

Fiscal Management Division
Statewide Fiscal Oversight Dept.
Expenditure Audit Section

September 10, 2018
Final

Desk Audit – Charge Card Program 752 – University of North Texas



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.

The University of North Texas (University) was identified as an agency with a rebate loss/charged-off amount of \$87,289.88 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 University 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 response 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.
- The University did not provide/create policies and procedures that address monitoring credit card payments.
- [Citibank Charge Card Program Online Tools](#) were not used to monitor credit card usage and manage the program.
- Rebate losses were not reimbursed to the state of Texas.

Detailed Issues and Findings

Below is a summary of the review performed on the University's response and supporting documentation:

The University's outstanding balances totaling \$87,289.88 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 an Excel spreadsheet showing that:

- Nineteen out of the 40 individual cardholders with charged-off account balances were employed with the University at the time; 21 out of the 40 had terminated.
- Forty (all) accounts had "inactive" card statuses.

The University did not indicate if the 40 individual cardholders paid Citibank for the unpaid balances or if collections efforts were made. According to the Citibank contract in effect at the time of the audit, accounts that are delinquent for more than 90 days (at day 91) are closed; at 181 days, the account is charged off and the balance is subtracted from the state's annual rebate.

Travel Card Policy

The University stated that it has a training process on travel procedures. It also asserted that there is a travel guideline, which includes a reminder to cardholders that charges placed on individually billed travel cards are the responsibility of the cardholders for timely payment. However, the University did not provide either of these documents for auditors to review.

While the auditors agree that individually billed travel cards are the responsibility of the individual cardholders in terms of timely payment, it's the University's responsibility to design, implement, and maintain appropriate and effective internal controls to ensure timely payment and thereby eliminate rebate loss from the Citibank Charge Card Program. According to [34 Texas Administrative Code Section 20.413\(d\)\(2\)](#), state agencies shall ensure that state travel credit cards are cancelled when the employee fails to pay the charges timely. It further states that individuals eligible to use state travel credit cards shall comply with the reimbursement rules and procedures of their governing entity.

The University's audit response also stated, "confirmed with CitiBank that these accounts are no longer active and CitiBank closes an account once it is charged off." However, the University did not explain:

- If the 19 individuals still employed with the University reimbursed the University for unpaid balances or if collection efforts were made; and
- When the cards were suspended and why the cards were not cancelled between 2012 and 2015 in compliance with [34 Texas Administrative Code Section 20.413\(d\)\(2\)](#).

For the 21 individuals who were terminated, the University did not specifically indicate:

- If delinquent balances were recovered.
- If all of the cards were physically recovered from the cardholders.

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 \$87,289.88 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 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.
4. The University must reimburse the state of Texas' unappropriated general revenue for \$87,289.88 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

1. The Comptroller's office has reviewed the University's response (attached as Appendix 2) and appreciates the University's willingness to revise its policies and procedures to improve program monitoring to ensure compliance related to the IBT card program, and to implement revisions consistent with the Statewide Travel Charge Card policy and the Individual Billed Account Cardholder Agreement to "serve as a strong deterrent against non-payment or late payment" by Sept. 1, 2018. Responses 2-4 pertain only to the University's response to recommendation 4 in the report.
2. In participating in the Citibank Commercial Charge Card Program, the University subjected itself to TAC requirements and to the terms and provisions of the Citibank contract. The contract and Program Administrator Guide indicate that all credit losses are deducted from the rebate payment and that charged-off accounts negatively affect the state's rebate.

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3. We believe the University is misinterpreting this reimbursement request to be a re-characterization of the employees' debt as a "rebate loss" and that this is a request for payment of employees' debt to Citibank. When payments on individual accounts are not made or are paid late, the exact amount of delinquent balance on the individual billed travel cards are charged off against the rebate due to the state, meaning the state receives less than it would otherwise receive. Also, the state does not earn any percentage of rebates, which was not included in the amount reported in the audit.

At 181 days, the individual billed accounts charges off, thus affecting the rebate paid to the State. After charge-off, whether Citibank sends the account to a collection agency or considers the debt as extinguished is a different issue and is separate from the state rebate loss. The University is not responsible for payment of employees' debt to Citibank.

4. The Comptroller's office contends that the University should immediately reimburse the state's unappropriated general revenue for the rebate loss amount of \$87,289.88.

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
 - [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?
 - b. Did cardholder pay account balance?
 - c. Review cardholder transactions: Expenses travel-related or personal?
Expenses reimbursed?

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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.

Appendix 2 — Agency Response



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August 17, 2018

Delivered via Email to: jack.lee@cpa.texas.gov

Mr. Jack Lee, CPA, CFE
Expenditure Audit, Fiscal Management Division
Texas Comptroller of Public Accounts
111 East 17th Street
Austin, Texas 78744

Dear Mr. Lee,

Per your request, the University of North Texas herein submits its formal response to the findings and recommendations made in the Preliminary Desk Audit Report on the Charge Card Program. The University will address, in turn, each of the numbered recommendations and requirements listed on page 4 of the report.

1. The University must ensure payments to Citibank comply with the state of Texas and Citibank Contract No. 946-M2 and any future contracts.

Response: The University's payments to Citibank and travel reimbursements to individuals that had individually billed travel (IBT) cards are compliant with the state of Texas rules and Citibank Contract No. 946-M2. Additionally, the University will ensure that future payments will continue to comply with the state of Texas rules and any future contracts.

2. The University should create 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 Comptroller Statewide Procurement Division's Statewide Travel Charge Card Policy and Individual Bill Account Cardholder Agreement.

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Response: The University has policies and procedures related to the state of Texas travel charge card to ensure that expenses charged on the card are paid and paid timely according to the contract terms. Please see the attached document titled "UNT System Travel Guidelines" at page 5, specifically the section titled "Individually Billed Travel Card (IBT)". Based on a comparison of the University's policies regarding IBT cards and the Statewide Travel Charge Card Policy, the University acknowledges that its policies and procedures could be revised to improve program monitoring related to the IBT card program. The University agrees with CPA's statement that "effective monitoring controls do not provide absolute assurance of on-time payment" and similarly does not believe it can eliminate all possibility of rebate loss stemming from the Citibank Charge Card Program. The University will implement (or has implemented) revisions consistent with the Statewide Travel Charge Card policy and the Individual Billed Account Cardholder Agreement to "serve as a strong deterrence against non-payment or late payment" by September 1, 2018.

3. The University should utilize the Citibank Charge Card Program online tool to monitor cardholder usage and help ensure compliance.

Response: The University monitors the state travel card program and reviews monthly reports regarding the accounts. It used the Citibank online tool to verify the amounts in question when data was first requested for the desk audit. All the IBT cards related to the delinquent accounts were closed within 90 days as specified in the cardholder agreements. This limited the potential exposure to additional unpaid balances. The University will continue to monitor cardholder usage and revise its policies to help ensure compliance.

4. The University must reimburse the state of Texas' unappropriated general revenue for \$87,289.88 in rebate losses. The University should attempt to collect the delinquent balances that were charged off by Citibank from the individual cardholders.

Response: The University agrees that the amount of the delinquent balances on the IBT cards is \$87,289.88. While the University is troubled by the actions of some employees, the University is unsure that re-characterization as a "rebate loss" means the amount no longer constitutes a delinquent balance created through a contractual relationship between individual employees and Citibank to which the University was



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not a party. However, to the extent payment of these individuals' debts is not prohibited by the constitution of the State of Texas, University will explore options by which to refund the amounts Citibank used to make itself whole.

Thank you for the opportunity to provide this response. The University looks forward to working with the Expenditure Audit Section to resolve these issues.

Sincerely yours,

C. Aaron LeMay, CPA
AVC Finance & System Controller
University of North Texas System

Enclosure

cc: Bob Brown, UNT Vice President for Finance and Administration
Abdul N. Mohammad, Sr. Associate Controller for Operations, UNT System