

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section

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Desk Audit – Charge Card Program 533 – Executive Council of Physical and Occupational Therapy Examiners



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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 Executive Council of Physical and Occupational Therapy Examiners (Council) was identified as an agency with 13 credit card payments (consisting of 49 line items) for \$6,190.81 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 Council 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 Council's policies, procedures and supporting documentation are described in this report's Detailed Issues and Findings and cover the following issues:

- The Council used the full 16 digits of the central billing account (CBA) numbers to process 13 credit card payments (consisting of 49 line items) instead of using just the last 10 digits.
- The Council's policies and procedures did not agree with instructions in the Comptroller's related policies prior to Sept. 15, 2017.

Detailed Issues and Findings

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

The Council stated that as of Sept. 15, 2017, it is currently in the process of updating its policies and procedures.

The Council provided a copy of its procedures for processing payment card transactions, dated Sept. 15, 2017. The procedures correctly state that the last 10 digits of the CBA must be entered into the invoice number field in USAS. The Comptroller's ad hoc report shows that all the payment transactions/line items had payment issue dates prior to Sept. 15, 2017.

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.

Entering procurement and travel card transactions in USAS or CAPPS Financials requires special considerations for the 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) 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 by 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 Council processed 13 card payments (consisting of 49 line items) for \$6,190.81 using the full 16 digits of the central billing account (CBA) number instead of just the last 10 digits. Using the full 16 digits might result in the vendor (Citibank) not being able to directly or timely post payments to the Council's purchase and travel card accounts.

Recommendation/Requirement

1. The Council 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 Council'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. Furthermore, any other information that the Council wishes to add to the 10 digits as a suffix must be separated by a dash with no spaces before or after.
2. The Council must use and reference FPP E.023 when processing CBA and corporate liability individual billed account (CLIBA) 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 Council should update its internal accounting policies and procedures to be consistent with FPP A.043 and FPP E.023. The Council should clarify policies and procedures to specifically address payment on CBA credit cards as contrasted with payment to other vendors.

Council Response

The Council agrees with the Recommendation/Requirements.

The Council's internal policies and procedures for processing card payments have been updated.

The Council's staff have been informed of the correct way to process card payments in contrast to payment to other vendors.

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.