enforcing the Veterinary Practice Act is also delegated to the Board as specified in the above referenced statutes and administrative codes.

Agency Information

The Agency is made up of 6 unclassified employees according to the [Oklahoma Agencies, Boards and Commissions Book](#) as of Sept. 10, 2015.

Board Members

Clint Gardner, DVM
Christine Kunzweiler, DVM
Lawrence McTague, DVM
Carole Dulisse, ESQ
Gary Lenaburg, DVM

Key Staff

Cathy Kirkpatrick, Executive Director, Purchase Card Administrator