

BILL PURCELL  
MAYOR



**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

DEPARTMENT OF FINANCE  
OFFICE OF SUPPORT SERVICES  
DIVISION OF GRANTS MONITORING  
222 3<sup>RD</sup> AVENUE NORTH, SUITE 315  
NASHVILLE, TN 37201

May 12, 2004

Cristi Scott  
Clerk & Master  
Metropolitan Government of Nashville and Davidson County  
501 Great Circle Road  
Nashville, TN 37201-2201

Dear Ms. Scott:

Please find attached the preliminary Procurement Monitoring Report for the Clerk & Master's Office. This report explains the results of our review of delegated authority purchases and procurement card use from February 2003 through January 2004. Staff from the Office of Financial Accountability conducted the fieldwork for this review on March 3, 2004.

Please review and respond to each finding on or by Friday, May 21st. Each response should include a statement of agreement or disagreement, indicated by stating one of the following: "**We concur**," "**We concur in part**," or "**We do not concur**." Upon receipt in our office, these responses will be incorporated in the final report in the section entitled "Management's Comments."

We appreciate the staffs' cooperation and assistance provided us during the review. If you have any questions, please call me at (615) 880-1035.

Sincerely,

Fred Adom, CPA  
Director

cc: Talia Lomax-O'dneal, Deputy Director of Finance  
Vicki Bailey, Clerk & Master's Office  
Mitzi Martin, Chief Accountant  
Kim McDoniel, Audit Manager  
Bill Walker, Office of Financial Accountability



## Metropolitan Government of Nashville and Davidson County

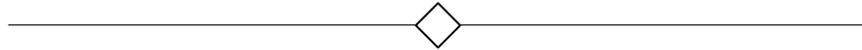
222 3<sup>rd</sup> Ave. N.  
Suite 315  
Nashville, TN 37201

615-862-6170 office  
615-880-2805 fax

[www.nashville.gov/finance](http://www.nashville.gov/finance)

◆ Monitoring Report of ◆

# Clerk & Master's Office



Issued by



Department of Finance  
Office of Financial Accountability

Fred Adom, CPA  
Director

*Auditor:*  
Bill Walker

May 12, 2004

*Our Vision: To be excellent and proficient in monitoring and management services.*

**MONITORING REPORT**  
FOR THE  
**CLERK & MASTER’S OFFICE**

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## **EXECUTIVE SUMMARY**

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The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a procurement monitoring review for the Clerk & Master’s Office (hereinafter referred to as “C&M”). The OFA is charged with the responsibility of monitoring the prompt pay performance, delegated purchasing authority, and purchasing card activity for the departments of the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”). The OFA is also responsible for monitoring the Federal and State grants to Metro departments and to nonprofit organizations receiving direct appropriations from the Metro Council.

### **Overview of the Department**

The Clerk & Master office administers the docket, calendar, and permanent records as directed by the chancellors or required by law. The Office files and processes approximately 4,000 lawsuits a year. It serves as an arm of the court, sells real and personal property, deposits and remits judgment funds pursuant to court order and statute. The office calculates and collects court cost and also acts as custody for trust funds, and disburses those funds as ordered. The Clerk & Master office also has judicial responsibilities. It hears approximately 70 claims annually. These include petitions, delinquent tax disputes, ownership of property held by the state, partnership accountings, factual and legal questions in receivership cases, or other matter referred by the Chancellor.

The department has 2 cardholders; the Clerk & Master and the Office Manager. From February 2003 through March 2004, the Clerk & Master’s purchased over \$18,000 in goods and services using procurement cards and approximately \$181,000 in goods and services using purchase vouchers.

### **Objectives, Scope, and Methodology**

A monitoring review is substantially less in scope than an audit. The OFA did not audit Metro’s financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of Metro. The objectives for our procurement review were as follows:

- To determine whether expenditures were allowable and necessary.
- To determine the department’s compliance with Metro’s Procurement Code and the Policies and Procedures Manual for the Purchasing Card Program
- To determine whether expenses were properly recorded
- To determine whether there was unauthorized uses of the VISA purchasing cards.
- To identify any patterns in expenditures and payment habits of the cardholders.
- To determine whether purchases were made in accordance with OMB Circular A-87, the minimum federal, state and local requirements, and grantor guidelines
- To determine whether the department has adequate and effective internal controls over it purchasing card program.

The review covered the activity for the purchasing cards, purchase orders, and direct payment vouchers for the period of February 1, 2003 through January 31, 2004. Although the review focused on this specific time period, certain analyses required the consideration of financial activity outside of this time period.

To accomplish the objectives of the monitoring review, the methodology encompassed various interviews and an objective review of fiscal transactions and supporting documentation, including employee training files and journal entries. We selected samples of the department’s purchase orders and direct payment vouchers from FASTnet and purchasing card transactions from the monthly statements. In addition, analytical procedures were conducted for the total population of purchasing card activity, including a review of:

- Total payments by vendor
- Total payments by posting date
- Review of dollar amounts per transaction

## **RESULTS OF MONITORING REVIEW**

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### **Overall Findings and Major Review Highlights**

Our review revealed the following discrepancies in internal control and compliance with policies and procedures.

1. Supporting documentation was missing or inadequate for purchasing transactions.
2. The department improperly paid sales tax on several transactions.

The section that follows provides more detailed information for each of the above findings. Management is given an opportunity to respond to each finding. Each response is included herein immediately following the respective finding. Other issues were noted during testing, but were not considered findings for the purposes of this report. The OFA has listed these issues, along with recommendations, in the “Other Issues” section of the report.

## **FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS**

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### **1. Supporting documentation was missing or inadequate for several purchasing transactions.**

#### **FINDING**

Our tests revealed that the Clerk & Master's Office has, in some instances, not maintained adequate supporting documentation for purchases. This lack of adequate documentation can be summarized as follows:

*Missing Documentation:*

Purchases made by the department were, in several instances, missing supporting documentation such as invoices, receipts, purchase orders, and credit memos. See Table 1-1 provides a detailed listing of all purchases that were unsupported.

*Missing Cardholder's Signature on receipt or invoice:*

Several purchases tested by the OFA revealed a lack of an appropriate signature necessary in authorizing the transaction for payment. See Table 1-2 in Appendix A for a detailed listing.

Section 5A of the Policies and Procedures Manual for the Purchasing Card Program states "the cardholder shall maintain a record of each purchase by maintaining the receipts of purchases, receiving documents, confirmations (for telephone orders), packing slips, and travel related receipts". Maintaining adequate supporting documentation is vital in maintaining the integrity and legitimacy of the procurement activities. Adequate supporting documentation helps to ensure that liabilities incurred by Metro are appropriate and that public funds are used in such a way as to promote the public's best interest. Maintaining supporting documentation also helps to mitigate the risk that public funds are mismanaged. Without such documentation, it is impossible to verify if a transaction was authorized and approved. It is also impossible to determine if the amount paid was accurate and properly made for Metro purposes. Good business practice dictates that detailed documentation is obtained and reviewed for all expenditures made by the governmental entity.

#### **RECOMMENDATION**

The department should assure that each cardholder maintains adequate and appropriate supporting documentation within the department. The documentation maintained should be sufficiently detailed and adequately disclose the purpose of the transaction and how it pertains to department business. Furthermore, evidence of a review by the appropriate party authorizing the purchase should be included on all invoices and other documentation.

#### **MANAGEMENT'S COMMENTS**

**<INSERT MGMT. COMMENTS HERE>**

## **FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS**

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### **2. The department improperly paid sales tax on several transactions.**

#### **FINDING**

The Procurement Review conducted by the OFA revealed that, in several instances, sales tax had been improperly paid by the Clerk & Master's Office. Each department of the Metropolitan Government of Nashville and Davidson County is exempt from paying sales tax. Paying sales tax is an unnecessary expense that increases the cost of providing goods and services to the public. See Table 2 for a detailed listing.

Section 2E of the Policies and Procedures Manual for the Procurement Card Program states that the Cardholder is responsible for assuring that sales tax is not charged on any transaction pertaining to the Metropolitan Government of Nashville and Davidson County.

#### **RECOMMENDATION**

The Clerk and Masters Office should take the necessary measures to ensure cardholders are knowledgeable about the tax-exempt privileges. Also the Office should diligently review every charge before payment to ensure sales tax is not being inappropriately charged or paid.

#### **MANAGEMENT'S COMMENTS**

**<INSERT MGMT. COMMENTS HERE>**

## APPENDIX A

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The following tables provide the detail for the findings in the previous section. The Table Numbers correspond with the Finding numbers and are referenced in that section.

**TABLE 1-1**

MERCHANT	AMOUNT
Granny's Flower Shop	\$45.00
Southwest Airlines	\$ 493.50
Lowe's	\$ 178.89
Crown Center	\$ 6.93
Kroger	\$ 36.75
Darlene's Decorating	\$ 68.77
Petty Cash Fund	\$ 28.00
Petty Cash Fund	\$ 289.66
Petty Cash Fund	\$ 160.56
Petty Cash Fund	\$ 123.14

**TABLE 1-2**

MERCHANT	AMOUNT
Hecht Kitchen	\$109.24
Conair Corporation	\$ 31.95
Liberty Park Rental	\$ 27.00
Arby's	\$ 7.96
Arby's	\$ 10.00
Harris Teeter	\$ 32.47
Target	\$ 186.42
American Airlines	\$ 372.00
Laser Plus	\$ 999.50

**TABLE 2**

MERCHANT	AMOUNT
Party City	\$12.68
Hecht Kitchen	\$ 109.24
Harris Teeter	\$ 32.47
Crystal Springs	\$ 108.69
Crystal Springs	\$ 135.12
Crystal Springs	\$ 35.40