

PERFORMANCE AUDIT
Bankcard Transaction Fees and Contract
Management
Department of Administration

JUNE 2015

14P-04

REPORT SUMMARY

State agencies processed payments totaling over \$115 million using point-of-sale systems in fiscal year 2013 and \$209 million online in calendar year 2013, which includes over \$13 million in transaction fees paid by citizens and state agencies. The Department of Administration needs to improve its management of contracts to better assist agencies with resolving payment application issues, monitoring bankcard transaction fees, and monitoring contractor compliance with security requirements.

Context

Citizens are increasingly using credit and debit cards to purchase goods and services from state agencies. The Department of Administration (department) manages two term contracts to facilitate the processing of payments made through online and point-of-sale systems. One contract processes point-of-sale payments that are completed by customers at state agencies and universities. The other contract is required for payments that are processed online and is used by state agencies and the University of Montana. Montana State University uses a different contract to process online payments.

In fiscal year 2013 there were nearly 1.1 million transactions totaling over \$115 million processed using point-of-sale systems. Transaction fees for this contract totaled nearly \$2.2 million. There were approximately 6 million online transactions totaling \$209 million processed during calendar year 2013. Audit work estimates online transactions fees totaled over \$11.5 million.

Overall, audit work determined the department could improve its management of the two term contracts used to administer online and point-of-sale transactions statewide. Audit work found that while the department has improved its process for identifying and resolving problems when payment applications are being developed, improvements could be made to identifying and assisting agencies with problems

that occur after implementation. We also found there is limited availability of statewide transaction fee data, which is important in understanding how these resources are used. Additionally, while security related to the processing of sensitive and confidential bankcard information is the responsibility of the contractor, the department should improve its monitoring of both contracts to ensure contractors are meeting security requirements.

Results

Audit work found the department needs to improve the management of its two term contracts. Recommendations relate to:

- ◆ Receiving and reviewing audits required as part of the point-of-sale contract that provide assurances the contractor is meeting security requirements.
- ◆ Developing a process to identify and resolve payment application issues.
- ◆ Developing a process for receiving and analyzing statewide transaction fee and convenience fee data.
- ◆ Developing a follow-up process on actions to be taken when contractor weaknesses or deficiencies are identified during the assessment of security controls.

(continued on back)

| Recommendation Concurrence | |
|--|---|
| Concur | 3 |
| Partially Concur | 0 |
| Do Not Concur | 0 |
| Source: Agency audit response included in final report. | |

For a complete copy of the report (14P-04) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
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