

Date: October 11, 2018

To: Leigh Ann Ralls, Finance Director, City of Hartford

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**City of Hartford
Procurement Card Program Usage Audit
Report 1904**

I. Executive Summary

In accordance with our audit plan for the fiscal year ending June 30, 2019, we completed an audit in September 2018 of the City of Hartford Procurement Card Program Usage. The purpose of the examination 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, and to recommend improvements where required. The results of our examination were reviewed with L.A. Ralls, Finance Director; and other responsible members of operating management. The summary, which follows, includes only exceptions disclosed and recommended operating improvements. Included are management’s actions taken or planned including timeframes to resolve each finding and/or recommendation in this report. We thank Finance Department management and staff for their cooperation and courtesies extended to us during our audit.

We are pleased to report that controls and tests of processes relating to Procurement Card Program Usage were found to be satisfactory. We did note that minor improvements could be implemented to properly support the documentation of P-Card transaction workflow for product returns.

Background

The City of Hartford (City) Procurement Card (P-Card) Program provider is Bank of America and is administered through their related financial system called “WORKS”. The Accounting Division of the City Finance Department is responsible for administering the overall program. Bi-monthly, the Finance Department downloads the P-Card purchasing data recorded in “WORKS” to the City’s Financial Management System (MUNIS). The P-Card transactions are coded to a related operating budget, grant and endowment accounts and approved through the MUNIS workflow process hierarchy. The P-Card is a goods and services procurement tool that is designed to increase efficiency in the purchasing process, reduce administrative costs and improve financial and managerial control for routine purchases. The City currently has 34 active P-Cards with daily spending limits ranging from \$1,000 to \$10,000 and monthly limits ranging from \$3,000 to \$20,000, not including the Relocation P-Card which has a \$50,000 daily limit and a \$80,000 monthly limit. The City had 6,250 purchases from January 1, 2017 to June 11, 2018 totaling about \$2,156,803 with an average transaction amount of about \$345, including the Relocation P-Cards. There were 3,024 purchases for the same time period totaling \$1,029,196 with an average transaction amount of about \$340, excluding the Relocation P-Cards.

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Scope

The scope of our audit included various reviews and tests of transactions recorded in 2017 and 2018. Our review included a detailed examinations of supporting documentation for P-Card transactions tested. We performed an analytical reviews of P-Card spending patterns and reviews of policies, procedures, controls, process flows, management oversight and MUNIS workflow approvals.

II. Audit Results

Purchasing Card Program Procedures

The City's *Purchasing Card Program* procedures posted on the Procurement Department's external website are dated July 2012. Management informed us that the procedures have been updated; however, the updated procedures have not been approved by the Mayor. We recommend that the *Purchasing Card Program* procedures be reviewed and updated as necessary and submitted to the Mayor for approval.

Management Action Plan

Completion Date: December 31, 2018

Responsible Person: Leigh Ann Ralls, Finance Director, City of Hartford

The revised policy is currently drafted and in review with several departments. Upon review of the updated draft, it will be presented to the Mayor for final review and signature placing the policy immediately into action. Finance will have the policy in place by December 31, 2018.

P-Card Application Process

Purchasing Card Program procedures require all applications be submitted to the Chief Operating Officer (COO) for approval. The P-Card Administrator informed us that the COO authorization requirement was created in 2017. We selected five of the thirty-four cardholders to verify compliance with procedures. The two applications received in 2017 and 2018 were approved by the COO, and the other three applications received prior to 2017 did not contain COO approval. We recommend that controls be established to make sure that all applications for P-Cards are properly approved.

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Prior to FY18, Procurement reported to the Chief Operating Officer (COO) which is why the new applications had to be approved by the COO. Under the newly drafted policy, the applications will need to be approved by either the Chief Financial Officer or the Director of Finance as Procurement now reports to the Director of Finance.

Municipal Code

The City Treasurer has an annual membership in The Hartford Club and is incurring monthly minimum spending in addition to the annual membership fee. We noted that The Hartford Club is delinquent on their monthly tax repayment plan agreement for outstanding real and personal property taxes for grand list years 2015 and prior. They are also delinquent on grand list years 2016 and 2017. As the Hartford Club has become delinquent in the payment of its taxes, City of Hartford Municipal Code prohibits the City from conducting and procuring business with delinquent taxpayers. Upon being informed of this, the City Treasurer took immediate action to cancel the Hartford Club membership.

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