

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section

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Desk Audit – Charge Card Program

529 - Texas Health and Human Services Commission



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Table of Contents

Executive Summary	1
Detailed Issues and Findings	2
Insufficient Monitoring Controls	4
Appendix 1 — Desk Audit Process Overview	A.1
Audit objectives	A.1
Comptroller's office responsibilities/supporting statute	A.1
Methodology	A.1
Fieldwork	A.1
Reporting	A.2

Executive Summary

Audit best practices indicate that data analytics has a critical role in uncovering fraud, waste, abuse and monitoring risks. The Comptroller's Fiscal Management Division, Expenditure Audit (EA) section uses data mining techniques to:

- Run statewide systems reports to identify instances of possible fraud, waste, abuse and/or noncompliance.
- Follow up on any found instances by performing desk audits.

The desk audits are conducted in accordance with Texas Government Code, Section 403.011 (13) and assist EA with the annual risk assessment for the post-payment audit process.

In this instance, auditors conducted desk audits of certain agencies' activities based on ad hoc reports from the Uniform Statewide Accounting System (USAS) and provided by Citibank. These desk audits help to determine if state agencies and institutions of higher education have adequate monitoring controls over the purchase and travel card payment process, which prevents rebate losses from the Citibank Charge Card Program.

Texas Health and Human Services Commission (Commission) was identified as an agency with a rebate loss/charged-off amount of \$164,768.29 for the period Sept. 1, 2010, through Aug. 31, 2016, of which \$154,289.91 was identified in a November 2016 post-payment audit.

In a letter dated Aug. 11, 2017, auditors requested the Commission provide its written policies and procedures relating to use and monitoring of purchase and travel cards. Auditors also requested that the Commission indicate if:

- Cardholders with charged-off accounts are still employed with the agency and still use the assigned purchase/travel card.
- Account balances owed to Citibank were paid by the agency or by the cardholders.

The detailed results of the completed review of the Commission's policies, procedures and supporting documentation are described in this report's Detailed Issues and Findings and cover the following issues:

- Payments do not always comply with contract requirements.
- Policies and procedures do not address monitoring credit card payments.
- [Citibank Charge Card Online Program Tools](#) were not used to monitor credit card usage and manage the program.
- Rebate losses were not reimbursed to the state of Texas.

Detailed Issues and Findings

Below is a summary of the Commission's policies, procedures and supporting documentation review:

The Commission's outstanding balances totaling \$164,768.29 are shown to have been settled with Citibank through an offset against rebates that the State of Texas would have received from Citibank. Further, the Commission indicated that all individual cardholders with charged-off account balances had been terminated, except for three. The Commission planned to cancel the three remaining accounts on Sept. 18, 2017. However, the Commission:

- Did not indicate if the three individuals reimbursed the Commission for unpaid balances or if collection efforts were made.
- Did not explain when the cards were suspended and why the cards were not cancelled between 2012 and 2015 in compliance with [34 Texas Administrative Code Section 20.413 \(d\) \(2\)](#).

For the terminated employees, the Commission did not specifically indicate:

- If delinquent balances were recovered.
- How many of the charged-off individual accounts were actually cancelled.
- If all of the cards were recovered from the cardholders.

In the audit response, the Commission indicated it is considering legal guidance to resolve the reimbursement of the \$154,289.91 amount deducted from the 2016 rebate, to restore the funds to Unappropriated General Revenue. The Commission did not indicate how long it would take to resolve the issue that began in 2015.

During the Commission's last post-payment audit, auditors learned that the Commission has a formalized procurement card policy. This policy only covers individual procurement charge cards and does not cover the Commission's Central Billing Account (CBA) travel cards or the agency's Corporate Liability Individual Billed Account (CLIBA) travel cards.

The documentation provided by the Commission as policies and procedures on uses and monitoring of purchase and travel cards consisted of detailed steps for accounting staff collecting card statement information from Citibank. The documentation did not include policies or procedures on:

- Suspension, revocation, or cancellation of cardholder accounts.
- Monitoring active and end-of-employment accounts routinely.
- Collection of past due balances from cardholders.

The documentation provided by the Commission requires updating. It illustrates procedures for travel transaction entry (for hotel costs) by the Department of Aging and Disability Services (a discontinued agency that may have had slightly different policies and procedures) into the Health and Human Services Accounting System (a system that has been replaced by CAPPS Financials).

Though the steps in the Commission's documentation included correct instructions for entering the last 10 digits of the Commission's Citibank master account number in the USAS invoice field, in compliance with the Comptroller's [*Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements* \(FPP A.043\)](#) and [*USAS and CAPPS Financials Invoice Number Field Requirements* \(FPP E.023\)](#), the illustrations (screenshots) show a full 16-digit number that may confuse users.

Insufficient Monitoring Controls

Finding

The Commission did not have sufficient monitoring controls in place to prevent rebate losses from the Citibank Charge Card Program. The Commission incurred a rebate loss/charged-off amount of \$164,768.29 for the period Sept. 1, 2010, through Aug. 31, 2016.

Recommendation/Requirement

The Commission should consider the following:

- Ensuring payments to Citibank comply with state of Texas and Citibank Contract No. 946.M2 and any future contracts.
- Creating policies and procedures to monitor state of Texas travel charge cards and ensure expenses are paid according to the contract terms, thereby eliminating loss to the payment card rebate program. For an example, see the Comptroller Statewide Procurement Division's Travel Charge Card policy and IBT agreement.
- Monitoring cardholder usage and ensuring compliance by using the [Citibank Charge Card Program Audit Tool](#) that flags card activity when it exceeds pre-set program parameters.
- Reimbursing funds to unappropriated general revenue for rebate losses in the amount of \$164,768.29.

Commission Response

The Commission agrees with the Recommendations.

Of the three active employees mentioned in this review, one was closed (suspended) in July 2012, one in April 2013 and one in February 2015. Two of these accounts were paid in full by the traveler. The remaining account still has a balance due; however, it is closed (suspended) but cannot be cancelled until the balance is paid in full as instructed by Citibank. Collection efforts were supposed to be initiated with certified letters sent to the employee in October 2017. However, due to staff turnover and new management, this did not occur. Management is currently working on collection proceedings which include a certified letter to the individual and a vendor hold. For the terminated employees, all accounts were closed (suspended), one in March 2012, one in May 2013 and two in May 2015. The delinquent balance for one of the accounts has been recovered. Collection proceedings for the remaining accounts will also include a certified letter to the individuals and a vendor hold. HHSC estimated completion of these proceedings to be initiated is April 30, 2018, to allow for the agency's legal team review.

In July 2017 HHSC continued to address the 2016 rebate issue with Citibank, TMHP and CPA for assistance in resolving and recouping \$154,289.91. TMHP initially filed a 1099 for payments made to Citibank, as per the IRS rules and third-party contractual responsibilities. TMHP then received a B Notice for an incorrect TIN, notified Citibank and ultimately had to proceed with backup withholdings per IRS direction. TMHP indicates the time has passed to file corrected 1099s (for TIN errors) and would be Citibank's responsibility to recoup funds. HHSC has been unsuccessful in recouping this funding from Citibank. HHSC will work with CPA for additional guidance on resolution.

Due to SB 200 (84th Legislature), during transformation efforts in late August/early September 2017 HHSC began developing new policies and procedures for travel including the CBA/IBA accounts to accommodate the very large traveling programs that HHSC would inherit on Sept. 1, 2017. At the same time, the CPA desk review was auditing activity for the rebate program. Based on the request from the CPA, HHSC provided the policies and procedures which were legacy DADS (539). HHSC was in the midst of implementing these policies and procedures related to Travel Centrally Billed Account (CBA) charge cards and Individual Billed Account (IBA) charge cards. Although HHSC did have policies and procedures adapted prior to this, the agency had adapted DADS procedures, which HHSC was following at the time of the request. However, both HHSC and DADS procedures were very similar in processing the vouchers, these procedures have not been updated to read "HHSC" and is why reference to DADS was included in the documentation. HHSC has been in "Transformation Phase" for a period of time and continues to review existing procedures to ensure they meet the new agency's requirements with Phase II transformation implementation and CAPPs 9.2 upgrade. These updates will be completed by July 31, 2018.

Documentation to support monitoring of the CBA and IBA accounts is being finalized. The practice of monitoring these accounts to prevent delinquency and ensuring active employees are reviewed has been under way as part of the reconciliation of the accounts. Currently, Citibank aging reports are used to review any balances on a monthly basis. Closing the cardholder accounts is managed by the Travel Unit for terminated employees to ensure they no longer continue to have a valid account. A CAPPs HR query identifies terminated employees to ensure that all cards are cancelled. During the termination process of an employee, the supervisor is responsible for collecting all CBA and IBA credit cards as part of their documented Manager Separation process which ensures that the actual card is collected when termination occurs. These procedures will be included in the updates to the policies and procedures by July 31, 2018.

Collection procedures for the IBA charge cards are still being reviewed. This process includes gathering information on a monthly basis, sending out notification to the employees/former employees of balances due and, if still employed, putting the traveler on a vendor hold status and/or cancelling the card. Any employees with past due balances will be notified along with their supervisor that the account is past due. These procedures should be included in the updates to the policies and procedures by July 31, 2018.



Comptroller Response

The Commission stated as part of its response that it puts the traveler on a vendor hold status if still employed by the Commission. Though the traveler is no longer employed by the Commission, there still is an outstanding balance on the charge card that must be paid by the traveler. Therefore, we recommend that the Commission put the traveler on vendor hold regardless of the traveler's current employment status.

Appendices



Appendix 1 — Desk Audit Process Overview

Desk audits are conducted by the Expenditure Audit (EA) section of the Comptroller's Statewide Fiscal Services Department within the Fiscal Management Division in accordance with Texas Government Code, Section 403.011 (13).

Audit objectives

Desk audits use data mining techniques and reports run statewide systems to:

- Identify instances of possible fraud, waste, abuse and/or noncompliance.
- Follow up on any found instances by performing desk audits.

Comptroller's office responsibilities/supporting statute

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher in accordance with Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis in accordance with Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.


Methodology

1. Run ad hoc reports from USAS and Citibank.
2. Use one or more of the following audit criteria:
 - [State of Texas Charge Card Program](#)
 - [State of Texas Procurement Manual – Section 2.45](#)
 - [Procurement Rules](#)
 - [Travel Policies](#)

Fieldwork

For each entity listed on the ad hoc report, auditors must perform the following:

1. Review delinquency reports.
2. Obtain card transactions for delinquent accounts. Have agency determine:
 - a. Is cardholder still employed with the agency or another state agency?
 - b. Did cardholder pay account balance?
 - c. Review cardholder transactions: Expenses travel-related or personal?
Expenses reimbursed?

- 
3. Obtain and review the agency's written policies and procedures to gain understanding of how the agency issues, uses and monitors payment cards.
 - a. Did agency cardholder agreements exist?
 - b. Does the agency have monitoring procedures for cardholder delinquency?
 - c. If so, what are the procedures? Were procedures followed?

Reporting

The audit findings are reported formally to the audited agency in the form of a report. The audit report includes recommendations and requirements for implementing or improving preventive controls that help reduce associated risks.