

PURCHASE AND TRAVEL CARD PROGRAMS

OFFICE OF STATE TRAVEL



PERFORMANCE AUDIT SERVICES  
OCTOBER 20, 2021

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LOUISIANA LEGISLATIVE AUDITOR  
MICHAEL J. "MIKE" WAGUESPACK, CPA

October 20, 2021

The Honorable Patrick Page Cortez,  
President of the Senate  
The Honorable Clay Schexnayder,  
Speaker of the House of Representatives

Dear Senator Cortez and Representative Schexnayder:

This report provides the results of our audit of the state's Purchase and Travel Card programs. The purpose of this audit was to provide information on the use of these programs from calendar years 2016 through 2020 and to evaluate the Office of State Travel's (OST) monitoring activities.

Overall, we found the number of card transactions and the total amount of those transactions increased from calendar years 2016 through 2019, but decreased in calendar year 2020, primarily because of the COVID-19 pandemic. In addition, we found that while OST monitored the programs to detect potential improper use, the office could improve its process by enhancing its use of data analytics.

From calendar years 2016 through 2019, the number of card transactions increased 17.4 percent – from 474,862 to 557,560 – while the amount of the transactions increased 19.6 percent – from \$161.3 million to \$192.9 million. The total amount of transactions over the five-year period of the audit report was \$863.3 million. The cards were used to make purchases related to state business, such as office supplies, conference-related travel, and advertising services.

Some entities used the program cards more often than others. For example, LSU institutions spent \$300.8 million (34.8 percent) of the \$863.3 million. The number of transactions a specific entity makes depends on several factors, including its size and the nature of the work it does. In addition, transactions made through the card program earned rebates totaling \$19.2 million from calendar years 2016 through 2020, which fully funded OST's budget, as well as some distributions to certain institutions of higher education.

We found that while OST has monitoring activities to detect entities and transactions that do not comply with program policies, it could improve its oversight by making better use of data analytics and resolving data limitations to more effectively identify instances of noncompliance.

The Honorable Patrick Page Cortez,  
President of the Senate  
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October 20, 2021  
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Specifically, OST could improve its process by incorporating a risk-based approach when selecting transactions for review. It also could more effectively ensure that entities use only approved Merchant Category Codes for transactions. In addition, limitations in the card transaction data decrease the effectiveness of OST's monitoring activities related to single transaction limits.

The report contains our findings, conclusions, and recommendations. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the Office of State Travel for its assistance during this audit.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mike Waguespack", with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

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PCARD

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# Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



## Purchase and Travel Card Programs Office of State Travel

October 2021

Audit Control # 40200025

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## Introduction

We evaluated the Division of Administration’s (DOA)<sup>1</sup> Office of State Travel (OST) monitoring activities over the LaCarte Purchase Card (P-Card) and Travel Card (T-Card) Programs (card programs) during calendar years 2016 through 2020. P-Cards and T-Cards (cards) are credit cards used by authorized state employees to make purchases on behalf of their entity. During calendar year 2020, state employees used cards for approximately \$147.3 million in purchases. We conducted this audit because the obligations resulting from these transactions are direct liabilities of the state.

OST is responsible for administering the card programs. State agencies, institutions of higher education, boards, and commissions (entities) that participate in the card programs issue cards to certain employees (cardholders) to use for purchases related to state business, such as office supplies, conference travel, and advertising services. According to OST, these cards assist entities’ management by reducing time and money spent on processing purchases, increasing the ability to track and review transactions, and allowing agencies to receive goods purchased on a timely basis. In addition, the state earns rebates for purchases made with these cards, which are used to fund OST’s budget.<sup>2</sup> While the implementation of these card programs can improve the state’s procurement processes, internal controls and oversight are essential in preventing improper use.

OST has developed statewide policies for these card programs that provide the minimum requirements for program participation and card use. For example, these policies limit the types of vendors cardholders can purchase from and the maximum amount they can spend on any single transaction. Participating entities are required to develop their own policies that are at least as restrictive as the statewide policies. In addition, all state purchases must comply with the Louisiana Procurement Code<sup>3</sup> and procurement regulations,<sup>4</sup> and all travel-related purchases must also comply with regulations established in Policy and Procedures Memorandum No. 49 (PPM49).<sup>5</sup> OST has contracted with Bank of America since March 2000 to issue cards, process transactions, and create data analytics reports used by OST to monitor the program.

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<sup>1</sup> Louisiana Revised Statute (La. R.S.) 39:1562 and 39:1564

<sup>2</sup> In fiscal year 2020, OST received \$1,812,869 in rebates to fund its operations.

<sup>3</sup> La. R.S. T. 39, Subt. III, Ch. 17

<sup>4</sup> Louisiana Administrative Code (LAC) T. 34, Pt. V

<sup>5</sup> LAC T. 4, Pt.V, Ch. 15

The objective of this audit was:

**To provide information on the utilization of the Purchase and Travel Card Programs during calendar years 2016 through 2020 and to evaluate OST's monitoring activities.**

Our results are summarized on the next page and discussed in detail throughout the remainder of the report. Appendix A contains OST's response to this report, and Appendix B contains our scope and methodology. Appendix C contains card transaction statistics by entity for calendar years 2016 through 2020.

**Objective: To provide information on the utilization of the Purchase and Travel Card Programs during calendar years 2016 through 2020 and to evaluate OST's monitoring activities.**

Overall, we found that the number of transactions and total amount of those transactions increased from calendar years 2016 through 2019 but decreased in calendar year 2020, primarily due to the COVID-19 pandemic. In addition, we found that while OST conducts monitoring activities to detect potential improper use, it could improve this process through enhanced use of data analytics.

- **Card usage increased from calendar years 2016 through 2019, with the number of card transactions increasing 17.4% – from 474,862 to 557,560 – and the amount of these transactions increasing 19.6% – from \$161.3 million to \$192.9 million. Some entities, like institutions of higher education, use these cards more frequently than other entities. For example, LSU institutions spent \$300.8 million (34.8%) of the \$863.3 million in card purchases in calendar years 2016 through 2020.** In addition, transactions made through the card programs earned rebates totaling \$19.2 million in fiscal years 2016 through 2020, which fully funded OST's budget and was also distributed to certain institutions of higher education.
- **While OST has monitoring activities to detect entities and transactions that do not comply with program policies, it could improve its oversight by enhancing its use of data analytics and resolving data limitations to more effectively identify instances of noncompliance.** Specifically, OST could enhance its monitoring activities by incorporating a risk-based approach when selecting transactions for review. OST could also more effectively ensure that entities use only approved Merchant Category Codes (MCC). In addition, limitations in the card transaction data decrease the effectiveness of OST's monitoring activities related to single transaction limits.

Our findings and recommendations are discussed in more detail in the following sections.

**Card usage increased from calendar years 2016 through 2019, with the number of card transactions increasing 17.4% – from 474,862 to 557,560 – and the amount of these transactions increasing 19.6% – from \$161.3 million to \$192.9 million. Some entities, like institutions of higher education, use these cards more frequently than other agencies. For example, LSU institutions spent \$300.8 million (34.8%) of the \$863.3 million in card purchases in calendar years 2016 through 2020.**

Employees use cards to make purchases related to state business, such as office supplies, plane tickets to attend a conference, and advertising to announce an entity initiative. According to OST, the use of these cards across state government improves the procurement process by reducing the amount of time and money spent on processing purchases, increasing the ability to track and review transactions, and allowing the receipt of goods purchased on a timely basis.

**Card usage increased from calendar years 2016 through 2019, with the number of card transactions increasing 17.4% – from 474,862 to 557,560 – and the amount of these transactions increasing 19.6% – from \$161.3 million to \$192.9 million.** During these calendar years, the average amount per transaction also increased from \$339.63 to \$346.04. According to OST, the increase in transactions and associated amounts were due to a directive from DOA in 2014 encouraging entities to use cards for purchases under \$5,000. In calendar year 2020, the number of transactions and the amount of these transactions decreased, primarily due to the COVID-19 pandemic, which reduced the need for the use of these cards as there was less travel and fewer in-office expenses. However, the average amount per transaction increased from \$346.04 in calendar year 2019 to \$408.41 in calendar year 2020. The average number of cards used each year between calendar years 2016 and 2020 was 13,799. Exhibit 1 shows the number of transactions, total amount of those transactions, and average amount per transaction for calendar years 2016 through 2020.

<b>Exhibit 1</b>			
<b>Card Transaction Statistics</b>			
<b>Calendar Years 2016 through 2020</b>			
<b>Year</b>	<b>Number of Transactions</b>	<b>Total Amount of Transactions</b>	<b>Average Amount per Transaction</b>
2016	474,862	\$161,275,982	\$339.63
2017	504,051	174,886,265	346.96
2018	542,261	186,862,878	344.60
2019	557,560	192,936,070	346.04
2020	360,648	147,290,920	408.41
<b>Total</b>	<b>2,439,382</b>	<b>\$863,252,115</b>	<b>\$353.88</b>

**Source:** Prepared by legislative auditor's staff using card transaction data from OST.

**Some entities use cards more than others.** According to OST, the number of transactions an entity makes depends on a variety of factors, including the size of the entity and



nature of the work performed. For example, Louisiana State University (LSU) Health Sciences Centers employees may need to use cards to purchase items such as medical equipment, while a Department of Children and Family Services (DCFS) case worker may need to use a card to buy clothes and a meal for a foster child. Exhibit 2 shows the number of transactions, total amount of those transactions, and average amount per transaction for the top 10 entities during calendar years 2016 through 2020. Appendix C summarizes this information for all entities in the card programs.

<b>Exhibit 2</b>			
<b>Transaction Statistics for Top 10 Entities</b>			
<b>Calendar Years 2016 through 2020</b>			
<b>Entity</b>	<b>Number of Transactions</b>	<b>Total Amount of Transactions</b>	<b>Average Amount per Transaction</b>
LSU	520,208	\$220,239,556	\$423.37
University of Louisiana at Lafayette	187,997	\$71,424,259	\$379.92
Department of Health	181,578	\$66,011,416	\$363.54
Department of Corrections	98,222	\$58,950,943	\$600.18
Department of Public Safety	116,119	\$57,398,088	\$494.30
LSU Health Sciences Centers	111,446	\$40,410,206	\$362.60
LSU AgCenter	174,698	\$39,879,861	\$228.28
Division of Administration	50,489	\$34,055,821	\$674.52
Military Department	36,661	\$25,736,222	\$702.01
Department of Transportation and Development	99,614	\$24,990,724	\$250.88
<b>Source:</b> Prepared by legislative auditor's staff using card transaction data from OST.			

While LSU institutions<sup>6</sup> expenditures comprise \$300.8 million (34.8%) of the \$863.3 million in card purchases in calendar years 2016 through 2020, OST does not monitor LSU's card programs.<sup>7</sup> In November 2015, DOA and LSU entered into a Memorandum of Understanding (MOU) to allow LSU to administer its card programs for all LSU institutions, including all audit and compliance functions. According to OST, this decision was made because LSU met requirements for operational autonomy from the Board of Regents, audits 100% of card transactions, and has staff who are knowledgeable of the card programs. The MOU does not require that LSU send the results of its monitoring activities to OST. According to OST, it does not have an MOU with any other entity that allows it to solely monitor its own card programs.

**Some categories of transactions and vendors are used more frequently than others.**

As mentioned previously, expenditures related to state business such as purchasing office supplies, paying for conference-related travel, and advertising services are made by entities

<sup>6</sup> This includes LSU, LSU Health Sciences Centers, LSU AgCenter, and LSU Shreveport. However, LSU Shreveport is not included in Exhibit 2 above because it is not an entity with top 10 expenditures.

<sup>7</sup> Due to this, we included LSU institutions in the information in the first section of this report regarding card utilization, but we did not include LSU institutions in the analyses in the second part of this report regarding OST monitoring activities.

enrolled in these card programs. Exhibit 3 below shows the top 10 MCCs<sup>8</sup> used in calendar years 2016 through 2020, which primarily relate to travel, supplies, and equipment.

<b>Exhibit 3</b>			
<b>Transaction Statistics for Top 10 MCCs</b>			
<b>Calendar Years 2016 through 2020</b>			
<b>MCC Description*</b>	<b>Number of Transactions</b>	<b>Total Amount of Transactions</b>	<b>Average Amount of Transactions</b>
Lodging	218,368	\$101,605,831	\$465.30
Airlines	204,519	\$54,036,143	\$264.21
Medical Equipment and Supplies**	88,034	\$47,194,428	\$536.09
Office Supplies	111,950	\$32,526,510	\$290.54
Industrial Supplies	71,637	\$27,625,358	\$385.63
Book Stores***	151,269	\$25,203,135	\$166.61
Business Services	47,628	\$22,099,261	\$464.00
Car Rentals	111,018	\$19,556,525	\$176.16
Commercial Equipment	24,575	\$15,673,594	\$637.79
Electrical Parts and Equipment	30,884	\$15,149,436	\$490.53
* See Appendix B for the specific MCCs included in each of these categories.			
** LSU-related entities and LDH account for \$32,943,241 (69.8%) of expenditures for this MCC.			
*** Includes some Amazon purchases.			
<b>Source:</b> Prepared by legislative auditor's staff using card transaction data from OST.			

In addition, many of the vendors with whom entities' cardholders spend the most money are those vendors related to the MCCs identified in Exhibit 3 above, such as office supply vendors, airlines, and car rental companies. Exhibit 4 below shows the top 10 vendors used in calendar years 2016 through 2020.

<b>Exhibit 4</b>			
<b>Transaction Statistics for Top 10 Vendors</b>			
<b>Calendar Years 2016 through 2020</b>			
<b>Vendor</b>	<b>Number of Transactions</b>	<b>Total Amount of Transactions</b>	<b>Average Amount of Transactions</b>
Staples	97,758	\$23,833,405	\$243.80
Amazon	143,672	\$21,280,675	\$148.12
Delta Airlines	41,719	\$19,404,140	\$465.12
Enterprise Rent-A-Car	111,830	\$18,950,349	\$169.46
American Airlines	37,193	\$16,048,741	\$431.50
Walmart	132,066	\$12,356,268	\$93.56
United Airlines	23,352	\$10,180,206	\$435.95
Fedex	32,783	\$9,679,927	\$295.27
Grainger	26,519	\$9,508,083	\$358.54
Dell	5,508	\$8,490,897	\$1,541.50
<b>Source:</b> Prepared by legislative auditor's staff using card transaction data from OST.			

<sup>8</sup> Merchant Category Codes (MCC) are standard codes the credit card industry uses to categorize merchants (vendors) based on the type of goods or services provided by the vendor. A vendor is assigned an MCC by the bank.

Transactions made through the card programs earned rebates totaling more than **\$19.2 million in fiscal years 2016 through 2020, which fully funded OST's budget and was also distributed to certain institutions of higher education.** Each purchase made on a card generates a rebate, which varies based on the specific vendor and the volume of transactions. OST uses these rebates to fund its operations and also distributes a portion of the rebates generated by institutions of higher education back to those institutions. According to OST, this is because the high volume of purchases made by those institutions generates a large portion of all rebates earned. Exhibit 5 shows the total amount of rebates and distributions to OST and institutions of higher education during fiscal years 2016 through 2020.

<b>Exhibit 5</b>			
<b>Rebates by Fiscal Year</b>			
<b>Fiscal Years 2016 through 2020</b>			
<b>Fiscal Year</b>	<b>Distributions to OST</b>	<b>Distributions to Higher Education</b>	<b>Total Rebates</b>
2016	\$2,270,134	\$1,661,736	\$3,931,870
2017	2,141,796	1,794,562	3,936,359
2018	2,387,112	1,830,325	4,217,437
2019	2,162,327	1,852,370	4,014,697
2020	1,812,869	1,288,488	3,101,357
<b>Total</b>	<b>\$10,774,238</b>	<b>\$8,427,481</b>	<b>\$19,201,720</b>

**Source:** Prepared by legislative auditor's staff using information from OST.

**While OST has monitoring activities to detect entities and transactions that do not comply with program policies, it could improve its oversight by enhancing its use of data analytics and resolving data limitations to more effectively identify instances of noncompliance.**

As mentioned previously, OST stated that the implementation of the card programs increases the ability to track and review transactions, which is important due to the growing number of transactions and amounts within the card programs. OST conducts compliance checks and reviews transactions to monitor entities'<sup>9</sup> compliance with program requirements. However, we identified several ways that OST could further strengthen its monitoring activities.

<sup>9</sup> Because OST does not monitor LSU institutions per the MOU, we did not include them in the analyses conducted in this part of report.

**OST performs compliance checks to help ensure that entities comply with all program requirements. OST also conducts routine analyses of card transaction data; however, it could use risk-based sampling to better monitor potentially noncompliant transactions.** OST policy requires all entities to develop their own monitoring policies, including approving transactions and running specific data analytics reports. To ensure that entities comply with all entity and state regulations, policies, statutes, and executive orders, OST performs various types of oversight activities. For example, OST conducts compliance checks of entities to review policy documents, determine whether approval and receipt procedures were followed, determine whether data analytics reports were run as required, and review samples of transactions. According to OST, it conducted 285 compliance checks in calendar years 2016 through 2020, as shown in Exhibit 6.

<b>Exhibit 6</b>	
<b>Compliance Checks per Year</b>	
<b>Calendar Years 2016 through 2020</b>	
<b>Calendar Year</b>	<b>Number</b>
2016	48
2017	66
2018	71
2019	59
2020	41
<b>Total</b>	<b>285</b>
<b>Source:</b> Prepared by legislative auditor's staff using information from OST.	

In addition, OST separately runs monthly data analytics reports on comprehensive card data for all entities to identify potentially noncompliant transactions, such as transactions made for restricted MCCs or transactions that exceeded the single transaction limit. OST communicates issues identified through compliance checks and data analytics reports to entities to ensure that entities correct any issues found with their processes. However, OST only reviews a random selection of 20 transactions from most of the data analytics reports, instead of focusing its reviews on those transactions that appear to be most risky. Adding a risk-based method when selecting which transactions to review would allow OST to target the highest-risk transactions for review.

**While OST has a process to identify transactions for restricted MCCs, it does not ensure that entities only use the MCCs that are approved by OST.** MCCs indicate the type of products or services offered by a vendor and are assigned by financial institutions. For example, MCCs related to jewelry stores are restricted for most entities. However, DCFS case workers are allowed to make purchases from jewelry-related MCCs so they can purchase graduation rings for foster children. If a cardholder needs to make a purchase for an authorized state purpose from a vendor with a restricted MCC, the entity must submit an exception request<sup>10</sup> to OST and obtain approval for the MCC. Without approval from OST, the transaction violates state policy even if it was for a legitimate purpose.

OST runs a data analytics report on card transaction data each month to identify transactions for restricted MCCs and reviews a random sample of 20 transactions to ensure the entity uploaded the required documents such as receipts. However, OST does not check to ensure that the entity had an approved exception for that MCC and for that specific transaction. We reviewed card transaction data and exceptions that entities obtained from OST and identified instances where a purchase was made for a restricted MCC without an approved exception. For example, one entity had approximately \$54,402 in transactions for restricted MCCs without

<sup>10</sup> An exception request is a request that seeks approval to deviate from certain policy requirements.

approved exceptions. We identified the following as the two main causes that allowed these transactions to go through:

- OST creates custom lists of allowed MCCs for each entity based on the needs of that entity. For example, MCCs related to clothing are restricted for most entities. However, DCFS case workers are allowed to make purchases from clothing-related MCCs so they can purchase items needed for foster children. When entities assign the list of approved MCCs to a card, they should use the custom list of MCCs that was created for that entity. However, in the Bank of America system, entities have access to an alternative list of MCCs called a *standard list*. This standard list is a default list of allowed MCCs in the Bank of America system which includes many MCCs that are restricted for cards in Louisiana's card programs. According to OST, it is not able to remove this standard list from the options, and entities sometimes inadvertently select the standard list of MCCs when they should select the custom list of allowed MCCs. As a result, cardholders are able to make purchases from restricted MCCs without an approved exception from OST. According to OST, they are working with the agencies to ensure the standard list is not inadvertently assigned to cardholders who should not make purchases from these MCCs.
- When an entity obtains approval from OST to allow a restricted MCC, the entity should update the list of allowed MCCs for only the appropriate card(s). The changes are made to a card profile, which lists all the controls for the card including allowed and unallowed MCCs and spending limits. Each card profile can be assigned to multiple cards. For example, multiple employees doing the same job would have similar controls, so they may all be assigned to the same card profile. According to OST, when approved changes are made to a card profile, the changes impact any card that is assigned to that profile. This inadvertently allows some cardholders to make purchases from restricted MCCs that they are not approved to use.

While OST publishes a list of the MCCs that are allowed and restricted, the list is not complete, making it difficult for entities to know which MCCs are allowed and which are restricted. According to OST, the list of MCCs has not been routinely updated but will be updated quarterly in the future to ensure the appropriate MCCs are used by entities. OST also does not have a comprehensive list of the specific MCCs that each entity is allowed to use. As described in the first bullet above, OST creates custom lists of allowed MCCs for each entity based on the needs of that entity, but those lists are retained by Bank of America and not OST. In addition, OST does not track other changes to allowed MCCs. For example, during declared emergencies, entities are allowed to open up MCCs for employees who are active during the emergency, and agencies do not have to request approval for these changes. Finally, OST does not have a comprehensive list of all approved exceptions. These files are saved, but not in a format that allows OST to easily determine if a transaction is for an approved MCC. The issues described above limit OST's ability to comprehensively monitor transactions to ensure that entities only use approved MCCs. OST stated that it plans to create new processes to track changes and exceptions to MCCs.

**We identified instances where cards were used after the dates that the assigned cardholders separated from employment.** According to OST policy, a cardholder's supervisor is required to obtain the card from the cardholder upon separation and ensure that the entity's card administrator deletes the card so that no purchases can be made after separation. Using OST card transaction data and Business Objects reports regarding state employment, we found that at least 21 cardholders made 35 purchases totaling \$10,480 after their separation date. In most instances, we found that the card was not deleted on the day that the cardholder separated from employment, as required by OST policy, but instead was deleted at a later date. For example, the card assigned to a cardholder who separated from employment on December 2, 2016, was used to purchase an item for \$98.39 on December 14, 2016, or 12 days after separation. The card associated with this separated cardholder was not deleted until January 18, 2017, or 47 days after separation. OST currently does not proactively attempt to identify all cardholders who have separated from employment and instead only identifies this issue if purchases made using these cards are selected for review during the compliance check.

**While OST has a process to identify purchases made by cardholders that exceeded the amount they were approved to spend on any one transaction, limitations in the card transaction data decrease the effectiveness of this process.** A single transaction limit (STL) is the maximum dollar amount allowed for any single transaction/purchase made with a cardholder's card. Each card's STL is set based on the nature of the cardholder's position and types of purchases the cardholder needs to make. For example, a cardholder in human resources who routinely books conferences and hotel rooms for large groups of employees may need a larger STL than an individual who only occasionally purchases low-cost items. According to OST policy, if a cardholder or entity needs an STL increased for a specific period of time or purchase, an exception request must be submitted by the entity to OST detailing why the STL limit needs to be increased and the specific time period the request covers. When an entity obtains approval from OST to increase the STL, the entity should update the STL for that card in the Bank of America system.

We reviewed card transaction data and identified instances where a purchase was made that exceeded the STL. While OST runs two data analytic reports on card transaction data to identify potential noncompliance with STLs, there is no field in the card transaction data that designates the STL on the day a specific transaction occurred. Instead, the data reflects the current STL as of the date the data is analyzed. For example, if a request for a temporary STL increase is approved, the entity will change the STL to the new amount, but will then change it back after the approved period expires. This limitation prevents OST from comparing the transaction amount to the approved STL on the date the transaction occurred based on the data alone and instead necessitates reviewing documentation, which limits the effectiveness of this analysis.

In addition, vendors have the ability to bypass a card's STL by forcing transactions. For example, a cardholder may be attempting to purchase goods or services that the vendor believes are for a legitimate purpose, and the vendor may manually process the transaction to complete the sale. Therefore, it is important that forced transactions are reviewed to identify transactions that do not comply with purchasing rules such as those pertaining to STLs. OST staff stated that

while there is not currently a field in its card transaction data that indicates whether a transaction was forced, it is working with Bank of America to create a field to identify forced transactions.

**We identified instances where cards were not used for more than 12 months but had an STL greater than \$1, contrary to OST's policy.** OST's card policies require that agencies cancel a card that has not been used over the course of 12 months (dormant cards) unless OST grants approval to keep the card open. It is important to cancel these cards to ensure that no fraudulent or unapproved transactions occur. According to OST, agencies may want to keep cards dormant but not cancel them so that they are quickly available for use in case of an emergency, such as a hurricane. If OST approves an entity to maintain dormant cards, OST policy requires that the STL on the card be reduced to \$1 until the card needs to be used. However, we identified 675 cards that were unused for at least 15 months<sup>11</sup> but had an STL greater than \$1, which potentially increases the risk that fraudulent or unapproved transactions could occur. According to OST it is working with Bank of America to develop a report that will assist in identifying dormant cards with an STL greater than \$1.

**OST's card transaction data does not uniquely identify the vendor from which a purchase was made, which limits OST's ability to monitor the program.** Vendor identification numbers (vendor IDs) are assigned to vendors in the Bank of America system to uniquely identify the vendor. Having this unique identifier assists in monitoring card transactions for potential improper activity. However, the same vendors are often assigned more than one vendor ID. For example, Walmart had 1,136 different vendor IDs in the card transaction data. In addition, in some instances, vendors who use third-party payment services such as PayPal are not uniquely identified as their own business in the data and are instead grouped together with other businesses who also use these payment services. For example, there were at least 73,184 transactions totaling more than \$40.8 million in calendar years 2016 through 2020 with vendor IDs associated with third-party payment platforms,<sup>12</sup> which limits OST's ability to conduct monitoring over the actual vendors grouped under these vendor IDs.

**Recommendation 1:** OST should incorporate risk-based sampling methods into its routine analysis to ensure that high-risk transactions are reviewed as part of its monitoring.

**Summary of Management's Response:** OST agrees with this recommendation and states that it will increase the number of high-risk transactions reviewed each month and review each transaction on exception reports for Merchant Category Codes and Single Transaction Limits when practicable. See Appendix A for OST's full response.

**Recommendation 2:** OST should ensure that entities obtain an exception for transactions with restricted MCCs as required by OST policy.

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<sup>11</sup> We tested cards that were open 15 or more months without being used rather than 12 months in order to ensure that the entities had at least one quarter to identify and close the cards or reduce their STL.

<sup>12</sup> Includes Intuit, Paypal, Singular Payments, and Square.

**Summary of Management's Response:** OST agrees with this recommendation and states that it is beginning to work with each entity to correct the MCC groups in each of their profiles. See Appendix A for OST's full response.

**Recommendation 3:** OST should ensure that changes to individual cardholder's cards to accommodate MCC exception requests are not applied to individuals who do not have approval to use those MCCs.

**Summary of Management's Response:** OST agrees with this recommendation and states that it is creating a new procedure that will not allow other state agencies to use a specific MCC when it is opened for a specific transaction. See Appendix A for OST's full response.

**Recommendation 4:** OST should ensure it develops a comprehensive list of approved exceptions to more easily identify if transactions are for approved MCCs.

**Summary of Management's Response:** OST agrees with this recommendation and states that it has begun to compile exemptions into a tracking list that will be searchable and updated. See Appendix A for OST's full response.

**Recommendation 5:** OST should ensure that it has complete lists of MCCs for the card programs and entities, as well as when MCCs that are usually restricted are allowed for cardholders during circumstances such as emergencies.

**Summary of Management's Response:** OST agrees with this recommendation and states that it is in the process of updating the allowable and restricted MCC lists to make sure they contain all MCCs provided by Bank of America. OST further stated that it will request an updated list of MCCs each quarter to keep the listing accurate and up-to-date. See Appendix A for OST's full response.

**Recommendation 6:** OST should work with entities to more effectively identify and cancel cards when cardholders separate from employment so purchases are not improperly made.

**Summary of Management's Response:** OST agrees with this recommendation and states that it will work with card program administrators to create a process to cancel the card when an employee separates. See Appendix A for OST's full response.

**Recommendation 7:** OST should work to resolve data limitations that reduce the effectiveness of its monitoring activities, including STL and forced transactions.

**Summary of Management's Response:** OST agrees with this recommendation and states that it is working with Bank of America to enhance reporting capabilities, including a reportable field that will identify forced transactions. See Appendix A for OST's full response.



**Recommendation 8:** OST should continue to work with Bank of America to develop a report that will identify dormant cards with an STL greater than \$1.

**Summary of Management's Response:** OST agrees with this recommendation and states that Bank of America is working to modify a dormant card report so OST can have the capability of obtaining statewide dormant card data for monitoring. See Appendix A for OST's full response.

**Recommendation 9:** OST should consider identifying a way to uniquely identify vendors.

**Summary of Management's Response:** OST agrees with this recommendation and states that it will discuss identifying a way to uniquely identify vendors with Bank of America. See Appendix A for OST's full response.



## **APPENDIX A: MANAGEMENT'S RESPONSE**



Office of State Travel  
State of Louisiana  
Division of Administration

JOHN BEL EDWARDS  
GOVERNOR



JAY DARDENNE  
COMMISSIONER OF ADMINISTRATION

October 12, 2021

Michael J. "Mike" Waguespack, CPA  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Purchase and Travel Card Programs Performance Audit

Dear Mr. Waguespack,

Please accept this letter as the Office of State Travel's (OST's) official response to the recommendations presented in the recent performance audit of the State's Purchase and Travel Card Programs by the Louisiana Legislative Auditor's Office. OST is working to improve analytics and reporting functions to enhance monitoring of the Purchase and Travel Card Programs. We appreciate the feedback provided by LLA to help OST improve these programs in the future. The responses and processes are detailed below for each recommendation.

**Recommendation 1:** OST concurs with this recommendation and will increase the number of high-risk transactions reviewed each month. When practicable, OST will review each transaction on exception reports for Merchant Category Codes (MCCs) and Single Transaction Limits (STLs).

**Recommendation 2:** OST concurs and is starting to work with each agency to get their individual MCC groups corrected in each of their profiles. While going through this process, if an agency has a specific need in the restricted MCC listing and does not already have an exemption, a new exemption request will need to be submitted and approved for a transaction to process. This will be a very extensive project and will require several meetings with each agency to ensure their MCC profiles are correct and in compliance with OST's policies.

**Recommendation 3:** OST concurs and is creating a new procedure that will not allow other state agencies to use the specific MCC once it is opened for the specific transaction. We plan to create a custom group on each agency profile that has MCC exemptions and when a request is approved for a one-time exemption, that MCC will be placed in the agency's own custom group. This will eliminate other agencies making the same type of transaction on the same day without an approval.

**Recommendation 4:** OST concurs and has already started to compile the exemptions into a tracking list that will be easily searchable in the future. The list will be updated as OST works with agencies to review their MCC profiles and existing exemptions.

**Recommendation 5:** OST concurs and is in the process of updating the allowable and restricted MCC lists to make sure they contain all MCCs provided by Bank of America. OST will request and updated list of MCCs each quarter to keep the listing accurate and up-to-date.

**Recommendation 6:** OST concurs and will work with the card program administrators to help create a process to cancel the card when an employee separates. Agencies should already be doing an exit interview, which includes the separating employee turning in their card to the program administrator. An agency's HR section or the employee's supervisor will need to communicate the separation to the agency's card program administrator for the card to be cancelled timely.

**Recommendation 7:** OST concurs and is working with Bank of America to enhance reporting capabilities. Bank of America is working on a reportable field that will identify forced transactions and it should be available in 2022. OST has an audit trail report that will display a profile's STL changes and will create a process to cross-reference the changes to transactions on the STL reports.

**Recommendation 8:** OST concurs. Bank of America created a report for dormant cards that can be ran for each individual agency. Bank of America is working to modify the report so OST can have the capability of obtaining statewide dormant card data for monitoring.

**Recommendation 9:** OST concurs and can discuss this with Bank of America. The naming of vendors in the reports depends on how the individual businesses set up their bank and credit card reporting information.

In conclusion, we appreciate the work done by LLA to identify improvements needed in monitoring OST's card programs and our office is available to discuss the recommendations and responses as needed.

Sincerely,



Garret DeBate, CPA  
State Travel Director

Cc: Jay Dardenne, Commissioner of Administration  
Barbara Goodson, Deputy Commissioner  
Randy Davis, CPA, Assistant Commissioner  
Desireé Honoré-Thomas, CPA, CGMA, Assistant Commissioner  
Erin Sindelar, CPA, Internal Audit Administrator  
Brenda Myers, State Travel Manager  
Shelita Woods, State Travel Manager

## APPENDIX B: SCOPE AND METHODOLOGY

This report provides the results of our performance audit of the Office of State Travel (OST). We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. This audit covered January 1, 2016, through December 31, 2020. Our audit objective was:

**To provide information on the utilization of the Purchase and Travel Card Programs during calendar years 2016 through 2020 and to evaluate OST's monitoring activities.**

We conducted this performance audit in accordance with generally accepted *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. To answer our objective, we reviewed internal controls relevant to the audit objective and performed the following audit steps:

- Researched relevant state laws, regulations, and policies related to the LaCarte Purchase Card and Travel Card Programs (card programs), procurement, and travel.
- Interviewed OST staff to gain an understanding of the card programs.
- Obtained and analyzed OST's card program data (card transaction data) from the Bank of America Works System for calendar years 2016 through 2020 for all entities enrolled in these programs. This data included information regarding card transactions, cards' status, and system changes.
- Used card transaction data to calculate the average number of cards used, the total number of transactions, the total amount of those transactions, and the average amount of those transactions during our scope. We excluded transactions by accounts specifically dedicated to electronic vendor payments (EVP), as the transactions made from these accounts related to entity expenses such as bill payments rather than traditional card program purchases. While we excluded LSU transactions from the report when evaluating OST's monitoring of the program, we did include them in this analysis.
- Used card transaction data to identify the entities with the highest card usage within our audit scope based on the total transaction amount. Also, used card transaction data to identify the most common Merchant Category Codes (MCC) and vendors used during this timeframe. In addition, we identified transactions made using third-party payment systems.

- For the MCC statistics presented in Exhibit 3, we summarized the MCC descriptions listed in the exhibit. The following MCCs were used for each of the 10 MCC descriptions:
  - Lodging - 3500-3999, 7011
  - Airlines - 3000-3299, 4511
  - Medical Equipment and Supplies - 5047
  - Office Supplies - 5111
  - Industrial Supplies - 5085
  - Book Stores - 5942
  - Business Services - 7399
  - Car Rentals - 3300-3499, 7512
  - Commercial Equipment - 5046
  - Electrical Parts and Equipment - 5065
  
- For the vendor statistics presented in Exhibit 4, we first identified the top 20 vendors based on transaction amounts using the *vendor id* and *vendor name* fields. We then grouped additional *vendor ids* that appears to be for that same vendor in order to generate the top 10 list presented in Exhibit 4, which was based on the top vendors after this manual consolidation. We also consolidated vendor ids for four third-party payment systems.
  
- Used historical rebate information provided by OST to document the rebates earned from card usage, amounts that funded OST, and the amounts distributed to institutions of higher education.
  
- To understand LSU's autonomy, we reviewed the memorandum of understanding between LSU and DOA and information provided by OST and the Board of Regents.
  
- Reviewed OST's process for conducting and documenting compliance checks, including meeting with OST staff to understand the process, reviewing OST's compliance check schedule, and reviewing hard copy and electronic files for five compliance checks conducted during our scope. In addition, we documented the number of compliance checks conducted by OST based on information provided by OST.
  
- Reviewed OST's process for conducting monthly data reporting and reviews of transactions, including meeting with OST staff to understand the process, reviewing OST's data reporting schedule, and reviewing examples of OST's monthly reports and reviews of transactions from within our audit scope.
  
- Analyzed card transaction data and information provided by OST to identify transactions for vendors with restricted MCCs. We reviewed approved exception requests provided by OST to determine if the entity had an approved exception. We provided examples to OST and worked with management to understand the causes. We excluded EVP and LSU transactions from this analysis.



- Analyzed card transaction data and Business Objects reports to identify transactions made by cardholders after they separated from state employment. We provided examples to OST and worked with management to understand the causes. We excluded EVP and LSU transactions from this analysis.
- Analyzed card transaction and system changes data to identify transactions that exceeded the single transaction limit. We provided examples to OST and worked with management to understand the causes. We excluded EVP and LSU transactions from this analysis.
- Analyzed card transaction data to identify cards that had not been used for more than 15 months and had a single transaction limit greater than \$1. We provided examples to OST and worked with management to understand the causes. We excluded EVP and LSU transactions from this analysis.
- Analyzed card transaction data to identify vendors with more than one vendor id.



## APPENDIX C: CARD TRANSACTION STATISTICS BY ENTITY FOR CALENDAR YEARS 2016 THROUGH 2020

This appendix shows the number of transactions, total amount of those transactions, and average amount of those transactions for all entities that participate in the card programs.

Entity	Total Transactions	Total Amount	Average Amount per Transaction
Baton Rouge Community College	3,020	\$1,034,847	\$342.66
Board of Regents	11,405	\$3,230,334	\$283.24
Board of Supervisors - Louisiana Community and Technical Colleges System	4,300	\$1,066,998	\$248.14
Board of Supervisors - Southern University System	1,077	\$333,660	\$309.81
Board of Supervisors - University of Louisiana System	1,330	\$280,235	\$210.70
Bossier Parish Community College	6,423	\$1,765,409	\$274.86
Central Louisiana Technical Community College	1,263	\$385,678	\$305.37
Coastal Protection and Restoration Authority	5,400	\$1,453,811	\$269.22
Commission on Law Enforcement and Administration of Criminal Justice	994	\$235,857	\$237.28
Delgado Community College	11,567	\$3,101,733	\$268.15
Delta Community College	3,659	\$1,131,109	\$309.13
Department of Agriculture and Forestry	23,520	\$7,165,359	\$304.65
Department of Children and Family Services	162,872	\$20,675,200	\$126.94
Department of Corrections	98,222	\$58,950,943	\$600.18
Department of Corrections - Prison Enterprises	2,110	\$679,587	\$322.08
Department of Culture, Recreation, and Tourism	51,190	\$15,437,003	\$301.56
Department of Education	43,646	\$6,097,298	\$139.70
Department of Environmental Quality	18,525	\$4,297,532	\$231.99
Department of Health	181,578	\$66,011,416	\$363.54
Department of Insurance	3,386	\$1,161,505	\$343.03
Department of Justice	8,482	\$2,264,469	\$266.97
Department of Natural Resources	6,589	\$2,138,025	\$324.48
Department of Public Safety	116,119	\$57,398,088	\$494.30
Department of Revenue	10,297	\$2,581,817	\$250.73
Department of State Civil Service	3,149	\$717,753	\$227.93
Department of the Treasury	1,155	\$153,736	\$133.10
Department of Transportation and Development	99,614	\$24,990,724	\$250.88
Department of Veterans Affairs	3,091	\$594,567	\$192.35

<b>Entity</b>	<b>Total Transactions</b>	<b>Total Amount</b>	<b>Average Amount per Transaction</b>
Department of Wildlife and Fisheries	62,285	\$18,470,838	\$296.55
Division of Administration	50,489	\$34,055,821	\$674.52
Economic Development	8,956	\$2,719,038	\$303.60
Fletcher Technical Community College	1,119	\$292,205	\$261.13
Governor's Office of Elderly Affairs	1,565	\$97,493	\$62.30
Governor's Office of Homeland Security and Emergency Preparedness	3,707	\$2,024,657	\$546.17
Grambling State University	16,334	\$7,565,838	\$463.20
Louisiana State University	520,208	\$220,239,556	\$423.37
Louisiana State University - Shreveport	805	\$258,180	\$320.72
Louisiana State University Health Science Centers	111,446	\$40,410,206	\$362.60
Louisiana Tech University	46,517	\$13,015,746	\$279.81
Louisiana Universities Marine Consortium	609	\$155,776	\$255.79
Louisiana War Veterans Home	3,636	\$1,619,096	\$445.30
LSU AgCenter	174,698	\$39,879,861	\$228.28
McNeese State University	17,587	\$5,875,594	\$334.09
Military Department	36,661	\$25,736,222	\$702.01
Municipal Fire and Police	235	\$43,908	\$186.84
New Orleans Center for Creative Arts	1,945	\$591,528	\$304.13
Nicholls State University	20,896	\$4,769,456	\$228.25
Northeast Louisiana War Veterans Home	6,177	\$2,476,691	\$400.95
Northshore Community Technical College	2,171	\$774,394	\$356.70
Northwest Louisiana Technical Community College	619	\$129,443	\$209.12
Northwest Louisiana War Veterans Home	2,581	\$639,151	\$247.64
Northwestern State University	20,195	\$6,064,912	\$300.32
Nunez Community College	2,924	\$649,154	\$222.01
Office of Financial Institutions	2,016	\$690,682	\$342.60
Office of Group Benefits	630	\$170,403	\$270.48
Office of Juvenile Justice	17,667	\$10,405,033	\$588.95
Office of Risk Management	891	\$245,876	\$275.96
Office of Student Financial Assistance	971	\$157,893	\$162.61
Patient's Compensation Fund	253	\$78,946	\$312.04
Public Service Commission	384	\$106,574	\$277.54
Real Estate Commission	65	\$18,036	\$277.47
Recovery School District	925	\$314,031	\$339.49
River Parishes Community College	1,211	\$372,459	\$307.56
School for Math, Science, and the Arts	1,293	\$344,323	\$266.30
School for the Deaf and Visually Impaired	10,380	\$3,382,577	\$325.87
Secretary of State	2,407	\$757,981	\$314.91

Entity	Total Transactions	Total Amount	Average Amount per Transaction
South Central Louisiana Technical College	436	\$104,942	\$240.69
South Louisiana Community College	4,141	\$1,720,457	\$415.47
Southeast Louisiana Veterans Home	3,289	\$1,199,631	\$364.74
Southeastern Louisiana University	63,070	\$15,598,737	\$247.32
Southern University - Agricultural Research and Extension Center	3,110	\$1,126,650	\$362.27
Southern University - Baton Rouge	12,216	\$6,497,212	\$531.86
Southern University - Law Center	4,551	\$1,616,090	\$355.11
Southern University - New Orleans	4,967	\$1,611,568	\$324.45
Southern University - Shreveport	5,817	\$1,669,295	\$286.97
Southwest Louisiana Technical Community College	5,681	\$1,500,095	\$264.05
Southwest Louisiana War Veterans Home	3,297	\$576,580	\$174.88
Special Education Center	9,484	\$2,846,524	\$300.14
State Board of Certified Public Accountants	19	\$14,800	\$778.95
State Board of Chiropractic Examiners	6	\$1,248	\$207.93
State Board of Cosmetology	1,100	\$105,871	\$96.25
State Board of Embalmers and Funeral Directors	700	\$58,745	\$83.92
State Board of Medical Examiners	3,312	\$538,181	\$162.49
State Board of Nursing	1,674	\$410,481	\$245.21
State Board of Practical Nurse Examiners	768	\$110,097	\$143.36
State Board of Private Security Examiners	290	\$55,084	\$189.95
State Licensing Board for Contractors	811	\$290,732	\$358.49
State Police Commission	126	\$16,256	\$129.01
State Racing Commission	1,172	\$308,416	\$263.15
Tax Commission	417	\$116,650	\$279.74
Tax Free Shopping Program	352	\$71,412	\$202.88
University of Louisiana at Lafayette	187,997	\$71,424,259	\$379.92
University of Louisiana at Monroe	33,391	\$10,576,783	\$316.76
University of New Orleans	20,558	\$5,864,590	\$285.27
Used Motor Vehicle Commission	949	\$63,271	\$66.67
Workforce Commission	28,240	\$6,223,182	\$220.37
<b>Total</b>	<b>2,439,382</b>	<b>\$863,252,115</b>	<b>\$353.88</b>

**Source:** Prepared by legislative auditor's staff using card transaction data from OST.