



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

Making government work better

Official Audit Report – Issued April 21, 2017

Review of Procurement-Card Use at the Attorney General's Office

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





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Making government work better

April 21, 2017

The Honorable Maura Healey
Attorney General of the Commonwealth
One Ashburton Place
Boston, MA 02108

Dear Attorney General Healey:

I am pleased to provide this performance audit of the Attorney General's Office. 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 Attorney General's Office 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

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
OVERVIEW OF AUDITED ENTITY	2
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	3

LIST OF ABBREVIATIONS

AGO	Attorney General's Office
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 certain aspects of the Attorney General's Office's (AGO's) use of procurement cards for the period July 1, 2014 through June 30, 2016. In this performance audit, we examined AGO's administration of its Procurement Card Program to determine whether it was consistent with applicable policies, procedures, and other guidance.

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

OVERVIEW OF AUDITED ENTITY

The Attorney General's Office (AGO), which was established by Section 1 of Chapter 12 of the Massachusetts General Laws, is a constitutional office of the Commonwealth under the supervision of the Attorney General, an independently elected executive officer. AGO is responsible for representing the Commonwealth in all lawsuits and civil proceedings in which the Commonwealth is an interested party. AGO has a main office in Boston and three regional offices in western, central, and southeastern Massachusetts. AGO has six bureaus: the Executive Bureau, the Criminal Bureau, the Energy and Environment Bureau, the Government Bureau, the Health Care and Fair Competition Bureau, and the Public Protection and Advocacy Bureau. AGO received total state appropriations of \$43.8 million and \$45 million for fiscal years 2015 and 2016, respectively.

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, AGO conducted 1,098 P-Card transactions, totaling \$286,906.

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 the Attorney General's Office's (AGO's) administration of its Procurement Card Program 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 AGO ensure that procurement-card (P-Card) purchases are reasonable, allowable, and compliant with applicable policies and procedures, including the Office of the State Comptroller's (OSC's) P-Card policy and procedures?	Yes
2. Does AGO 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 reviewed all applicable policies and procedures and other authoritative guidance relevant to our audit objectives.
- We reviewed AGO's internal control plan—specifically, controls related to the processing and recording of receipts and expenditures for P-Cards.
- We obtained a list of all of AGO'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 of AGO's P-Card purchases and the merchant category¹ codes established by the bank. We used this information to identify (1) any

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

transactions that were prohibited by OSC's Procurement Card Program policy and procedures and (2) any purchases that were unusual given the nature of AGO's operations.

- To identify any prohibited P-Card expenditures, we tested a statistical sample of 24 transactions, with a confidence level of 90% and a tolerable error rate of 10%. (Total P-Card activity for the audit period consisted of 1,098 P-Card transactions, totaling \$286,906.) Specifically, we tested each transaction to ensure that each purchase (1) was not expressly prohibited by OSC and AGO 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.
- For proper documentation of P-Card purchases, we tested a second statistical sample of 60 transactions, with a confidence level of 95% and a tolerable error rate of 5%, from the population of 1,098 transactions from the audit period. Specifically, we tested the P-Card transactions for compliance with the documentation requirements of OSC's Procurement Card Program 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) AGO'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 MMARS² 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.

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.