

# FLORIDA DEPARTMENT OF LAW ENFORCEMENT

## Office of Inspector General



**PROJECT NUMBER: IG-0016**

## **American Express Credit Cards Audit**

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### **FINAL REPORT**

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August 30, 2012



**Florida Department of Law Enforcement  
Office of Inspector General**

<b>EXECUTIVE SUMMARY PAGE</b>		<b>Audit #IG-0016</b>
<b>AUDIT TITLE:</b> American Express Credit Cards Audit		<b>Date Issued:</b> August 30, 2012
<b>Responsible Managers:</b> Victoria Kliner, Director Business Support Program	<b>Auditor:</b> Nancy Verhine Sr. Management Analyst II	
<b>Background:</b>	<p>FDLE issues Corporate American Express Cards, with a member's name on it, at a supervisor's request. These cards are to be used for business purposes only.</p> <p>The corporate American Express Cards are requested from American Express and issued from the Office of General Services (OGS) after a request is received from an Executive Policy Board member, or their designee. Cards are issued to individual members who are responsible for all charges on the card and must make payments directly to American Express within prescribed time limits.</p> <p>Car rentals and airline tickets are centrally billed. This means when a member uses their FDLE issued American Express Card to pay for those items, it is billed to the FDLE corporate American Express number. The Office of Financial Management (OFM) matches travel vouchers with car rentals and airline tickets and ensures these two centrally billed accounts are paid at least monthly. FDLE chose to use central billing many years ago when the processing time for travel vouchers and the receipt of a paper warrant was usually two to three weeks.</p> <p>The OFM also monitors the American Express delinquency reports and notifies members and/or their supervisors of American Express bills not being paid timely. The OGS and OFM are both housed within the Business Support Program.</p> <p>This audit is conducted as part of the annual audit plan.</p>	
<b>Audit Objectives:</b>	<p>The objectives of this audit were to:</p> <ul style="list-style-type: none"><li>➤ Ensure that members are following policies and procedures as they relate to the American Express Card and its usage.</li><li>➤ Ensure the agency is following the terms of the contract with American Express.</li><li>➤ Identify areas where the internal controls are weak or non-existent and whether fraud may have occurred.</li><li>➤ Submit appropriate recommendations for changes or additions to policies and procedures.</li></ul>	
<b>Scope:</b>	<p>The scope of this audit is from April 1, 2011 to September 30, 2011. This audit will include a review of the policies and procedures relating to the American Express (AMEX) Credit Cards, a review of the contract, and transactions during that time frame.</p>	
<b>Methodology/ Tasks:</b>	<p>The audit objectives were achieved by:</p> <ul style="list-style-type: none"><li>➤ Obtaining an understanding of agency's policies, procedures, and desk procedures relevant to the state issued corporate American Express Card.</li><li>➤ Obtaining an understanding of the Letter of Agreement between the American Express Company and the Florida Department of Law Enforcement.</li><li>➤ Reviewing all 660 issued American Express Cards accounts.</li><li>➤ Reviewing all charges made on the American Express Card between 3/28/2011 and 9/25/2011.</li><li>➤ Reviewing the common carrier invoices for car rentals and airlines for the months of April through September of 2011.</li></ul>	

	<p>This audit was conducted in accordance with the Principles and Standards for Offices of Inspector General, and 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.</p> <p>Copies of this audit will be made available for public inspection.</p>
<b>Summary of Audit Findings:</b>	<ul style="list-style-type: none"> <li>➤ Members in the travel section of the OFM share one user id and password to view information on the American Express @ Work site.</li> <li>➤ American Express Cards were issued to a non-member and an OPS member.</li> <li>➤ Twenty of the 634 (3%) American Express Cards had some type of error with the account holder's name.</li> <li>➤ Seven of the 634 (1%) American Express Cards belonged to terminated members.</li> <li>➤ Fourteen (23%) of the sixty-two line inspections sampled demonstrated that supervisors and/or the members were unaware they were issued an American Express Card.</li> <li>➤ Members are charging personal expenses to the FDLE Corporate American Express Card.</li> <li>➤ Eleven out of the twelve payments for the American Express common carrier bills reviewed (six each for car rental and airline) did not pay 85% of the current charges as required by the contract. In addition, some charges took more than 60 days for OFM to reconcile.</li> <li>➤ Members are not reimbursing FDLE in a timely manner as required, when using their American Express to pay for airline and car rental charges to travel for the federal government or other agencies.</li> </ul>

<b>FINDINGS</b>	<b>#IG-0016</b>	<b>ISSUE: # 1 of 3</b>
<b>AUDIT TITLE: American Express Credit Cards Audit</b>		<b>Date Issued: August 30, 2012</b>
<b>ISSUE:</b>	<b>Procedures</b>	
<b>FINDING 1.1:</b>	Members in the travel section of the OFM share one user id and password to view information (i.e., card number, member's address, charges) on the American Express @ Work site.	
<b>CRITERIA:</b>	<b>FDLE Policy 2.5 – Information Resources, Password Management, B, (R. 12/17/09)</b> states, "A personal password should be individually owned rather than owned in common by a group of individuals in order to provide individual accountability within a computer system."	
<b>CAUSE:</b>	The supervisor did not realize it was necessary to obtain separate user ids and passwords for each member accessing the database since the access is read only.	
<b>EFFECT/RISK:</b>	If the American Express Card member information is compromised, it would be difficult to determine who compromised the information.	
<b>RECOMMENDATION:</b>	Each member that accesses the American Express @ Work site should have an individual user id and password that should not be shared.	
<b>MANAGEMENT RESPONSE:</b>	<b>Agree.</b> OFM members that access the database have obtained separate user ids and passwords.	
<b>IMPLEMENTATION DATE:</b>	Completed July 10, 2012.	

FINDINGS		#IG-0016	ISSUE: # 2 of 3				
AUDIT TITLE: American Express Credit Cards			Date Issued: August 30, 2012				
ISSUE:	Card Issuance						
FINDING 2.1:	One American Express Card had been issued to a non-member of FDLE (contractor, task force member, etc.). This individual was a member of the Regional Domestic Security Task Force in Ft. Myers. This card was cancelled during the audit. Another card was issued to an OPS PROC member and it was not cancelled until fourteen months after the member had terminated employment. In addition, the policy and procedures are at odds as to who the approving authority is. Policy states it is Executive Policy Board (EPB) and procedures states it is Executive Council.						
CRITERIA:	<p><b>FDLE Policy 1.4 – Use of FDLE Resources, Charge Cards, B, (R. 8/19/10)</b> states, “EPB members or designee are the approving authority for the issuance of charge cards.”</p> <p><b>General Services Manual, Section O - Other General Services, (1) Credit Cards, (R. 03/11)</b> states, "FDLE provides credit cards to members who are required to travel in the performance of their duties."</p> <p><b>FDLE Signature Authority Form (R. 10/3/11)</b></p> <table><tr><td><b>Internal Designation Types</b></td><td><b>Internal Approval Level</b></td></tr><tr><td>10 - Credit Cards (American Express, Gas)</td><td>EC&amp; Their Designees</td></tr></table> <p><b>Office of Finance and Accounting Procedures Manual, Section I – Charge Cards, General Information, (R. 4/5/10)</b> states, “An Executive Council member shall approve all requests for issuance, cancellation, and replacement of credit cards to nonmembers and Department vehicles assigned to another agency.”</p> <p><b>Office of Finance and Accounting Procedures Manual, Section I - Credit Cards, (R. 4/5/10)</b>, states, "American Express corporate credits cards are issued to FDLE members authorized to travel on behalf of FDLE.”</p>			<b>Internal Designation Types</b>	<b>Internal Approval Level</b>	10 - Credit Cards (American Express, Gas)	EC& Their Designees
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CAUSE:	The procedures do not disallow the issuance of American Express Cards to OPS and non-members. Management may not realize that the procedures and policy differ on who can authorize the issuance of an American Express Card.						
EFFECT/RISK:	The risk of issuing credit cards to OPS and non-members is that there are no checks and balances in place for management to keep track of the cards issued to them. Without clear guidance, members may be unclear as to which directive to follow.						
RECOMMENDATION:	<p>Management should determine who the approving authority should be and update the policy or procedures to reflect it.</p> <p>American Express Cards should not be issued to OPS and non-FDLE members on a routine basis. If it is determined that this class of member is in need of an American Express Card, the request should contain the reasons why the card is needed and the approval of an EPB member. This requirement should be added to the procedures.</p>						

<p><b>MANAGEMENT RESPONSE:</b></p>	<p><b>Agree</b> that issuance of American Express cards to OPS and/or non-FDLE members should not be on a routine basis. BSP will discuss the subject with the Executive Policy Board, however, to determine if legitimate circumstances might warrant such issuance and once that determination is made, the General Services Manual and the Financial Management (f/k/a Finance and Accounting) Manual will be updated accordingly.</p> <p>The FDLE Signature Authority Form has been updated to reflect the "Internal Approval Level" for Credit Cards is "EPB and their designees". Additionally, the latest list was reviewed and approved by all EPB members June 2012. Therefore, all American Express signature delegations have now been approved by EPB members and the form complies with Policy 1.4.</p>
<p><b>IMPLEMENTATION DATE:</b></p>	<p>November 1, 2012.</p>
<p><b>FINDING 2.2:</b></p>	<p>Twenty of the 634 active and inactive (3%) American Express Cards had some type of error with the account holder's name. American Express has character limits on several fields and one of those is name. Some of the errors were attributed to members not being notified of the field limitations. Other errors were misspellings and name changes, due to marriage or divorce, and the member did not notify OGS of the change. Half of these accounts were active. An inactive account is one in which no charges have been made within the past 12 months.</p>
<p><b>CRITERIA:</b></p>	<p>Good business practice dictates that original forms modified for an agency's use should follow the limitations of the original form. In addition, members should keep all personal information up to date on all associated work documentation.</p>
<p><b>CAUSE:</b></p>	<p>The application that FDLE supplied its members to complete was not representative of the field limitations. In addition, members did not review their cards for correctness upon receipt or did not notify OGS of a name change.</p>
<p><b>EFFECT/RISK:</b></p>	<p>The impact has been that several members have received American Express Cards with incorrect names and/or misspellings.</p>
<p><b>RECOMMENDATION:</b></p>	<p>The FDLE American Express Corporate Card Request Form should be changed to reflect the American Express field limitations, so a member may be better informed on how to fill out the form. In addition, language should be added to the procedures requiring members to update their cards, within a certain time frame, when there has been a name change.</p>
<p><b>MANAGEMENT RESPONSE:</b></p>	<p><b>Agree.</b> The FDLE American Express Corporate Card Request Form was revised to indicate the field limitations on June 20, 2012.</p> <p><b>Agree</b> there should be written requirement for members to update their cards when there has been a name change; however, instead of adding language to procedure, BSP will add it to Policy 3.13, which already requires members to notify the Office of Human Resources and Information Resource Management of name changes.</p>
<p><b>IMPLEMENTATION DATE:</b></p>	<p>November 1, 2012.</p>

<b>FINDING 2.3:</b>	Seven of the 634 (1%) active and inactive American Express Cardholders were terminated members. One member had terminated in July 2005 and another terminated in March of 2007. The remaining five cardholders terminated in 2011.
<b>CRITERIA:</b>	<p><b>General Services Manual, Section O - Other General Services, (1) Credit Cards, (R. 03/11)</b> states, "The following information shall be forwarded to OGS via e-mail or memo for processing:</p> <ul style="list-style-type: none"> <li>• Advise if new issuance, change or cancellation:"</li> </ul>
<b>CAUSE:</b>	Supervisors may not be aware their members have an American Express Card and/or they do not collect the card and advise OGS to cancel it upon a member's termination.
<b>EFFECT/RISK:</b>	The risk of not cancelling a member's card by the time they leave the agency is that an individual could continue to charge on the card and then choose not to pay. Even though FDLE is not held responsible for the collection of the charges, it does affect the State of Florida's overall credit rating and the amount of credit available to FDLE.
<b>RECOMMENDATION:</b>	Supervisors should be more diligent in collecting American Express Cards and notifying OGS when a member terminates employment. To supplement this step, Human Resources should send OGS a copy of the report of members who have separated from the Department.
<b>MANAGEMENT RESPONSE:</b>	<p><b>Agree.</b> Supervisors should be more diligent in collecting American Express cards and to assist supervisors in this process the Office of Human Resources (OHR) developed the Out Processing Checklist, which is located on the OHR Intranet. The Checklist includes a line item for collection of FDLE property, and specifically mentions credit cards. It is the supervisor's responsibility to complete the form and turn property into OHR.</p> <p>On July 19, 2012, OHR added OGS to its email recipient address list, for notifications regarding personnel actions; however, it is important to note that BSP has no control over the lapse in time between a separation date and the date OHR receives notice of the separation from the supervisor and any property the supervisor has collected.</p>
<b>IMPLEMENTATION DATE:</b>	Completed.
<b>FINDING 2.4:</b>	Line inspections were requested for ten percent of current American Express Cardholders within each program/region. Fourteen (23%) of the sixty-two line inspections sampled demonstrated that supervisors and/or the members were unaware or had forgotten they were issued an American Express Card. In addition, 292 (46%) American Express Cards issued to current members are inactive.
<b>CRITERIA:</b>	<p><b>FDLE Policy 1.4 – Use of FDLE Resources, Property/Line Inspections, K(3)(a), (R. 8/19/10)</b> states, "It will be the responsibility of the SAC or Program Director to ensure appropriate members or supervisors conduct inspections pursuant to the following schedule:</p> <ol style="list-style-type: none"> <li>3. Semi-Annual (July-December / January-June) <ol style="list-style-type: none"> <li>a. Personal issued equipment to sworn and non-sworn members"</li> </ol> </li> </ol>
<b>CAUSE:</b>	The agency has scaled back on the amount of travel it does because of the economy and therefore not as many members are using their cards. In addition, many members choose to use their own personal credit cards because of the rewards those companies provide when they are used.

<b>EFFECT/RISK:</b>	There is the risk that cards will be stolen and used fraudulently if a member is not keeping up with it or has forgotten about it.
<b>RECOMMENDATION:</b>	OGS should send a list to each program/region of their members with American Express Cards and its status (active, inactive). Management, in those areas, should determine if all the cards are still needed or if some can be cancelled. Management should notify OGS, in writing, of all cards to be cancelled. After this initial verification process, OGS should send a list of members with American Express Cards to the program areas/regions on a periodic basis or whenever the inactive cards reach a certain percentage.
<b>MANAGEMENT RESPONSE:</b>	<b>Agree.</b> On July 27, 2012, OGS disseminated a list of current American Express card holders to programs/regions for review and requested management identify any cancellations or changes. OGS will provide updates periodically.
<b>IMPLEMENTATION DATE:</b>	Completed.





<p><b>MANAGEMENT RESPONSE:</b></p> <p><b>IMPLEMENTATION DATE:</b></p>	<p><b>Agree.</b> Policy 3.5 states, Executive Investigations (EI) is responsible for handling issues related to alleged violation of policy. After consultation with EI, it was determined that OFM will provide EI with a copy of the monthly reports of all credit card charges. This will commence after all card holders are notified in advance of this new process. EI will determine whether monthly charges appear to comply with policy and investigate further, as needed.</p> <p>November 1, 2012.</p>
<p><b>FINDING 3.2:</b></p> <p><b>CRITERIA:</b></p> <p><b>CAUSE:</b></p> <p><b>EFFECT/RISK:</b></p> <p><b>RECOMMENDATION:</b></p> <p><b>MANAGEMENT RESPONSE:</b></p>	<p>Eleven out of the twelve payments for the American Express common carrier bills reviewed (six each for car rental and airline) did not pay 85% of the current charges as required by the contract. In addition, some charges take more than 60 days for OFM to reconcile. This does not show up on the American Express delinquency reports because payments are applied to the oldest balances.</p> <p>When a travel voucher arrives in OFM, it is reviewed to determine if it contains common carrier charges. If it does, it is copied and kept in a tickler file. These travel vouchers, containing the common carrier charges, are matched to the common carrier bills from American Express. If there is not a travel voucher in the tickler file, time is spent researching what the charge was for, if a travel voucher was filed, and if funds are due from the member because the charge was for personal or third party travel. In some cases, charges on one travel voucher are on more than one bill.</p> <p><b>America Express Contract, 3. Annual Fee and Delinquent Account Procedures (9/30/1987)</b>, states, "This State Entity and Amexco will work toward a goal of having at least 85% of Corporate Card dollar balances in current status and no more than 1% of such balances seriously delinquent, i.e., 60 days past due. The State Entity and Amexco will work together to maintain account balances in a current status."</p> <p>There is an accumulation of factors that have precipitated this outcome which are; members not turning travel vouchers in timely, members not submitting reimbursement for personal and other agency paid travel timely, airline tickets being purchased weeks in advance of actual travel, and OFM missing charges that are on two separate statements for one travel voucher.</p> <p>The effect is FDLE is not paying 85% of the current charges timely. In addition, OFM members are spending an excessive amount of time reconciling the charges.</p> <p>It is recommended FDLE discontinue and cancel the American Express common carrier billing accounts. The turnaround time from when a travel voucher is received until the member receives their reimbursement is usually less than a week. This is primarily due to more automation since central billing was implemented. In addition, funds are deposited directly into a member's bank account instead of the member having to wait for a paper warrant. If implemented, approximately up to ¾ of a FTE's time will be freed up for other duties.</p> <p><b>Agree.</b> The American Express common carrier billing accounts should be discontinued. The workload required to manage these accounts is inefficient and redundant. Due to reduced staffing and increased reporting requirements stemming from growing transparency laws, OFM staff could provide more value to agency members, and effectuate more efficient outputs, if this recommendation is implemented. BSP will consult with leadership to determine if common carrier billing should be discontinued.</p>

<b>IMPLEMENTATION DATE:</b>	November 1, 2012.
<b>FINDING 3.3:</b>	Members are not reimbursing FDLE timely as required when using their American Express Card to pay for airline and car rental charges to travel for the federal government or other agencies. From a review of the American Express statements and the FLAIR vouchers, it was determined that, thirty-seven charges were paid from 40 to 280 days late.
<b>CRITERIA:</b>	<b>Office of Finance and Accounting Procedures Manual, Section F - Travel, (R. 9/19/06)</b> , states, "When the American Express Corporate Card is used to provide air and rental vehicle transportation, the member will request reimbursement for the actual costs from the federal or other agency which will be paid to FDLE.....All reimbursements due FDLE will be submitted to the OFA by the next working day after receipt of payment from the federal government or other agency. A photocopy of the appropriate federal or other agency travel voucher will accompany the check or money order made payable to FDLE."
<b>CAUSE:</b>	Members may not be aware of the procedure quoted above.
<b>EFFECT/RISK:</b>	The effect is that OFM is not aware the travel is for another agency when the member does not file the appropriate paperwork as required. In addition, it prevents FDLE from paying its bills timely when a charge has to be researched.
<b>RECOMMENDATION:</b>	It is recommended that OFM make members aware of the procedures regarding the use of the American Express Card for third party travel that is mentioned above. OFM should notify supervisors of members who are not following procedures.
	<b>Auditor's Note:</b> If Recommendation 3.2 is implemented, this one will not be necessary.
<b>MANAGEMENT RESPONSE:</b>	<b>Agree.</b> It is incumbent upon all members who travel to educate themselves on his or her responsibilities with regard to travel policies and procedures. While OFM is not sufficiently staffed to continuously remind members to familiarize themselves with policies that have been in place for years, OFM will send a reminder to all cardholders and their supervisors advising them of applicable procedure to follow for third party travel reimbursement. <b>Agree</b> that if leadership determines the common carrier billing will be discontinued, the issue of reimbursing FDLE for third party travel and OFM reminding cardholders of reimbursement procedures would no longer be applicable.
<b>IMPLEMENTATION DATE:</b>	N/A