

Date: March 20, 2018 To: Leigh Ann Ralls, Finance Director From: Joseph Caruso, CPA, Deputy Chief Auditor Tele: (860) 757-9955		<p style="text-align: center;"> City of Hartford Finance Department Procurement Services Unit Accounts and Operations Audit Report 1814 </p>
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I. Executive Summary

In accordance with our audit plan for the fiscal year ending June 30, 2018, we completed an audit in March 2018 of the City of Hartford Finance Department Procurement Services Unit accounts and operations. 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, Finance Department; T. Washington, Procurement Agent; Procurement Services Unit 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 the 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 operations were found to be generally satisfactory.

Background

The Procurement Services Unit (PSU) within the Finance Department is responsible for ensuring compliance with all City of Hartford (City), State and Federal Purchasing and Contracting requirements in a cost effective and streamlined manner, while delivering quality customer service and maximizing local vendor participation. All vendors wishing to do business with the City must register with "Planet Bids" to become an eligible qualified vendor. PSU arranges purchases through Purchase Orders (PO) and Non-Purchase Orders (NPO). Per the Procurement Regulations for PO's, any purchase under \$5,000 can be made using sound business practices and judgment. For items between \$5,000 and \$24,999, three informal quotes are needed with the lowest quote required to be accepted unless other criteria are evaluated. For items purchased for \$25,000 or more, a Request for Response (RFR) is necessary to have an open competitive solicitation. For NPOs, only one-time purchases under \$10,000 are permitted. There can be no processing of multiple transactions with the same vendor under the same commodity code. In addition, NPOs cannot be used for purchases that are subject to the competitive process. Per the Procurement Regulations, NPO's are not the preferred method of procuring goods and services. PSU has six employees and a budget of \$529,700 for the fiscal year ending June 30, 2018.

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Scope

The scope of our audit included various reviews and tests of transactions recorded during the period from July 1, 2016 through March 9, 2018. The audit procedures performed included, but were not limited to, reviews of policies and procedures, reviews and tests of purchases with and without a PO, and reviews and tests of processed invoices in MUNIS.

II. Audit Results

Procurement Ordinance

We reviewed the Municipal Code procurement process which outlines the requirements and procedures for the solicitation and award of purchases of goods and services. The ordinance was last updated in 2009 and management informed us in our last audit dated January 31, 2013 that many changes still need to be made to bring the ordinance up-to-date. The new Finance Director informed us that updates were subsequently provided to the former Chief Financial Officer, who due to competing priorities, did not have the opportunity to implement these changes. We recommend that Finance management complete all the required updates and take the necessary steps to update the Municipal Code procurement process.

Management Action Plan

Completion Date: September 30, 2018

Responsible Person: L.A. Ralls, Finance Director; T. Washington, Procurement Agent

Finance will review and update the recommended Procurement procedures and submit to the Chief Operating Officer for review and submittal to Council for approval.

Procurement without Purchase Orders

Reviews of all purchases made without a PO from 7/1/2016 through 3/9/2018 and reviews of related processes and controls disclosed that Management & Budget pays many invoices for recurring vendors that are contracted with the City. These contracts do not have a PO within MUNIS. We recommend management consider creating a PO for these vendors and having the invoices applied to the PO when processed.

Management Action Plan

Completion Date: June 30, 2018

Responsible Person: L.A. Ralls, Finance Director; T. Washington, Procurement Agent

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Procurement and Accounting & Control will work together to develop the required procedures to limit the number of NPO's processed, while educating the respective departments of their requirement to submit Purchase Order Requisitions for recurring expenses.

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