

GAO Topic of the Month – May 2023

Late Fees on State Issued Purchasing & Travel Cards



Background

This month's topic is late fees on state issued credit cards, which are State of Arizona Purchasing Cards (P-Cards), Central Travel Accounts (CTAs), and Employee Travel Cards (ETCs). It is important to remember that P-Cards and Central Travel Accounts are state liability accounts and that; employee travel cards are limited liability cards and can become state liability accounts if the cardholder defaults on their payments. Late fees represent unnecessary and avoidable costs to the State and may be an indicator of other potential issues such as card abuse or process deficiencies at your agency.

GAO Internal Audit initially addressed this topic in the October 2021 Topic of the Month (TOM), *Monitoring Late Fees for Purchasing & Travel Cards*. This TOM addressed the risk of late fees on state issued Purchasing and Travel cards and each agency's responsibility to timely identify and address late fees. This TOM also provided guidance regarding how to run reports in US Bank to identify late fees on state issued credit card accounts. GAO's most recent review identified numerous late fees that continue to be charged against state issued credit card accounts.

Review of Late Fees

During fiscal year 2022 and a majority of fiscal year 2023, 52 agencies had a combined 300 late fee charges with 41% for P-Card accounts (122 fees) and 59% for CTA and ETC travel card accounts (178 fees). A majority of these cardholders had late fees over several monthly cycles. While the dollar amount in itself may not be material, it does represent an actual dollar loss to the State and can be indicative of other issues that need to be addressed. The misuse of corporate credit cards can be common, and interest or late fees accruing on late payments is one area that should be focused on. (Kristen Ocampo, CPA, Senior Internal Auditor, 2022)

What is My Agency's Role in Identifying and Addressing Late Fees?

All agencies with purchasing and/or travel cards are responsible for regularly monitoring the card activity. This responsibility includes regularly identifying cardholder accounts that have incurred late fees and taking appropriate action. Late fees incurred on Purchasing Cards and Central Travel Accounts are State liabilities that result in additional and unnecessary costs to the State, while late fees incurred on Employee Travel Cards are unnecessary and avoidable costs to employees that could become state liabilities. As corporate liability cards are paid with State funds, late fees can be avoided completely with proper processes, policies, oversight, and follow-up. Cardholders should not have regular, reoccurring late fees. If a cardholder does not manage their card and required reconciliations appropriately, the

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card may need to be closed. Employees with ETC cards should be requesting travel reimbursements timely and paying their card balances. Employees not following state and agency policies and procedures may need additional reminders and/or training. Processes and training materials may need to be reviewed to determine if any modifications are needed.

What is Next?

In accordance with SAAM, GAO may perform audits over the use, administration, and internal controls for the use of credit cards. Recently, GAO Internal Audit has contacted all 52 agencies that incurred late fees on their state issued accounts from July 1 2021 – April 1 2023 and has requested a response.

Conclusion

Late fees are unnecessary and avoidable costs to the State that can largely be eliminated by the agencies establishing conducive policies, procedures, and processes and implementing appropriate oversight. It is the responsibility of each agency to monitor, reduce, and to the extent practicable, eliminate late fees on all of their state issued cards. The additional resources provided below explain why proper monitoring of cards can prevent fraud and/or loss and provide guidance regarding how to monitor late fees. If you have any additional questions, please reach out to GAOinternalaudit@azdoa.gov.

Resources

- October 2021 Topic of the Month – Monitoring Late Fees for Purchasing & Travel Cards (<https://gao.az.gov/chief-financial-officer-cfo-meetings>)
- Internal Audit: Preventing Fraud through Travel & Expense Reimbursement Audits, <https://www.grfcpa.com/2022/08/travel-expense-reimbursement-audit/>
- Association of Certified Fraud Examiners (ACFE) Occupational Fraud 2022: A Report to the Nations, <https://legacy.acfe.com/report-to-the-nations/2022/#explore>