

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section

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Final

Desk Audit – Charge Card Program 580 – Texas Water Development Board



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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 cards payment process, which prevents rebate losses from the Citibank Charge Card Program.

Texas Water Development Board (Board) was identified as an agency with six credit card payments for \$59,613.09 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 Board 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 Board's policies and procedures are described in this report's Detailed Issues and Findings and cover the following issues:

- The Board used one Citibank credit card number to process one credit card payment (consisting of 43 line items) instead of the correct billing account number.
- The Board used the full 16 digits, with dashes inserted, of two central billing account (CBA) numbers to process five credit card payments (consisting of 194 line items) instead of just the last 10 digits.
- The Board 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 review performed on the Board's policies and procedures (The Board did not provide any supporting documentation or additional explanation in its audit response):

In reviewing the ad hoc reports, auditors noted that all 237 line items for which the Board used an incorrect billing account number have payment issue dates in 2016. The Board provided "Citibank Statement Reconciliations, FY 2018 Procedures," last revised 09/01/2017. Within these procedures, auditors noted that the Board's instruction regarding the entry to the invoice number field is consistent with the format required by the Comptroller's FPP A.043 and FPP E.023. However, it might not have been enforced at the time these transactions were processed.

In reviewing the Board's procedures, auditors further noted that the Board uses an off-the-shelf accounting package called MIP, and a GL Accountant must interface/post the payment transactions into USAS. It was not determined if this interface/posting occurs automatically (e.g., as a batch process) or manually.

The ad hoc reports show that the Board processed five credit card payments (consisting of 194 line items) using the full 16 digits of two different CBA numbers. For the Invoice Number field of each line item, the Board entered the 16 digits in groups of four, separated by dashes (-). This practice conflicts with the Comptroller's FPP A.043 and FPP E.023, both of which dictate that only the last 10 digits of the CBA number is to be entered, and that a dash is to be used as a separator between the 10 digits and other information which the agency wishes to add in the Invoice Number field.

The Board also processed one credit card payment (consisting of 43 line items) using the actual Citibank credit card number. The Board entered the credit card number followed by a colon, and some additional information in the invoice number field. This practice again conflicts with the Comptroller's FPP A.043 and FPP E.023, both of which dictate that the actual credit card number is not to be used when processing CBA card payments.

The Board also provided "Citibank Air Bill Reconciliation, Fiscal Year 2018" for auditors to review. This document was also last revised 09/01/2017. These procedures provide instructions on gathering the supporting documentation for air travel, and culminate with data entry in the MIP system. Since these procedures do not involve or mention interfacing/posting information to USAS, no further review was necessary. As a matter of best practice, state agencies and institutions of higher education should generally avoid using credit card numbers, partial credit card numbers, or other confidential information when making payment-related entries in their internal accounting system.

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. 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 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 Board processed six card payments (consisting of 237 line items) for \$59,613.09 using an incorrect billing account number. One Citibank credit card number and the full 16 digits of two CBA numbers were used instead of just the last 10 digits. Posting the credit card number opens the Board up to risks such as unauthorized individuals using the credit card number for purchases. Additionally, posting the incorrect account number may result in the vendor (Citibank) not being able to directly or timely post payments to the Board's purchase and travel card accounts.

Recommendation/Requirement

1. The Board 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 Board'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 other information which the Board wishes to add to the 10 digits as a suffix must be separated by a dash with no spaces before or after.
2. The Board must use and reference FPP E.023, when processing CBA and Corporate Liability Individual Billed Account 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. Auditors acknowledge that the Board has updated its policies and procedures for processing payment transactions on travel and procurement cards on Sept. 1, 2017, and that these updated procedures are consistent with the Comptroller's FPP A.043 and FPP E.023. However, the Board should enforce it and ensure it is followed.

Board Response

The Texas Water Development Board (TWDB) acknowledges that the six purchase/travel payment documents referenced in the Preliminary Desk Audit of credit card payments were processed using an incorrect billing account number in the invoice field.

TWDB's Finance Division management staff has reviewed the documents in question and has updated the credit card payment procedures and trained staff. As a result, payments are now being processed and in compliance with the Comptroller requirements.

Date Completed: September 2017

Responsible Party: Accounting Director

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](#)
 - [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.