

The University of Texas at San Antonio

UTSA Auditing & Consulting Services

Credit Card Audit

Project# 2023-20

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Executive Summary

Conclusion

UTSA and Financial Affairs have taken significant steps to implement best practices into the credit card processes to ensure compliance with state and university policies and financial guidelines. Though, fundamental enhancements could increase the effectiveness and efficiency of reviewing expenditures and authorizing payments.

Observation Rating

Priority
High
Medium
Low
Satisfactory

Background

Disbursement and Travel Services (DTS) and the Credit Card Program Manager administer and submit payments to the credit card company for all credit card transactions to comply with the Texas Prompt Payment Law and other regulations. Division and department managers are responsible for ensuring that expenses purchased by cardholders are appropriate. The credit card program transitioned to using OneCard in 2020. Before, we had two credit cards for purchases and travel.

Audit Objectives

- Determine that efficient and effective processes are in place to ensure credit card usage complies with state and university purchasing policies and procedures
- Identify and investigate undetected misuse of credit cards

Scope

- Fiscal Year 2022 credit card transactions (*over 35k transactions totaling approximately \$9.74M*)

Out of Scope

- Credit card transactions that occurred prior to FY2022

Observations, ratings, and planned implementation dates:

1	Lack of detailed documentation to support business purposes for purchases	08/31/2024
2	All individuals involved in the credit card purchasing lifecycle do not receive training	08/31/2024
3	Credit card purchases included transactions for restricted businesses and commodities	08/31/2024
4	Credit card default cost center payments are not monitored, reconciled and documented	08/31/2024
5	Inconsistencies between financial guidelines, security standards, training, and business practices	03/31/2024
6	Credit card numbers were stored by vendors and suppliers	12/31/2023
7	Cardholder accounts are not promptly deactivated while on extended leave	12/31/2023

Audit Observations

1. Lack of detailed documentation to support business purposes for purchases

Medium

Observation

Condition

The majority of non-PO vouchers submitted for payment of cc statement contained the receipts and Business Entertainment Forms as required by Financial Guidelines. However, the approval and review processes could be more efficient and effective if a more detailed description of the business purpose for the purchases were included in the voucher or on the receipts submitted.

Criteria

The Financial Guidelines for the One Card Program and Business-Related Hospitality and Entertainment Expenditures (*Sections L, M, and H*) state:

- Itemized receipts should be provided for all credit card charges
- All transactions should be authorized, and for correct amounts
- All transactions should be for business purposes and comply with policies and guidelines
- BEFs must be completed and certified by the department, and the type of event and purpose/relevance to UTSA business

In addition, Texas Administrative Code (TAC 34.1.5.E Rule 5.57) states:

- "The receipt must contain a description of the goods or service purchased that is sufficient to support the expenditure object code used by the agency."

Cause

- Training material (AM0590.01) and guidelines are not congruent.
- Department approvers are not required to complete training
- Policy/guideline exceptions are not documented (i.e., Athletics).

Impact

Lack of documentation brings into question the review and approvals for credit card purchases which might allow inappropriate purchases to go undetected.

If inconsistencies, breakdowns, or non-compliance occur, then the restricted, fraudulent or improper expenditures may have taxable or legal consequences to UTSA and the cardholders.

Management Action Plan

Management will evaluate the review process, including the information requested on the vouchers. The process for blanket Business Expense Forms (BEF) will be reviewed by the DTS Director. Any changes will be updated in training, guidelines and communicated appropriately.

Department cardholders and approvers are ultimately responsible for ensuring all purchases and payments for goods and services, as well as all expenses coded to funding sources (e.g., cost centers, projects), are meant for exclusive university business purposes.

DTS management will continue with annual staff training on review procedures and supporting documentation expectations. The Assistant Vice President for Supply Chain will review overall credit card review procedures, in consultation with Audit, to examine opportunities to update the review process to a more risk-based approach.

Responsible Party: DTS and all UTSA departments

Planned Implementation Date: August 31, 2024

Audit Observations

2. All individuals involved in the credit card purchasing lifecycle do not receive training

Medium

Observation

Impact

Management Action Plan

Condition

Approvers and some cardholders involved in the credit card transaction lifecycle process are not trained to ensure the appropriate usage of credit cards in compliance with federal, state regulatory, and UTSA guidelines. Furthermore, those that are trained are not required to complete refresher training to ensure that they are informed of timely guideline updates.

Department managers are primarily responsible for ensuring that transactions are appropriately reviewed, approved, documented, and completed on time. If they do not receive proper instruction, inconsistencies within the credit card control environment and the process will occur, which department managers are responsible for establishing and documenting.

To ensure a seamless conversion to the One Card Program in 2020, existing Procard/CLIBA credit card holders were reauthorized by the Financial Leads as to which One Card privileges would be granted and/or whether they would continue to be One Card holders. Those approved by the respective offices were automatically issued cards with the authorized credit limits and any additional privileges (Oct 2021). The training was recommended, not a requirement for this transition.

Criteria

The Financial Guidelines for the One Card Program, Section R. Training, states:

- Texas requires cardholders to attend credit card training.
- Department managers and other employees are responsible for staying informed of policies, procedures, and other requirements.

After the conversion, all new cardholders must complete the on-demand training developed to have the One Card limit raised to the authorized limit. Until they provide the certificate of completion, the limit remains at \$1.00.

Consideration will be given to mandating approval training and cardholder refresher training at a frequency deemed reasonable and appropriate. DTS has collaborated with financial leads to offer an abbreviated version of the One Card training to department managers and will evaluate whether any approval training should be implemented.

Cause

The state and UTSA require cardholders to attend credit card training, but departments or designated approvers are not required to complete the same training as cardholders.

Responsible Party: Credit Card Administration/DTS

Planned Implementation Date: August 31, 2024

Audit Observations

3. Credit card purchases included transactions for restricted businesses and commodities

Medium

Observation

Condition

Some credit card transactions included purchases with restricted businesses and items prohibited as outlined in the UTSA guidelines. Additionally, the approved non-PO vouchers and BEFs lacked documentation showing support of pre-approval and exceptions granted, which will further clarify the business justification for the purchase.

Criteria

The One Card can be used for allowed transaction types – payment for goods and services, authorized travel, and certain hospitality expenses outlined in the specific credit card, travel, and purchasing guidelines. The use of the One Card is restricted unless otherwise specified for the following transaction types:

- Restricted Businesses – *pharmacies, restaurants*, grocery stores*, wholesale clubs*, caterers*, etc.*
- Restricted Commodities – *hazardous chemicals, gift cards, cell phones, rent/leases, etc.*

*Only allowable with special event privileges, per UTSA guidelines.

Cause

- Department approvers are not required to complete training.
- Limited oversight is completed at all credit card hierarchy levels.
- Training material (AM0590.01) and guidelines are not aligned.

Impact

Improper purchasing, tracking, and monitoring of high-risk commodities (e.g., hazardous chemicals).

Improper use of funds.

Ultimately, but very unlikely, the State of Texas Comptroller of Public Accounts Office could suspend or cancel UTSA's participation in the Citibank One Card program if non-compliance or violations of the state's highly restrictive requirements are not entirely followed.

Management Action Plan

Cardholders will be notified and training enhanced to ensure that all preapprovals and exceptions are documented in the non-PO vouchers and BEFs submitted for payment of the credit card statement. Financial Guidelines will be evaluated and modified as necessary to identify those restricted commodities that require pre-approval prior to purchase with credit card.

Responsible Party: Supply Chain/Credit Card Administration/DTS

Planned Implementation Date: August 31, 2024

Audit Observations

4. Credit card default cost center payments are not monitored, reconciled and documented

Medium

Observation

Impact

Management Action Plan

Condition

Credit Card default cost center payments are not monitored to ensure they are documented and reallocated to the appropriate cost centers and account codes.

Criteria

DTS charges the default cost center if documentation is incomplete or missing or the monthly payment (*approved non-PO voucher*) is not submitted by the deadline. Per the financial guidelines, departments are responsible for submitting correction requests to Accounting Services and providing the relevant documentation.

DTS ensures that monthly credit card payments are made promptly to comply with the Prompt Payment Law by charging to the default cost center.

Cause

The Financial Guidelines for the One Card Program do not illustrate the complete default cost center payment lifecycle and oversight responsibilities.

By paying through the default cost center payment account, UTSA is not ensuring that a complete reconciliation is occurring, showing proper approvals by department managers, and retention of the documentation supporting the purchases. Inappropriate purchases could not be detected through our current process of handling default cost center payments.

If not adjusted/corrected, the expenses may be paid from the incorrect cost center causing available budget balances in other cost centers to be overstated.

It is the responsibility of the department managers, cost center approvers, and SAHARA reconcilers to ensure that when expenses are paid, they verify that all expenses are coded correctly and are charged to the correct funding sources prior to the SAHARA reconciliation being completed and approved monthly.

DTS will identify opportunities for increased management reporting in this area and coordinate with Accounting Services to update the default expense account code.

Responsible Party:

- DTS/Accounting – will identify the appropriate account code for default payments
- College Financial Leads – all SAHARA reconcilers and department managers
- DTS will provide CFL reminders and additional training as needed.

Planned Implementation Date: August 31, 2024

Audit Observations

5. Inconsistencies between financial guidelines, security standards, training materials, and business practices

Medium

Observation

Condition

UTSA credit card guidelines, the cloud computing security standard, training, and practices are not aligned.

Criteria

UTSA credit card and purchasing policies, guidelines, security standards, and training material should be consistent to ensure effective business processes and practices.

Cause

- Purchasing guidance is included in other non-purchasing guidelines; for example,
 - University Technology Solutions (UTS) policies (Chapter 11),
 - Office of Information Security Standards (OIS Standard 49),
 - Laboratory Safety – Chemical Safety and Hazard Communication Plan (2021).
- Training AM0590.01 provides more guidance than the guidelines.
- Training AM0590.01 material is only available via MyTraining; therefore, limited to cardholders that completed the training.
- OIS 49 Security Standard related to click-to-accept agreements conflicts with the financial guideline – clickwrap agreements.
- Credit card purchases of restricted commodities are disallowed, but the current business practice conflicts.

Impact

Policy, financial guidelines, security standards, training, and business practice inconsistencies and loss of trustworthiness in these resources may cause specific procedures to be ineffective and inefficient, which may prevent UTSA from meeting or exceeding the strategic destinations and initiatives.

Additionally, this may prevent department approvers, cardholders, and others from being able to comply with the stated policies, guidelines, security standards, and practices.

Management Action Plan

DTS will review the relevant guidelines and training in relation to the security standards and current practices and make updates as necessary. All guidelines are reviewed every few years on a rotating schedule. Financial Affairs will update this process to request specific review in comparison to other related materials.

Responsible Party: Credit Card Administration/DTS

Planned Implementation Date: March 31, 2024

Audit Observations

6. Credit card numbers were stored by vendors and suppliers

Medium

Observation

Condition

Credit card numbers for expenditures were identified as being stored by the vendor\supplier. Cardholders confirmed these details.

Criteria

The Financial Guidelines for the One Card Program, Section D. Online Orders states:

- "Cardholders must ensure supplier/vendor websites are encrypted, secure, and do not store credit card numbers."

Cause

- Today's way of doing business is mainly through online orders; it may be difficult for cardholders not to store credit card numbers with vendors/suppliers, especially for automatic service renewals.
- Lack of oversight and monitoring of stored credit card numbers.

Impact

The storing of credit card numbers with vendors/suppliers is against UTSA policy and could potentially open cardholder accounts to theft if vendors/suppliers data is compromised. The restriction to store credit card numbers with vendors/suppliers is a UTSA guideline not a state policy.

Management Action Plan

Currently, Credit Card Administration only allows the storage of credit card numbers on university-owned business accounts, such as Amazon, UTSA Travel Agency, and Car Rental Providers. Consideration will be given to approving other businesses, with UTS/OIS approval, in order to streamline and gain efficiencies in the payment process since these vendors do not traditionally accept purchase orders or checks. For any changes made, DTS will modify financial guidelines, communicate changes to those affected, update training, and provide information in BSC Outreach sessions.

Responsible Party: Credit Card Administration/DTS

Planned Implementation Date: December 31, 2023

Audit Observations

7. Cardholder accounts are not promptly deactivated while on extended leave

Medium

Observation

Impact

Management Action Plan

Condition

A cardholder on extended leave did not have their credit card temporarily deactivated while on extended leave. It allowed a reoccurring charge to occur for Dropbox.

Credit card transactions could occur accidentally or fraudulently while an individual is on extended leave without authorization or the cardholder's knowledge.

Communication of when employees are on an extended leave of absence is information shared confidentially by People Excellence with the respective employee's supervisor. It is incumbent for supervisors to monitor One Card statements when their cardholder employees are on extended leave and submit the required documentation to deactivate the account (CMR).

Criteria

The Financial Guidelines for the One Card Program, Section N. Card Changes, states the need to use the Card Maintenance Request (CMR) form to request changes to an existing One Card, for example:

- Temporary activation or deactivation (*i.e., extended leave*).
- Card cancellation due to employee transfer or upon separation.
- Card replacement due to lost/stolen/damaged card or misuse.

DTS will reassess the requirement in the guideline and update it to align with the treatment of other access the employee may have for other UTSA Financial Systems, such as PeopleSoft and/or Rowdy Exchange.

Financial Affairs website regarding extended leave of absences states to temporarily deactivate cards to reduce the risk of unauthorized purchases during periods of extended leave; follow these steps:

- Fill out the CMR form and submit it to Credit Card Administration.

Responsible Party: Credit Card Administration/DTS

Planned Implementation Date: December 31, 2023

Cause

- Credit Card Program Manager does not receive any reporting of individuals approved for temporary absences or extended leave.
- Departments do not promptly submit Card Maintenance Request forms, informing the Credit Card Program Manager of temporary credit card deactivation needs for individuals on extended leave.



We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Auditors communicated other, less significant issues separately in writing to university management.