

Fiscal Management Division  
Statewide Fiscal Services Dept.  
Expenditure Audit Section

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Final

# Desk Audit – Charge Card Program 537- Texas Department of State Health Services



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 uses data mining techniques to:

- Run statewide system 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 determine if state agencies and institutions of higher education have adequate monitoring controls over the purchase and travel card payment process, which prevent rebate losses from the Citibank Charge Card Program.

Texas Department of State Health Services (Department) was identified as an agency with a rebate loss/charged-off amount of \$93,265.05 for the period Sept. 1, 2010, through Aug. 31, 2016.

In a letter dated Aug. 11, 2017, auditors requested the Department provide its written policies and procedures relating to use and monitoring of purchase and travel cards. Auditors also requested that the Department 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 Department'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 Program Online Tools](#) were not used to monitor credit card use and manage the program.
- Rebate losses were not reimbursed to the state of Texas.

## Detailed Issues and Findings

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

The Department's outstanding balances totaling \$93,265.05 are shown to have been settled with Citibank through an offset against rebates that the state of Texas would have received from Citibank. At the time of the response, the Department indicated that 20 out of the 73 individual cardholders with charged-off account balances are still employed with the Department, 40 out of the 73 had been terminated and 13 out of the 73 were expected to transfer to other HHS agencies.

The Department did not:

- Indicate if the 20 employees still employed with the Department reimbursed the Department for unpaid balances or if collections efforts were made.
- 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 53 terminated or potential transfers, the Department 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.

### Travel Card Policy

The Department has a corporate travel charge card policy (policy number FS-1125), revised Nov. 23, 2005. In the audit response, the Department stated the policy indicates:

- The employee is responsible for making timely payments for all charges.
- The state of Texas is not responsible for charges made to the corporate charge card and the payment is the sole responsibility of the employee.

Auditors reviewed the policy document and confirmed that it included these statements. The auditors also noted that the policy included statements regarding cancellation of cards or disciplinary action for noncompliance, and employee responsibility for returning the card upon termination.

The Department also acknowledged there is not a section on monitoring travel cards in the travel card policy. Auditors reviewed the policy and confirmed that no requirements or procedures on monitoring are included. Therefore it is unclear how suspension, revocation, cancellation or the collection of past due balances from cardholders were implemented.

The Department learned in the past few months that the balances are deducted from the rebates received from Citibank.

## Procurement Cards Policy

The Department adopted and provided auditors a copy of the Health and Human Services' procurement card policy (revised Sept. 1, 2017). Auditors reviewed this policy document and noted that this policy document's revision date is after the period under review. Since the Department did not have any charge-off on the procurement card accounts (all charged-off account balances were on travel cards), no further review of this policy document was necessary. The auditors did not request a copy of the policy that was in effect during the period under review.

## Policy Changes

In the audit response, the Department stated it is in the process of implementing a monitoring process to notify card users and their managers via email when their accounts are delinquent (30 days past due). The policy implementation was scheduled to occur after the rollout of a new agency accounting system.

The Department further stated it would move to the new E-Travel System. At that time, the Department would adopt the HHSC system travel policy, which also covers the use of travel cards. Auditors reviewed the HHSC policy the Department provided and noted that it included the following:

- The Travel Office will provide contract management, monitoring and enforcement for vendor services.
- HHS agencies will assume no liability for any charges made on any state travel charge card, and will use normal voucher procedures to reimburse expenses.
- Travelers must pay the travel charge card bills upon receipt of the statements and without regard of the travel reimbursement status.

It is unclear if the Travel Office would be responsible for monitoring timely payment of travel card balances by individual cardholders under these policies.



## Insufficient Monitoring Controls

### Finding

The Department did not have sufficient monitoring controls in place to prevent rebate losses from the Citibank Charge Card Program. The Department incurred a rebate loss/charged-off amount of \$93,265.05 for the period Sept. 1, 2010, through Aug. 31, 2016.

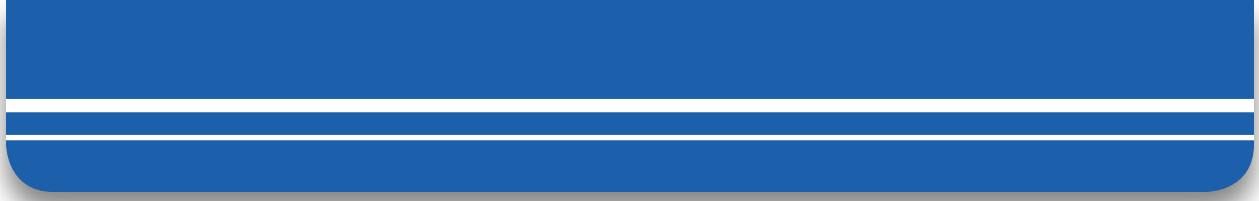
### Recommendation/Requirement

1. The Department must ensure payments to Citibank comply with the state of Texas and Citibank Contract No. 946-M2 and any future contracts.
2. The Department should create or clarify policies and procedures to monitor state of Texas travel charge cards and ensure that expenses are paid timely according to the contract terms, thereby eliminating rebate loss from the Citibank Charge Card Program. See the Comptroller Statewide Procurement Division's statewide travel charge card policy and individual bill account cardholder agreement.
3. The Department should use the [Citibank Charge Card Program Audit Tool](#) to monitor cardholder use and help ensure compliance. This tool flags card activity when it exceeds preset program parameters.
4. The Department must reimburse unappropriated general revenue for \$93,265.05 in rebate losses. The Department should attempt to collect the delinquent balances that were charged off by Citibank from the individual cardholders.

### Department Response

**Response to Recommendation/Requirement #1:** *The agency understands the importance of complying with the current Citibank Contract No. 946-M2 and any future contract. DSHS Travel Charge Card Policy, policy number FS - F1125 will be updated to fully reflect the payment terms and conditions in the current contract. The Individual User agreement will also be updated to reflect the card holder's responsibility and the disciplinary actions for not adhering to the DSHS Travel Charge Card Policy. The agency will communicate with the Comptroller/TPASS when new contracts are negotiated to obtain changes affecting the agency and update DSHS Travel Charge Card Policy as appropriate. In October 2018, the Travel Branch will start monitoring Citibank reports to identify card holders with past due accounts. The Travel Branch will email the card holders and their managers of any delinquency or other issues that may have been found.*

**Response to Recommendation/Requirement #2:** *The agency will update DSHS current policy, Corporate Travel Charge Card Policy, policy number FS-1125 to clarify the card holder's responsibilities and document the disciplinary actions that can be taken if payments are delinquent or if the card holder misuses the card. The agency's process and disciplinary*



*actions will be consistent with Comptroller Form 50-866- Statewide Travel Charge Card Policy and the Corporate Liability Individual Billed Account Cardholder Agreement. The Claims unit is targeting Feb. 1, 2019, to update the policy and implement any changes.*

***Response to Recommendation/Requirement #3:*** *The agency will use the Citibank Charge Card Program Audit Tool to monitor card holder use and help ensure compliance. This process will be implemented by Oct. 9, 2018. We are currently using the Delinquency Report to identify card holders with past due accounts and will email them and copy their managers by email.*

***Response to Recommendation/Requirement #4:*** *The Travel Branch will obtain a list of names of the current and former employees whose delinquent balances were charged off by Citibank and offset against Citibank rebates to the Comptroller. This process will be similar to the agency's policy and process to collect salary overpayments and will be implemented when DSHS Corporate Travel Charge CARD Policy, policy number FS-1125 is updated. The agency will also make the full payment of \$93,365.05 by August 31st.*

# 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](#)

## 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.