

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section

August 29, 2018
Final

Desk Audit – Charge Card Program 733 – Texas Tech University



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 provided by the Citibank Charge Card Program. 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 prevent rebate losses from the Citibank Charge Card Program.

Texas Tech University (University) was identified as an agency with a rebate loss/charged-off amount of \$73,001.94 for the period Sept. 1, 2010, through Aug. 31, 2016.

In a letter dated Aug. 11, 2017, auditors requested the University 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 University'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 adequately 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 University's policies, procedures and supporting documentation:

The University's outstanding balances totaling \$73,001.94 are shown to have been settled with Citibank through an offset against rebates that the state of Texas would have received from Citibank. The University provided auditors with a report showing:

- Twelve out of the 31 individual cardholders with charged-off account balances were still employed with the University. Of the 12 accounts:
 - ◊ Two accounts were listed with no balances.
 - ◊ Five accounts were listed with current balances.
 - ◊ Five accounts were listed with current balances but notated as "resolved with Citibank." (The University identified these as balances that the cardholders had paid.)
- Nineteen out of the 31 individual cardholders with charged-off account balances had terminated employment with the University. Of the 19 accounts:
 - ◊ Five accounts were listed with no balances.
 - ◊ Fourteen accounts were listed with current balances.
- Data was inconsistent with respect to current employment status for two individuals: one column labeled "Current TTU Employees" showed the opposite status of another column labeled "Employed."
- Thirty-one (all) accounts had the card status of "closed."

The University did not indicate if the 19 individuals (five still employed plus 14 terminated) whose accounts had a current balance had reimbursed the University for unpaid balances or if collections efforts were made.

Travel Card Policy

The University requires a State of Texas Travel Card Use Agreement to be signed by the individual travel cardholders. By signing this agreement, the cardholders understand that:

- He or she will be responsible for all charges resulting from use of the card and must pay the account in a timely manner.
- University may request a copy of the corporate card statement and receipts to verify card usage at anytime.

Auditors noted that although the University may periodically or randomly review the travel card statements per this agreement, this control is primarily designed to ensure compliance in usage (i.e., that the card is used only for travel related to official state/University business). The reviews performed may or may not include verification that the cardholder is paying the account in a timely manner.

In the University's audit response, it asserted that it maintains adequate controls for monitoring travel cards even though it is not a party to the cardholder agreement. The University further asserted that the Travel Services Office executes regular queries on delinquent accounts and provides cardholders appropriate reminders and communications as needed.

Auditors agree that the University's policy of running regular system queries on delinquent accounts and sending reminders of balance due to card holders could serve as a monitoring control. However, this control was either not operating effectively or was not sufficient to ensure timely payment of charges by all cardholders in accordance with the Card Use Agreement. Consequently, this caused a loss of rebates payable to the state in accordance with the Citibank Charge Card Program.

The University's State of Texas Travel Card Use Agreement further states that:

- Any misuse will result in cancellation of the Card; and that
- If the account becomes 90 days delinquent, Citibank will cancel the card. However, cancellation of the card for any reason does not relieve the cardholder of the responsibility for payment of the charges and delinquency assessments.

The University also has a policy and procedure, "OP 79.03: Use of the State Travel Card" (revised Nov. 13, 2013), that includes the following clause:

Cancellation of Travel Cards

- a. Citibank will suspend or cancel the use of the card if the charges are not paid in a timely manner. If the card is suspended or cancelled for misuse or nonpayment, the employee will not be eligible for travel advances.
- b. Upon termination of employment, the department has the specific obligation to reclaim the travel card, destroy it and notify Travel Services. Travel Services will then close the account.

Although the University reported that all 31 accounts were closed, it did not specify when the closing occurred, the reasons for closing, or if the University or Citibank initiated the closing. The University also did not explain why the cards were not cancelled between 2012 and 2015 in compliance with [34 Texas Administrative Code Section 20.413\(d\)\(2\)](#).

Procurement Cards Policy

The University did not provide its written policies and procedures relating to use and monitoring of purchase/procurement cards. Since the University did not have any charge-off on procurement card accounts (all charged-off account balances were on travel cards), auditors did not perform additional follow-up on this aspect of the audit.

Insufficient Monitoring Controls

Finding

The University did not have sufficient monitoring controls in place to prevent rebate losses from the Citibank Charge Card Program. The University incurred a rebate loss/charged-off amount of \$73,001.94 for the period Sept. 1, 2010, through Aug. 31, 2016.

Recommendation/Requirement

1. The University must ensure payments to Citibank comply with the State of Texas and Citibank Contract No. 946-M2 and any future contracts.
2. The University should create or clarify policies and procedures to specifically monitor and ensure that expenses charged on state of Texas travel charge cards are paid and 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 University should use the [Citibank Charge Card Program](#) online tool to monitor cardholder usage and help ensure compliance. This tool flags card activity when it exceeds preset program parameters.
4. The University must reimburse the Texas state government's unappropriated general revenue for \$73,001.94 in rebate losses. The University should attempt to collect the delinquent balances that were charged off by Citibank from the individual cardholders.

University Response

See Appendix 2.

Comptroller Response

The Texas Comptroller of Public Accounts (Comptroller's office) has reviewed the University's response (attached as Appendix 2).

1. The University stated its disagreement to the report findings related to insufficient monitoring controls for its Citibank Charge Card Program. The University referred to 34 Texas Administrative Code (TAC), Section 20.413(d)(3), which addresses the individual card holder's responsibility in paying charges on the card. However, the University must also consider:
 - Addressing state agency discretion in approving issuance of the cards to any employee, per 34 TAC Section 20.413(c).
 - Addressing state agency responsibility to ensure that state travel credit cards are cancelled when employees fail to timely pay charges, per 34 TAC Section 20.413(d)(1).
 - Addressing individual cardholders obtaining reimbursement through travel vouchers that comply with this subchapter, the rules and guidelines of the Comptroller's office, and the rules and procedures of their governing entity, per 34 TAC Section 20.413(e).

2. The University indicated that it is not a party to the relationship between an employee and Citibank or the states' contract with Citibank, and therefore does not need to take any actions to ensure employees' timely payments of charges. However, the University decided to participate in this program and required its employees to sign the Texas Tech University State of Texas Travel Card Use Agreement. By doing so, the University subjected itself to the TAC requirements as indicated in item 1 (above), and to the terms and provisions of the Citibank contract.
3. While agencies are not responsible for paying the charges placed on individual travel cards, they are responsible for maximizing the benefit to the state. To that end, the Comptroller's office maintains that agencies are responsible for having effective controls in place that would strongly encourage timely payment of credit card balances by employees. While effective monitoring controls would not provide absolute assurance of timely payment, having the appropriate administrative and disciplinary procedures in place, applying them to offenders, and communicating the results to all cardholders would serve as a strong deterrence against non-payment or late payment, which adversely impacts the rebate earned by the state.
4. The Comptroller's office appreciates the University's willingness to remit \$44,286.19 in rebate losses. The Comptroller's office contends that the full \$73,001.94 is due.

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?
 - a. Did cardholder pay account balance?
 - a. 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?
 - a. Does the agency have monitoring procedures for cardholder delinquency?
 - a. 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.

Appendix 2 — Agency Response



TEXAS TECH UNIVERSITY

Office of the Vice President for Administration & Finance
Chief Financial Officer

July 5, 2018

Ms. Somaia Farag
Expenditure Audit Supervisor
Texas Comptroller of Public Accounts
P.O. Box 13528
Austin, Texas 78711-3528

Ms. Farag:

Thank you to you and your team for taking time to visit with Texas Tech System Administration and Texas Tech University (TTU) staff on Monday, June 25, 2018 regarding the preliminary findings for the Desk Audit on TTU's State Travel Card program. This letter will serve as TTU's response to the preliminary audit report provided to my office on Wednesday, June 6, 2018.

As noted during the above referenced telephone call TTU has a fundamental disagreement with the report's findings concerning the loss of rebate revenue to the state being the responsibility of the institution. Per 34 Texas Administrative Code Section 20.413 (d)(3) *"individuals who are issued state travel credit cards understand that payment of charges on state travel credit cards is the sole responsibility of the individual and that the state shall not be responsible for the charges or for nonpayment by the employee."* As documented in the initial response to your office, TTU now has appropriate monitoring in place regarding unpaid balances. Notices are sent to employees on a monthly basis, and those employees are encouraged to satisfy their obligations to Citibank as soon as possible. An important point that needs to be reiterated is the fact that TTU cannot compel an employee to make payment to an external corporate entity, in this instance, Citibank; punitive action up to and including termination, will still not ensure that an employee makes payment towards their privately held debt.

In the preliminary finding, it is noted "Auditors agree that the University's policy of running regular system queries on delinquent accounts and sending reminders of balance due to card holders could serve as a monitoring control. However, this control was either not operating effectively or was not sufficient to ensure timely payment of charges by all cardholders in accordance with the Card Use Agreement." Since the debt is held by the employee and TTU is not a party to the relationship between the employee and Citibank, there are no actions on the part of TTU that could compel an employee to timely pay the outstanding charges to Citibank. The preliminary finding further notes that there did not seem to be evidence of collection efforts on behalf of TTU with regard to the outstanding or charged off balances. The employees do not

have a debt with TTU; as such, the institution does not have any authority to pursue collection efforts related to outstanding balances. TTU is not a party to nor privy to the state's contract with Citibank, thus we believe, the responsibility for collection lay with Citibank and its normal practices for pursuing balances.

TTU will concede that it does not currently have a policy in place whereby state travel cards will be cancelled for balances that are overdue by more than 30 days. The institution was reliant upon Citibank to suspend cards for accounts that reached 61 days past due or cancel the cards when balances went unpaid for 90 or more days. Because TTU is not a party to the agreement between Citibank and the State of Texas, there was not an awareness of the "timely payment" requirements nor that Citibank would reduce the rebate funds by the amount of charge off balances. There is no definition of "timely payment" in the Texas Administrative Code.

Upon further review of the 31 accounts closed by Citibank from September 1, 2010 through August 31, 2016, the time period covered by this audit TTU found that 25 employees charged \$44,286.19 beyond the 30th day that the Comptroller's Office contends the cards should have been cancelled by the institution. Although cancellation on the 31st day is not the policy of any credit card company we are aware of, TTU is prepared to remit payment for this amount in order to satisfy the findings of this audit.

In response to the recommendations/requirements listed in the preliminary findings document:

1. The University is still unsure as to how to comply with this recommendation/requirement. There is no mechanism by which to compel an employee to make payment to an external corporate entity.
2. TTU will update its monitoring practices accordingly and will no longer rely upon Citibank to cancel cards with outstanding balances of more than 61 days.
3. This practice is currently in place, but will be used in tandem with the policy updates noted in #2 above.
4. TTU is not a collection entity and does not possess the tools nor the means to compel current, much less former, employees to make payment to an external corporate entity. TTU is prepared to remit \$44,286.19 in order to satisfy its obligation to the state.

Should you have any additional questions or need to seek further clarification on any of the points made above, please feel free to contact me. Thank you for your time and consideration regarding this matter.

Sincerely,



Noel Sloan
Vice President for Administration & Finance
and Chief Financial Officer