

Fiscal Management Division
Statewide Fiscal Oversight Dept.
Expenditure Audit Section

September 7, 2018

Final

Desk Audit – Charge Card Program 405 – Texas Department of Public Safety



Glenn Hegar
Texas Comptroller of Public Accounts

Table of Contents

Executive Summary	1
Detailed Issues and Findings	2
Insufficient Monitoring Controls	3
Appendix 1 — Desk Audit Process Overview	A.1
Audit objectives.....	A.1
Comptroller’s office responsibilities/supporting statute.....	A.1
Methodology	A.1
Fieldwork	A.1
Reporting	A.2

Executive Summary

Audit best practices indicate that data analytics has a critical role in uncovering fraud, waste, abuse and monitoring risks. Comptroller's Fiscal Management Division, Expenditure Audit (EA) section 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 provided by 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.

The Texas Department of Public Safety (Department) was identified as having a rebate loss/charged-off amount of \$92,253.09 for the period of Sept. 1, 2010, through Aug. 31, 2016, of which \$39,453.54 resulted from an agency central billed account (CBA). Terminated employees who left the agency while owing/having an outstanding balance accounted for \$25,266.69 of the rebate loss.

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 did not always comply with contract requirements.
- Policies and procedures did not address monitoring credit card payments.
- [Citibank Charge Card Online Program Tools](#) were not used to monitor credit card usage and manage program.
- Rebate losses were not reimbursed to the state of Texas.

Detailed Issues and Findings

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

The Department's outstanding balances totaling \$92,253.09 are shown to have been settled with Citibank through an offset against rebates that the state of Texas would have received from Citibank. Further, the Department indicated that 28 individual cardholders with charged-off account balances were still employed and that 28 had been terminated. However, for the employed cardholders, the Department:

- Reported that only ten out of the 28 individual cardholders have paid their outstanding balances.
- Reported that as of September 2017, 18 individuals still have outstanding balances and it was not clear if collection efforts were made by the Department to collect those outstanding balances totaling approximately \$18,236.
- Did not explain whether the cards have been suspended and why the cards were not cancelled between 2012 and 2016 in compliance with [34 Texas Administrative Code Section 20.413\(d\)\(2\)](#).

In the Department's response for terminated employees, it did not specifically provide the following information:

- If delinquent balances totaling approximately \$23,986 were recovered.
- How many of the charged-off individual accounts were actually cancelled.
- If all of the cards were recovered from the cardholders.

The documentation provided by the Department as policies and procedures on uses and monitoring of travel cards is in a draft form and not finalized. The draft policy did not address:

- Suspension, revocation, or cancellation of cardholder accounts.
- Monitoring active and end-of-employment accounts routinely.
- Collection of past due balances from cardholders.

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 \$92,253.09 for the period Sept. 1, 2010, through Aug. 31, 2016.

Recommendation/Requirement

- The Department must ensure payments to Citibank comply with state of Texas and Citibank Contract No. 946.M2 and any future contracts.
- The Department should implement policies and procedures to monitor state of Texas travel charge cards and ensure that expenses are paid and paid timely according to the contract terms, thereby eliminating rebate loss from the Citibank Charge Card Program. For an example, see the Comptroller Statewide Procurement Division's Travel Charge Card policy and IBT agreement.
- The Department must monitor cardholder usage and ensuring compliance by using the [Citibank Charge Card Program Audit Tool](#) that flags card activity when it exceeds pre-set program parameters.
- The Department must reimburse funds to unappropriated general revenue for rebate losses in the amount of \$92,253.09, to the extent possible.

Department Response

The Department of Public Safety (DPS) agrees with this audit recommendations, and in the coming months will incorporate the following steps as a result of this audit:

1. *DPS will ensure payments to Citibank comply with current and any future contracts.*
2. *In order to strengthen DPS's current monitoring policies and procedures of travel card charges, by March 31, 2019 the agency will update policies around travel card delinquencies to improve employees' payment of aging accounts. This may include:*
 - *Suspending delinquent accounts until travel account is paid in full.*
 - *Using the warrant hold process for employees who have left the agency with delinquent travel accounts.*
 - *Engaging delinquent employees' chain of command to be sure the delinquent activity is addressed as a job performance issue, and included in the evaluation of the employee's job performance.*
3. *By April 30, 2019, DPS will develop processes to incorporate Citibank's Audit Tool into monitoring of card holder usage.*
4. *DPS will process a payment to reimburse \$92,253.09 in the next 30 days.*

Appendices



Appendix 1 — Desk Audit Process Overview

Desk audits are conducted by the Expenditure Audit (EA) section of the Comptroller's Statewide Fiscal Oversight 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.

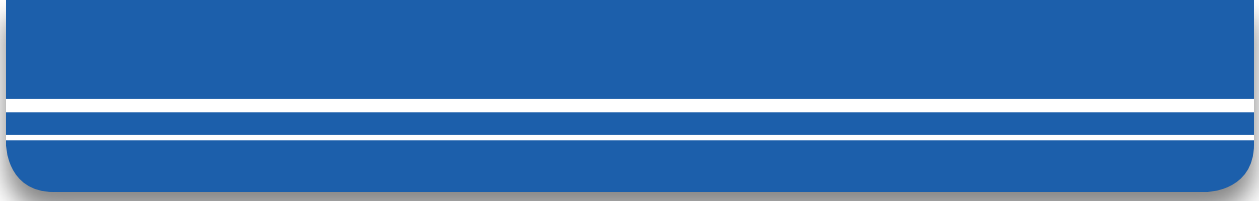
Methodology

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
 - [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.