



Commonwealth of Massachusetts  
Office of the State Auditor  
Suzanne M. Bump

*Making government work better*

Official Audit Report – Issued April 21, 2017

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## Review of Procurement-Card Use at the Department of Public Utilities

For the period July 1, 2014 through June 30, 2016





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April 21, 2017

Ms. Angela M. O'Connor, Chair  
Massachusetts Department of Public Utilities  
One South Station  
Boston, MA 02110

Dear Chairwoman O'Connor:

I am pleased to provide this performance audit of the Department of Public Utilities. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2014 through June 30, 2016. My audit staff discussed the contents of this report with management of the agency, whose comments we considered in drafting this report.

I would also like to express my appreciation to the Department of Public Utilities for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written in a cursive style.

Suzanne M. Bump  
Auditor of the Commonwealth

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## LIST OF ABBREVIATIONS

DPU	Department of Public Utilities
MMARS	Massachusetts Management Accounting and Reporting System
OSA	Office of the State Auditor
OSC	Office of the State Comptroller
P-Card	procurement card

## **EXECUTIVE SUMMARY**

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of the Department of Public Utilities' (DPU's) use of procurement cards (P-Cards) for the period July 1, 2014 through June 30, 2016. In this performance audit, we examined DPU's administration of its Procurement Card Program to determine whether P-Card transactions were properly documented and whether DPU's P-Card process was consistent with the Office of the State Comptroller's P-Card policy and procedures.

The audit revealed no significant instances of noncompliance that must be reported under generally accepted government auditing standards.

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## OVERVIEW OF AUDITED ENTITY

The Department of Public Utilities (DPU), within the Executive Office of Energy and Environmental Affairs, was established by Chapter 19 of the Acts and Resolves of 2007. According to its website,

*The Department is responsible for oversight of investor-owned electric power, natural gas, and water utilities in the Commonwealth; developing alternatives to traditional regulation; monitoring service quality; regulating safety in the transportation and gas pipeline areas; and for certain aspects associated with the siting of energy facilities. The mission of the Department is to ensure that utility consumers are provided with the most reliable service at the lowest possible cost; to protect the public safety from transportation and gas pipeline related accidents; and to ensure that residential ratepayers' rights are protected.*

DPU is overseen by the Commonwealth Utilities Commission, which has three members. DPU is organized into 14 divisions: the Executive Division, the Administration Division, the Consumer Division, the Division of Regional and Federal Affairs, the Electric Power Division, the Energy Facilities Siting Board, the Gas Division, the Legal Division, the Pipeline Division, the Rates Division, the Siting Division, the Transportation Network Company Division, the Transportation Division, and the Water Division. It is located at One South Station in Boston.

DPU had a fiscal year 2015 budget of \$13,579,627, which consisted of state funding of \$12,464,587 and federal grants of \$1,115,040, and a fiscal year 2016 budget of \$14,324,704, which consisted of state funding of \$12,809,038 and federal grants of \$1,515,666. It had 151 full-time employees as of the end of our audit period.

### Procurement Card Program

The Procurement Card Program, currently operated by Bank of America, allows state agencies to make incidental purchases of items (those that do not have to be competitively procured) with state credit cards. Procurement cards (P-Cards) cannot be used to obtain cash advances or other cash-convertible items, such as gift cards, and cannot be charged for Massachusetts sales or meal taxes. Payments for P-Card purchases are processed in the Massachusetts Management Accounting and Reporting System, the centralized state accounting system that is used by all state agencies and departments for processing all financial transactions.

The Office of the State Comptroller (OSC) is responsible for issuing P-Cards; conducting training in the proper use of P-Cards; obtaining signed user agreements from all cardholders; granting user access to

the Bank of America Works system, which is used to sign off on all P-Card transactions; and monitoring program activities across the state. State agencies that choose to use P-Cards must follow the OSC-established policy and procedures that address card limits, authorization, use, payments, and account management. Agencies are also responsible for developing their own P-Card policies and procedures and for reviewing and approving transactions for their cardholders.

At the end of our audit period, 336 active P-Cards were in use by 90 state departments. State departments made 22,004 P-Card transactions, totaling \$7,642,507, in fiscal year 2015 and 20,787 transactions, totaling \$6,771,210, in fiscal year 2016. During our audit period, DPU made 138 P-Card transactions, totaling \$41,581.

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## AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of the Department of Public Utilities (DPU) for the period July 1, 2014 through June 30, 2016.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer and the conclusion we reached regarding each objective.

Objective	Conclusion
1. Does DPU ensure that procurement-card (P-Card) purchases are reasonable, allowable, and compliant with the Office of the State Comptroller's (OSC's) P-Card policy and procedures?	Yes
2. Does DPU ensure that there is proper documentation for P-Card purchases?	Yes

To achieve our objectives, we gained an understanding of the internal controls we deemed significant to our audit objectives and tested the operating effectiveness of controls over P-Card use.

In addition, we performed the following procedures:

- We obtained a list of all of DPU's P-Card transactions for the audit period from Bank of America's electronic accounting system. We performed analytical procedures on all transactions to examine the types and dollar values of all DPU's P-Card purchases and the merchant category<sup>1</sup> codes established by the bank. We used this information to identify (1) any transactions that were prohibited by OSC's P-Card Program policy and procedures and (2) any purchases that were unusual given the nature of DPU's operations.
- To identify any prohibited P-Card expenditures, we tested a nonstatistical sample of 28 transactions. (DPU's total P-Card activity for the audit period consisted of 138 P-Card transactions, totaling \$41,581.) We did not project our sample to the population because we assessed the risk related to compliance with OSC policies and procedures to be low. Specifically,

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1. A merchant category indicates the name of the merchant and the type of goods or services provided.

we tested each transaction to ensure that each purchase (1) was not expressly prohibited by OSC policy, (2) was within the card's credit limit, (3) was associated with a vendor that was incorporated, (4) did not include Massachusetts sales or meal taxes, (5) was charged to the proper Massachusetts Management Accounting and Reporting System (MMARS) object code, and (6) was not for items under a state purchase contract.

- In addition, we tested these 28 P-Card transactions for compliance with the documentation requirements of OSC's P-Card policy and procedures to determine whether all transactions were supported by required documentation, including (1) the date of the transaction, (2) the vendor name and address, (3) DPU's department name (and delivery address, if items were shipped), (4) the cardholder's name, (5) an indication that the purchase was a P-Card purchase, (6) identification of the items purchased, and (7) the price and all other charges.

Based on OSA's most recent data-reliability assessment of MMARS<sup>2</sup> and our current comparison of source documentation with MMARS information, we determined that the information obtained from MMARS for our audit period was sufficiently reliable for the purposes of our audit work. Also, we analyzed data stored in Bank of America's electronic accounting system for P-Card transactions by performing additional validity and integrity tests, including (1) testing for missing data and (2) scanning for duplicate records. We determined that the data from this system were also sufficiently reliable for the purposes of our audit.

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2. In 2014, OSA performed a data-reliability assessment of MMARS. As part of this assessment, we tested general information-technology controls for system design and effectiveness. We tested for accessibility of programs and data, as well as system change management policies and procedures for applications, configurations, jobs, and infrastructure.