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*Auditing for a Better Oregon*

March 17, 2005

Gary K. Weeks, Director  
Department of Human Services  
500 Summer Street NE Dept 15  
Salem, OR 97301-1097

Dear Mr. Weeks:

The Oregon Audits Division has completed a review of Small Purchase Order Transaction System (SPOTS) transactions occurring within the Department of Human Services (department). The SPOTS program provides state credit cards to individual employees for making small purchases for authorized purposes. The purpose of our review was to determine whether adequate controls over SPOTS purchases exist and whether they comply with DAS policies and guidelines controlling state credit card use. During our review we judgmentally selected a sample of 682 transactions occurring between December 2002 and January 2004. Our sample included transactions from 10 employees.

Our review found that SPOTS cardholders did not fully comply with program requirements and restrictions intended to safeguard purchasing. Examples include the following:

- Cardholders did not provide complete documentation including itemized receipts for purchases or a description of the purpose of each item purchased.
- Cardholders permitted other employees to use their cards.
- Cardholders split purchases circumventing the single purchase limit or credit limit.
- Cardholders authorized services to be charged to the credit card prior to the services being completed.
- One cardholder obtained merchandise from a DAS blocked merchant on two separate occasions for a total of \$1,075.30. In both instances, the purchase also exceeded the cardholders single purchase limit.

In addition, we found purchases that could have been obtained at a lower cost if the department would have negotiated for price breaks with the vendor. For example, one vendor was paid approximately \$6,200.00 for ongoing interpretation services from May through December 2003, during which time the department did not have a contract in place. The vendor stated that, based on the volume of service, lower prices are negotiable through contracts upon request and, in fact, the vendor had negotiated volume price breaks with other state agencies in the past.

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Management Letter No. 100-2005-03-01

We have discussed the above instances with department management, who stated that the situation exists due to a lack of supervisory review over cardholder statements and purchases. For example, department management from the Office of Information Services indicated that SPOTS statements and purchases were not reviewed for at least a year or longer. In addition, we were told the department does not have a training program for the managers responsible for reviewing cardholder purchases.

**We recommend** Department of Human Services improve its processes over the Small Purchase Order Transaction System by:

- Developing and implementing a training program directed at managers assigned responsibility for reviewing credit card purchases.
- Developing and implementing a monitoring process to effectively control SPOTS purchases,
- Ensuring that agency managers are reviewing and approving monthly SPOTS statements and purchases in a timely manner, and
- Ensuring cardholders are complying with all DAS policies and guidelines controlling state credit card use, including:
  - a. Retaining complete, clear, itemized receipts and other documents supporting purchases.
  - b. Safeguarding SPOTS cards and not allowing others to use them.
  - c. Abiding by assigned single purchase and credit limits.
  - d. Ensuring services are not charged on the purchase card until the service has been completed.
  - e. Using the card exclusively for authorized purchases that further state business.

**We also recommend** Department of Human Services management periodically review recurring services to determine if volume discounts are available or appropriate.

Should you have any questions, feel free to contact Jamie Ralls or me at (503) 986-2255.

Sincerely,  
OREGON AUDITS DIVISION

Nancy L. Young, CPA, CISA, CFE  
Audit Manager

NLY:brk

cc: Cynthia Scheick, Chief Audit Officer  
David Harrison, Human Resource Manager  
Jeremy Emerson, Administrator, Contracts and Procurement  
Laurie Warner, Acting Director, Department of Administrative Services