

**Date:** May 20, 2019

**To:** Leigh Ann Ralls, Finance Director

**From:** Craig Trujillo, CPA, Chief Audit Executive

**Tele:** Office: 860-757-9952  
Cell: 860-422-3600



**City of Hartford  
Finance Department  
E-Payable Operations  
Report 1917**

### **EXECUTIVE SUMMARY**

In accordance with our audit plan for the fiscal year ended June 30, 2019, we completed an examination in April 2019 of selected accounts and operations of the E-Payable process. The purpose of the examination was to evaluate and test internal accounting and operating controls, transactions processed and make appropriate recommendations. We reviewed the results of our examination with, L.A. Ralls, Finance Director; and, other responsible members in the department. The issues, which follow, include recommended operating improvements and management's responses and action steps. We will follow up to make sure that management's action plans, as agreed, are implemented by the completion date.

We are pleased to report that the E-Payable operations were found to be satisfactory. We did note, however, that the reconciliation process should be documented with a supervisory review and approval. In addition, those vendors not on E-payables should be aggressively encouraged to accept electronic payments or their vendor status with the City could be at risk of termination.

We thank management for their cooperation and courtesies extended to us during the audit.

### **BACKGROUND**

Accounts payable transactions are processed in the MUNIS system by City departments, Hartford Public Schools (HPS), Hartford Parking Authority and the Hartford Public Library. Payment requests are approved electronically in MUNIS according to the established approval hierarchy in the MUNIS workflow. Transactions are released for payment by City Finance Pre-Audit in MUNIS only if supporting documentation is obtained from the requesting party. The original documentation is retained in accordance with established State document retention guidelines. Supporting documentation is then electronically scanned into MUNIS by City and HPS finance employees. Once the weekly warrant is approved, Treasury generates the E-payables batch in MUNIS and saves the report to the City's network drive. The network drive is attached to the Bank of America Works program and Bank of America will generate an email to the E-Payable vendors. A confirmation email is sent to Treasury after all emails have been sent to the vendors. The electronic payment to the vendor is completed.

Based on reports provided to the Internal Audit Department, there are 109 active E-payable vendors with payments totaling \$3,749,228 in FY2019 year to date (7/1/18 – 3/18/19). For the same time period, there were 9,952 checks issued to 2,539 vendors for a total of \$177,934,172.

### **SCOPE**

The scope of the audit included an examination of activity during the period July 1, 2017 to February 28, 2019. The following audit procedures and tests were performed:

- Reviews of E-Payable procedures and controls;
- Tests of E-Payable warrants;
- Tests of E-Payable reconciliations; and
- Assessment of E-Payable marketing to vendors.

## City of Hartford E-Payable Operations

Issue Statement	Management Action Plans
<p><b><u>Issue</u></b> Based on a review of reconciliations of bank statements to Treasury reports and the weekly warrant, we noted that there is no evidence that a supervisory review and approval was performed. Finance Department management informed us that these are reviewed, but not initialed, and the Controller signs the warrants.</p> <p><b><u>Cause</u></b> There are no documented approval procedures related to above mentioned reconciliations.</p> <p><b><u>Effect</u></b> Vendor payments are paid but not reconciled.</p> <p><b><u>Recommendation</u></b> We recommend that procedures be documented related to the reconciliation process and include a supervisory review and documented approval.</p>	<p><b>Completion Date:</b> Completed</p> <p><b>Responsible Person:</b> L.A. Ralls, Finance Director</p> <p><b>Management Response:</b> Procedures related to the reconciliation process have already been updated to include supervisory review and a documented approval.</p>

## City of Hartford E-Payable Operations

Issue Statement	Management Action Plans
<p><b><u>Issue</u></b></p> <p>The City of Hartford initiated the E-Payables program with Bank of America in 2008. Based on reports provided to the Internal Audit Department, there are only 109 active E-payable vendors with payments totaling \$4,780,116 in FY2018 and \$3,749,228 in FY2019 year to date. There are a total of 16,833 active vendors based on a Vendor Inquiry Report from MUNIS and there have been no other vendors targeted since the inception of the program in 2008. The cost to the City to issue a check, per the Treasury Department, is \$7, which is an older estimate. The cost to the City to issue 9,952 checks from 7/1/18 to 3/18/19 is about \$70,000 based on the \$7 per check cost estimate.</p> <p><b><u>Cause</u></b></p> <p>We were informed that vendors oppose the fees that they would incur associated with the E-Payable transactions. There are no direct fees imposed for E-Payables, only the standard merchant fees applied by the vendors’ respective service provider, usually around 2%.</p> <p><b><u>Effect</u></b></p> <p>The City incurs the cost to issue a check at \$7 each.to process a check. Also the rebate for using the Bank of America Works program related to E payables is not being maximized.</p> <p><b><u>Recommendation</u></b></p> <p>We recommend that all vendors not on E-Payables should be aggressively encouraged to accept electronic payments or their vendor status with the City could be at risk of termination.</p>	<p><b>Completion Date:</b> September 30, 2019</p> <p><b>Responsible Person:</b> L.A. Ralls, Finance Director</p> <p><b>Management Response:</b> The Finance Department will work with Treasury to determine the feasibility of targeting additional vendors to participate in this program. There have been multiple vendors who requested to stop participation in this program due to the cost of the standard merchant fees.</p>

## City of Hartford E-Payable Operations

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