Techniques for Establishing a Successful Audit Process
2004 Citibank® Commercial Cards, Government Services

The Sixth Annual GSA SmartPay® Conference
SHERATON CONFERENCE CENTER, NEW ORLEANS, LOUISIANA, AUGUST 24-26, 2004

Techniques for Establishing a Successful Audit Process

Bob Wilson, Dave Ruda
August 25, 2004

Citigroup® Global Transaction Services
Goal & Objectives

- Learn about techniques that will help you proactively manage your card program through self-auditing
Agenda

- Program Overview
- Audit Program
- Tips for Establishing Policies and Procedures
- Compliance
- Fraud, Waste and Misuse Indicators
- Tools
- Summary
Program Overview

Department of Veteran Affairs at a glance:

- 220,000 employees
- 32,000 accounts and 16,000 cardholders
- 3.2 million transactions
- $1.8 billion in purchases
- 6,000 Approval Officials
  - 2.6 cardholders per AO
  - 5.3 accounts per AO
Program Overview

- Office of Financial Systems

- Electronic Business Solutions Services
  - Director, National Purchase A/OPC
  - National Travel A/OPC
  - Central Office AOPC
  - Special Project Analyst

- VA Administrations
  - Veterans Hospital Administration (VHA)
  - Veterans Benefit Administration (VBA)
  - National Cemetery Administration (NCA)
  - Central Office (CO)

- Facility A/OPC
  - Approximately 300
The Veterans Health Administration (VHA) is responsible for 95% of VA’s purchase card transactions
- VHA’s automated system (IFCAP) is used to process purchase card transactions
- Focus on reconciling transactions, not statements

Veterans Benefits Administration, Central Office, etc. rely on manual processes
- Monthly reconciliation using paper statements
- Reallocations
  • VA’s Financial Management System
  • CitiDirect® Card Management System
**Audit Program**

**Transaction review**

*■ VHA*
- Cardholders enter purchase data in IFCAP
- Cardholders reconcile transactions within 10 days
- Approving Officials reconcile within 14 days of cardholder
- VHA headquarters reports on reconciliation compliance

*■ Other VA Offices*
- Request approval for purchase
- AO authorizes and verifies fund availability
- Cardholder reconciles charges
- AO approves the charges
Audit Program

- Facilities must audit all cardholders annually
- Random statistical audits by Financial Services Center
- OIG audits (Combined Assessment Program)
- OIG anomalies project
Audit Program

Preparing with the auditors

- Update contact list
- Get specific with data needs
- Be consistent, use the same data that is requested in internal audits when possible
- Be prepared for the bad news!
Tips for Establishing Policies & Procedures

Policies should encourage risk management vs. risk avoidance

- Set specific policies to ensure proper controls are in place
- Create cross-functional team when establishing policies – involve auditors, IG representatives
- Publish procedures and widely distribute
  - Develop agency-wide newsletters
  - Use your intranet
  - Incorporate policies into new cardholder training
  - Use policies as outline for training agenda
Tips for Establishing Policies & Procedures

- Develop reminder messages for all cardholders and managers
- Use statement messages or broadcast e-mails
- Review policies and procedures at least annually
- Modify according to audit findings and feedback received during training sessions
Tips for Establishing Policies & Procedures

Suggested items for your formal guidelines

- Who should / should not have cards
- How to obtain, change, close an account
- Training requirements
- References to FARs
- “Don't buy” list
- Supply sources
- Reconciliation procedures
- Audit procedures and frequency
- Review actual fraud / misuse cases
- Applying authorization controls
- Use MCC blocks to assist with enforcement of “don’t buy” list
- Limit spending within MCCs
- Review transactions and modify as necessary
Compliance

Good training and follow-up leads to compliance - most of the time!

- What is the notification and follow-up process?
- Is non-compliance the result of overly strict policies?
- Is non-compliance the result of vaguely worded policies?
- Empower cardholders and managers, hold them accountable
- Current cardholders and managers should participate in recurring training
- Ask current cardholders to lead training sessions or mentor new cardholders
Compliance

Record keeping & document retention are vital components

- Records measure compliance
- Determine whether centralized / de-centralized storage is appropriate
- Investigate electronic storage
- Review proper record keeping techniques during training using actual examples
- Maintain attendance sheets from each training session
- Ensure all cardholders sign an agreement
Fraud, Waste and Misuse Indicators

- **Segregation of duties**
  - Document independent receipt/acceptance
  - A/OPC as cardholder

- **Documentation**
  - Must be kept and accessible

- **Timely recording and reconciliation**
  - Identify cardholders and approving officials not complying

- **Vendor discounts**
  - Establish procedures to identify and take advantage of vendor discounts
Fraud, Waste and Misuse Indicators

■ Program monitoring
  – Establish time frames for canceling in active cards
  – Establish procedures for canceling cards of exiting employees
  – Necessary resources

■ Compliance with purchasing requirements
  – Establish procedures to be followed for purchasing generally prohibited items (clothing, food, etc.)
  – Split transactions
  – Sourcing

■ Wasteful and questionable purchases
  – Award purchases
  – Missing documentation
  – Take disciplinary action
Managing your program is easier when you have the tools

- Employ electronic audit methods
- Benford’s Law - software can test for fair statistical distribution of spending per transaction
- Test all transactions each month
- Use Citibank electronic tools to identify transactions requiring more research
- Transactions by MCC
- Review declined transactions
- Similar transactions each month
- Talk to your IG’s office to see what tools they use
- GSA’s Blueprint for Success
- GAO Web site: www.gao.gov
  - *Auditing and Investigating the Internal Controls of Government Purchase Card Programs (Publication No. GAO-03-678G)*
Summary

- Department of Veteran Affairs success story
- Good policies and procedures
- Spotting fraud, waste and misuse
- Tools you can use
Techniques for Establishing a Successful Audit Process

Questions?
Reminders

■ Thank you for attending this session!

■ Visit the Citibank Welcome Center
  – The Maurepas Suite, on the third floor at the Sheraton
  – Pick up and complete a Citibank survey during your visit
  – National Industries for the Blind will have a display of products

■ Visit the Citibank Technical Demonstration Center
  – Napoleon Ballroom D1, on the third floor at the Sheraton

■ Citibank hands-on training
  – Grand Ballroom C, on the fifth floor at the Sheraton

■ Please take a moment to complete your GSA survey for this session
Citigroup's Global Corporate and Investment Bank ("GCIB") maintains a policy of strict compliance to the anti-tying provisions of the Bank Holding Company Act of 1956, as amended, and the regulations issued by the Federal Reserve Board implementing the anti-tying rules (collectively, the "Anti-tying Rules"). Moreover, our credit policies provide that credit must be underwritten in a safe and sound manner and be consistent with Section 23B of the Federal Reserve Act and the requirements of federal law. Consistent with these requirements, and the GCIB's Anti-tying Policy:

You will not be required to accept any particular product or service offered by Citibank or any Citigroup affiliate as a condition to the extension of commercial loans or other products or services to you by Citibank or any of its subsidiaries, unless such a condition is permitted under an exception to the Anti-tying Rules.

GCIB will not vary the price or other terms of any Citibank product or service based on the condition that you purchase any particular product or service from Citibank or any Citigroup affiliate, unless we are authorized to do so under an exception to the Anti-tying Rules.

GCIB will not require you to provide property or services to Citibank or any affiliate of Citibank as a condition to the extension of a commercial loan to you by Citibank or any Citibank subsidiary, unless such a requirement is reasonably required to protect the safety and soundness of the loan.

GCIB will not require you to refrain from doing business with a competitor of Citigroup or any of its affiliates as a condition to receiving a commercial loan from Citibank or any of its subsidiaries, unless the requirement is reasonably designed to ensure the soundness of the loan.

This presentation is for informational purposes only. Citibank USA, N.A. and its affiliates does not warrant the accuracy or completeness of any information or materials set forth herein. This material does not constitute a recommendation to take any action, and Citibank USA, N.A and its affiliates are not providing investment, tax or legal advice. Citibank USA, N.A. and its affiliates accept no liability whatsoever for any use of this presentation or any action taken based on or arising from the material contained herein.