

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section

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Final

Desk Audit – Charge Card Program 320 – Texas Workforce Commission



Glenn Hegar
Texas Comptroller of Public Accounts

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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 now uses data mining techniques to:

- Run statewide systems reports to identify instances of possible fraud, waste, abuse and/or noncompliance.
- Follow up on any instances found 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 the Citibank reporting system. 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.

The Texas Workforce Commission (Commission) was identified as an agency with 52 credit card payments (consisting of 1,294 line items) totaling \$38,973.44 using the incorrect billing account number in violation of the Comptroller's policy requirements prescribed by [*Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)*](#) and [*USAS and CAPPS Financial Invoice Number Field Requirements \(FPP E.023\)*](#).

In a letter dated Aug. 11, 2017, auditors requested the Commission provide its written policies and procedures relating to the recording of purchase and travel card payment transactions in USAS.

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:

- The Commission used 10 Citibank credit card numbers to process 52 credit card payments (consisting of 1294 line items) instead of using the correct billing account number.
- Policies and procedures are not consistent with instructions in the Comptroller's related policies.

Detailed Issues and Findings

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

The Commission has revised its internal procedures to include the language in FPP A.043 related to the central billing account (CBA) number and corporate liability individual billed account (CLIBA) numbers. The Commission also stated that it has taken steps to make sure that Commission staff responsible for processing third-party reimbursement payments are properly trained on the requirement to enter only the last 10 digits of the CBA number in the invoice number field.

The Commission processed 52 payment transactions (consisting of 1294 line items) using the actual credit card numbers for 10 payment cards, which is confidential and disallowed from being used in processing payments. The Commission did not use the last 10 digits of the CBA as instructed by FPP A.043. The Commission also added spaces followed by other letters or numbers after the credit card number in the invoice number field. FPP A.043 and FPP E.023 both indicate that if the agency wishes to include other information after the last 10 digits of the CBA number, such information must be separated from the 10 digits with a dash (-), without spaces before or after the dash.

Per FPP E.023, payees must be able to identify and reconcile payments they receive from state agencies and institutions of higher education. The invoice number field in USAS and CAPPs Financials should be used to provide payees with the payment-related information they need to reconcile payments. As noted in the policy, payment-related information must not include any confidential or protected health information. Agencies have a responsibility to keep confidential information private. Disallowed data include credit card numbers.

Entering procurement and travel card transactions in USAS or CAPPs Financials requires special considerations for the timely reconciliation of payments. Although the Commission stated that the payments on the Comptroller's report have processed correctly, the risk still exists that other payments that do not include the correct information in the invoice number field will not post to the correct account(s) on a timely basis, leading to the account(s) becoming delinquent and ultimately resulting in lost rebate dollars. Citibank's system posts payments received from the state treasury based on information in USAS and CAPPs Financials. The automated interface expects the last 10 digits of the CBA number, with no spaces or dashes. If Citibank's system retrieves an unexpected value due to incorrect entry in the invoice number field, it will be unable to post the payment automatically. Citibank must then manually research the rejected entry and post the payment to the correct account, which could cause delays in posting.

Also, FPP A.043 and FPP E.023 are consistent with the current Payment Card Industry (PCI) Data Security Standard (DSS). The DSS requirement "Protect stored cardholder data" (Requirement 3) dictates that the primary account number be rendered unreadable anywhere it is stored. This can be done by truncating a portion of the account number. The FPPs require truncating the first six digits of the CBA number. Therefore, the FPPs should be fully and consistently followed for every payment transaction.

Incorrect Billing Account Number

Finding

The Commission processed 52 card payments (consisting of 1294 line items) for \$38,973.44 using an incorrect billing account number. Ten Citibank credit card numbers were used with just the last 10 digits. Posting the complete credit card number opens up the Commission to risks such as unauthorized individuals using the credit card numbers for purchases. Additionally, posting the incorrect account number might result in the vendor (Citibank) not being able to directly or timely post payments to the Commission's payment and travel card accounts.

Recommendation/Requirement

1. The Commission must comply with FPP A.043 when processing card payments. When travel or procurement card charges are paid, only the last 10 digits of the Commission's CBA are to be entered in the invoice number field. It should be noted that while the Citibank CBA happens to be 16 digits, it is not an actual credit card number. Also, any additional information that the Commission wishes to add to the 10 digits as a suffix must be separated by a dash with no spaces before or after.
2. The Commission must use and reference FPP E.023 when processing CBA and CLIBA invoices. Per FPP E.023, agencies have the responsibility to keep confidential information private, including credit card numbers. FPP A.043 and FPP E.023 comply with the current PCI DSS requirements and therefore should be fully and consistently followed for every payment transaction.
3. The Commission should create formal policies and procedures to specifically address payment on CBA credit cards that are consistent with FPP A.043 and FPP E.023.

Commission Response

The Texas Workforce Commission (TWC) has reviewed its written policies and procedures to ensure they conform to FPP A.043 and FPP E.023, relating to the recording of purchase and travel card transactions. TWC staff responsible for processing third-party payments have been properly trained on the requirements to enter only the last 10 digits of the 16-digit central billing account number into the invoice number field instead of the specific account number. If additional information is needed, staff is aware to use a dash after the 10-digit CBA number before entering the additional information.

Although there were a few additional credit card payments during FY2018 using the incorrect billing account number in the invoice number field, TWC has verified that there have been no other instances of noncompliance since May 2018. An exception report will be created and run quarterly by the TWC's Director of Payables and Payroll, or designee, to ensure continued compliance.

Division/Individual Responsible: Director of the Payables and Payroll Department

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 from statewide systems to:

- Identify instances of possible fraud, waste, abuse and/or noncompliance.
- Follow up on any instances found 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 and Contract Management Guide](#), Commercial Charge Card section
 - [Procurement Rules](#)
 - [Travel Policies](#)
 - [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#)
 - [USAS and CAPPS Financial Invoice Number Field Requirements \(FPP E.023\)](#)



Fieldwork

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

1. Review delinquency reports.
2. Obtain and review the agency's written policies and procedures to gain understanding of how the agency enters credit card payments in USAS.
 - a. Do the agency's procedures comply with FPP A.043 and E.023?
 - b. Were the 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.