

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section

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Final

Desk Audit – Charge Card Program 719 – Texas State Technical College System



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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 determine if state agencies and institutions of higher education have adequate monitoring controls over the purchase and travel cards payment process, which prevents rebate losses from the Citibank Charge Card Program.

Texas State Technical College System (System) was identified as an agency with 327 credit card payments for \$209,065.46 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 System 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 System's policies, procedures and supporting documentation are described in this report's Detailed Issues and Findings and cover the System's following issues:

- System used the full 16 digits of central billing account (CBA) numbers to process 327 credit card payments (consisting of 968 line items) instead of just the last 10 digits.
- Did not append additional information to the CBA number using the correct separator according to the instructions in the Comptroller's related policies.

Detailed Issues and Findings

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

The System stated in its audit response that the issue of using the incorrect invoice number for purchase/travel card payments was brought to its attention a few years back, and asserted that the System's procedures were updated at that time to ensure compliance with the Comptroller's guidelines. In addition, the System provided a meeting agenda from April 18, 2016, which shows that the issue of invoice numbers was discussed. The System stated that all 327 credit card payment transactions noted by auditors as having used the full 16 digits of CBA numbers were from 2014–2015, and were isolated to only the System's West Texas campus. Upon further review of the ad hoc reports, auditors found that two payments (consisting of 10 line items) had payment issue dates in 2016, but the rest were from 2014–2015.

The System provided its most recent written policies and procedures for processing transactions, which was dated July 5, 2017. Auditors reviewed these policies and procedures and determined that they were updated to comply with FPP A.043 and FPP E.023, which specify the 10-digit master statement numbers to use in the invoice number field, and indicate that the statement date should be added to the 10 digits separated by 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 should be used to provide payees with the payment-related information needed to reconcile payments.

Entering procurement and travel card transactions in USAS requires special considerations for timely reconciliation of payments. If FPP A.043 and FPP E.023 are not consistently followed, the risk exists that payments that do not include the correct information in the invoice number field will not post to the correct account(s), 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. 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 System processed 327 card payments (consisting of 968 line items) for \$209,065.46 using the full 16 digits of the CBA number instead of just the last 10 digits. Using the full 16 digits may result in the vendor (Citibank) not being able to directly or timely post payments to the System's purchase and travel card accounts.

Recommendation/Requirement

1. The System 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 System's CBA number are to be entered in the invoice number field. It should be noted that while the CBA number happens to be 16 digits, it is not an actual credit card number. Also, any additional information the System wishes to add to the 10 digits as a suffix must be separated by a dash with no spaces before or after.
2. The System must use and reference [FPP E.023](#) when processing CBA and Corporate Liability Individual Billed Account invoices. 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 auditors acknowledge that the System updated its policies and procedures for processing payment transactions on travel and procurement cards on July 5, 2017, and that these updated procedures are consistent with FPP A.043 and FPP E.023. However, the System should ensure the policies and procedures are enforced and followed.

System Response

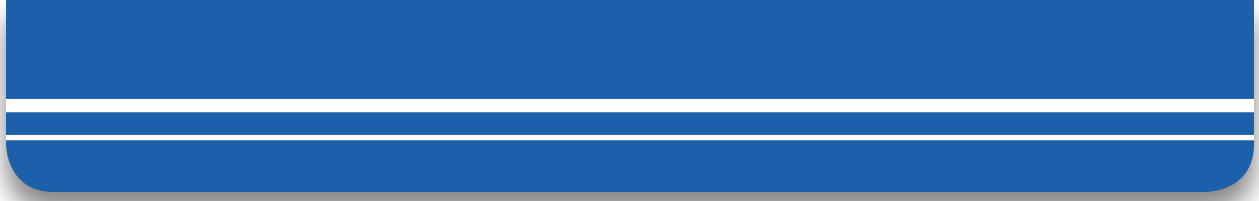
Responsible Division/Department: Finance - Procurement and Travel Services

*Responsible Individuals: Senior Executive Director, Procurement and Travel Services;
Executive Director, Travel and PCard Services*

The System will continue to comply with FPP A.043 and FPP E.023, as stated in the audit report. The System will continue to follow policies and procedures, which have been in place since July 5, 2017, to assure ongoing compliance.

The implementation of these procedures are as follows to ensure the use of only the last 10 digits of the System's master CBA number, a dash (no spaces) and statement date are entered into the invoice field during voucher creation, reviewed on printed voucher by two people and reviewed again in USAS before the batch is released:

- *Internal review of procurement/travel card packet charges - Invoice number is entered into the imaging software system based upon the last 10 digits depending on which CBA is used (**charge card review**).*

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- *Voucher creation and issuance of payment - Invoice number, a dash (no spaces) and statement date are entered into the ERM system as the invoice number and reviewed to ensure the correct digits, dash and statement date are used (**voucher creation**).*
 - *Voucher review and approval of payment - Prior to approving payment and prior to upload into USAS, the printed voucher payment will be reviewed to ensure the correct information is entered into the Invoice field (**voucher QA**).*
 - *USAS batch release - Final review of the invoice field that is in the USAS transaction has the correct digits, dash (no comma) and statement date, prior to balance/release of batches.*

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 the invoice number field on credit card reports. Indicate all payments where incorrect information was entered into this field.
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 FPP 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.