

Date: July 23, 2020

To: Noel McGregor, Town & City Clerk

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**City of Hartford
Town and City Clerk's Office
Vital Records Unit
Revenue Accounts and Operations Audit
Report 2017**

EXECUTIVE SUMMARY

In accordance with our audit plan for the fiscal year ending June 30, 2020, we completed an audit in May 2020 of the Town and City Clerk's Office Vital Records Unit Revenue Accounts and Operations. The purpose of the audit was to evaluate and test internal accounting and operating controls, the accuracy and propriety of transactions processed, the degree of compliance with established operating policy and procedures, follow up on the status of the prior audit findings, and to recommend improvements where required. The results of our examination were reviewed with N. McGregor, City Clerk; and, other responsible members of operating management. The summary that follows includes only exceptions disclosed and recommended operating improvements. For each reported item, management agreed to implement our recommendations or take other appropriate corrective action unless specifically indicated otherwise. Included are management's actions taken or planned including timeframes to resolve each finding and/or recommendation in this report. In general, we found that most of our recommendations from our last audit back in FY'2014 were never addressed by Town Clerk's Office management. Town Clerk's Office should document its cash receipt and reconciliation review procedures for the Vital Records Unit. We thank Town and City Clerk and Vital Records Unit management and staff for their cooperation and courtesies extended to us during our audit.

BACKGROUND

The Vital Records Unit (VRU) of the Town and City Clerk's (TCC) Office is responsible for providing the public with copies of vital records such as birth certificates, marriage licenses, death certificates, burial and cremation permits, disinterment services and notary services. VRU charges its customers Connecticut State mandated fees ranging from \$2 to \$50 depending on the type of document. A portion (\$16) of each marriage certificate is remitted to the state of Connecticut's Department of Public Health. A majority of the transactions are processed over the counter in the VRU office in City Hall with customers paying with cash. Customers also request documents by mail, facsimile or through the Internet. These transactions are paid by money order or credit card. VRU also bills and collects revenue generated from fees assessed to other cities and towns for document services provided. VRU uses the Cash Receipt module of the MUNIS Financial Management System (MUNIS) to process and account for cash, money order and credit card receipts. During the fiscal year ended June 30, 2019, VRU had four employees, incurred operating expenses totaling approximately \$179,900 and recorded about \$828,000 in revenue.

SCOPE

The scope of our audit included various tests of transactions and reviews of related operations during the fiscal year ending June 30, 2020. The following audit procedures were performed:

- Reviews and evaluations of policies, procedures and related internal operating and accounting controls;
- Tests of daily cash receipts, deposits and related accounting, recording and balancing processes;
- Reviews and tests of credit and voided transactions; and,
- Reviews and tests of fees billed to other cities and towns and the collection of related revenue.

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Issue Statement	Management Action Plans
<p><u>Issue</u></p> <p>Procedures for the collection, processing, recording, deposit and balancing of cash receipts; and fee billing and collection processes were not adequately documented in writing.</p> <p><u>Cause</u></p> <p>The procedures were never documented.</p> <p><u>Effect</u></p> <p>Documenting procedures and controls for key processes in narrative form in writing is a basis for a sound internal control environment and provides management with a baseline for evaluating day-to-day activities and employee performance.</p> <p><u>Recommendation</u></p> <p>We recommend that management document procedures, process flows and related key controls for the areas noted above in writing. Ideally, these procedures and process flows should be documented using automated tools such as Microsoft Word or Excel so that they can be easily updated as necessary with any required changes. Key controls and the individuals/positions responsible for them should be noted where appropriate in the documentation. The Tax Division of the Finance Department has comprehensive procedures and process flowcharts that can be used as a guideline for developing similar documentation within VRU.</p>	<p>Completion Date: December 31, 2020</p> <p>Responsible Person: Noel McGregor, Town and City Clerk</p> <p>Management Response:</p> <p>I was appointed as Town and City Clerk on March 9, 2020. One of my objectives when I was appointed is to develop written procedures to document our duties and how to perform them on a step by step basis. We will work with the Internal Audit Department to develop such directives.</p>

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<p><u>Issue</u></p> <p>Various reviews of the processing of and accounting for receipts and reviews of related operations disclosed the following:</p> <ol style="list-style-type: none"> 1. During the period from July 1, 2019 to February 14, 2020, we noted 355 reversal of cash receipt transactions totaling \$16,910 that were processed in MUNIS by VRU. There is no indication that these transactions are being monitored, reviewed and approved by supervisory personnel. In addition, all VRU employees that receive and process payments are also able to process reversals. 2. There is no indication that VRU supervisory personnel review the daily cash receipt transactions and summaries to verify that all activity has been properly accounted for throughout the process and recorded in MUNIS as required. This includes reconciling transactions recorded in MUNIS to applications and other supporting documentation. <p><u>Cause</u></p> <p>There are no documented procedures requiring a supervisory review of the cash receipt reversals and daily cash receipt summaries.</p> <p><u>Effect</u></p> <p>There could be cash receipt deposit and recording of transactions into MUNIS errors undetected by lack of supervisory review.</p> <p><u>Recommendation</u></p> <p>We recommend that VRU management document procedures for supervisory monitoring, reviewing and approving of cash receipt reversal transactions, as well as supervisory reviews and sign-offs of the daily cash receipt summaries.</p>	<p>Completion Date: December 31, 2020</p> <p>Responsible Person: Noel McGregor, Town and City Clerk</p> <p>Management Response:</p> <p>I was appointed as Town and City Clerk on March 9, 2020. This is an area I have not had a chance to look into because of COVID 19, but do recognize there needs documentation, and verification of reversal transactions by a supervisor. We will work on the comments detailed above and will act to follow-up on and address each of the related recommendations as noted and will work with the Internal Audit Department to develop such directives.</p>

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<p><u>Issue</u></p> <p>Nearly \$750,000 of annual VRU revenue is recorded in one MUNIS General Ledger account designated "Transcript of Records". This includes all major over-the-counter sales primarily represented by, but not limited to, birth certificates, death notices and marriage licenses. VRU does use sub-accounts to record the individual revenue sources within the Transcript of Records account in MUNIS. We noted, however, that VRU does not monitor revenue on the sub-account level for variances between actual and budgeted amounts.</p> <p><u>Cause</u></p> <p>There are no documented procedures requiring the monitoring of budget-to-actual revenue at the sub-account level and for following-up and resolving material variances that are identified.</p> <p><u>Effect</u></p> <p>Material variances of budgeted-to-actual revenue at the sub-account level may not be identified, followed-up on and resolved by management as a result of employee error, changes in fees or misappropriation of funds.</p> <p><u>Recommendation</u></p> <p>We recommend that VRU management develop and implement a procedure for periodically monitoring actual and budgeted revenue at the sub-account level and identifying, following-up on and resolving material variances. Once the procedure has been developed and implemented, we recommend VRU management formally document the procedure.</p>	<p>Completion Date: December 31, 2020</p> <p>Responsible Person: Noel McGregor, Town and City Clerk</p> <p>Management Response:</p> <p>I was appointed as Town and City Clerk on March 9, 2020. We will develop a procedure for periodically monitoring actual and budgeted revenue at the sub-account level and following-up on and resolving material variances identified.</p>

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<p><u>Issue</u></p> <p>VRU provides other Connecticut cities and towns with copies of birth certificates, death certificates and marriage licenses. When a copy of a death certificate or marriage license is provided to another city or town, VRU records the transaction in a City developed computer database. At the end of each year, MHIS provides VRU with a report detailing the number and types of documents provided to each municipality. VRU also receives a report from the State of Connecticut of birth certificates issued to other towns for children born in the City of Hartford. VRU then manually compiles information from these two reports, calculates the fees due and bills the cities and towns for the services provided. According to State of Connecticut statutes, the bills for each town shall be submitted to them by VRU on or before February 1st of each year, unless the amount due is less than \$26, which no bill shall be sent. Less than \$5,000 was billed to and paid by other cities and towns for services provided by VRU during the calendar year ended December 31, 2019. Reviews and inquiries of management disclosed the following:</p> <ol style="list-style-type: none"> 1. Procedures and controls relating to the fee billing and collection process were not documented. 2. Due to the manual nature of the process, we could not verify that all transactions representing copies provided to other cities and towns are recorded by VRU in the database as required. 3. VRU does not use the MUNIS Billing module to bill fees charged to other cities and towns for VRU services provided. 4. Documentation to support the number of birth certificates reported issued by the State of Connecticut is not being maintained by VRU. According to VRU staff, the only copies of the reports from the State of Connecticut detailing the number of birth certificates issued to each city and town are currently being sent out with the bills. 5. Documentation was not adequate to support the amounts billed to cities and towns, the amounts paid or any balances that are outstanding. The billing and collection processes are handled and accounted for manually. No summary is maintained of the amounts billed to cities and towns, amounts paid or any balances that are outstanding. 6. As noted above, because of various documentation issues, there is no summary of outstanding balances or accounts receivable. As a result, amounts that have been billed but not paid are not being identified, followed-up on and collected. In addition, accounts receivable balances are not being reported to the Finance Department for 	<p>Completion Date: December 31, 2020</p> <p>Responsible Person: Noel McGregor, Town and City Clerk</p> <p>Management Response:</p> <p>I was appointed as Town and City Clerk on March 9, 2020. We will look into this process to make sure we develop, document and implement procedures and controls relating to the billing and collection of fees to cities and towns. We will also work with the Department of Management, Budget & Grants Revenue Management Unit to automate these processes in MUNIS to the greatest extent possible and address the other findings noted above relating the billing and collection of fees.</p>

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recording in the City's general ledger. It is also possible that amounts billed to cities and towns in prior years have never been paid.

Cause

Procedures and controls have not been developed, documented and implemented related to the billing and collection of fees to cities and towns. In addition, VRU management has not coordinated with the Department of Management, Budget & Grants Revenue Management Unit to automate these processes in MUNIS.

Effect

Revenue may not be billed and/or collected from each municipality for services provided by VRU. For those that are collected, there may be employee recording errors or a misappropriation of funds.

Recommendation

We recommend VRU management take immediate action to develop, document and implement procedures and controls relating to the billing and collection of fees to cities and towns. The billing and collection processes should be improved and automated to the greatest extent possible to help ensure that fees are billed as required for all services provided; amounts billed are followed up on and collected; and, all related activity and transactions are properly accounted for and controlled. This includes taking the steps necessary to ensure that the documentation used to bill fees is complete and accurate. Most of these issues could be addressed by using the MUNIS Billing module for these activities. Management should work with the Department of Management, Budget & Grants Revenue Management Unit to implement these recommendations.

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