

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
OFFICE OF FINANCIAL ACCOUNTABILITY
222 3RD AVENUE NORTH, SUITE 315
NASHVILLE, TN 37201

May 21, 2004

Richard McKinney, Director ITS Department
Metropolitan Government of Nashville and Davidson County
700 Second Avenue South
Nashville, TN 37210

Dear Mr. McKinney:

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Please find attached the preliminary Procurement Monitoring Report for the ITS Department. This report explains the results of our review of delegated authority purchases and procurement card use from March 2003 through February 2004. Staff from the Office of Financial Accountability conducted the fieldwork for this review on March 26, 2004 through March 29, 2004.

Please review and respond to each finding on or by **June 4th**. 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: David Manning, Director of Finance
Talia Lomax-O'dneal, Assistant Director of Finance
Mark Lynam, ITS
Mitzi Martin, Chief Accountant
Kim McDoniel, Audit Manager
Kevin Brown, Office of Financial Accountability
Bill Walker, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

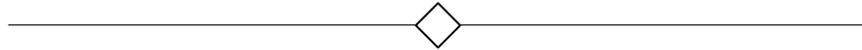
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◆ Monitoring Report of ◆

Information Technology Services



Issued by



Department of Finance
Office of Financial Accountability

Fred Adom, CPA
Director

Auditors:
Kevin Brown
Bill Walker

May 21, 2004

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

MONITORING REPORT
FOR THE
INFORMATION TECHNOLOGY SERVICES

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EXECUTIVE SUMMARY

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a procurement monitoring review for the Information Technology Services (hereinafter referred to as “ITS”). 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 mission of the ITS is to “assist the Metropolitan Governments departments, boards, agencies, commissions, and authorities in achieving their objectives by providing informational services”. The ITS is funded through the Internal Services Fund, thus its Operating Budget is funded by charging other Metro Departments and agencies. A brief description of the services the ITS department provides is outlined below:

Telecommunications: The Telecommunications Division designs, implements, and maintains a state of the art data communications network. The Division installs and repairs telephone systems and coordinate other voice communication services, such as cellular services and pagers.

Customer Support: The Customer Support Division develops and maintains software applications for mainframe, mid-range, and personal computers.

Government Access Television: Government Access Television provides television and multi-media services to the public and other governmental agencies including tape delay and live coverage of various Metro board and commission meetings.

Tech Services: Tech Services provides on-line and a batch-processing service, installs, maintains and trouble shoots PC’s and PC networks, administers electronic mail and Internet services, and provides customer support.

Administration: The Administrative Division prepares and processes purchase orders and administers contracts for all computer hardware and software purchases made by the Metro Government.

E-Gov: E-Gov provides the public with web based information relating to Metro Government and develops and supports “self-service” web based applications that allow citizens and businesses to interact with Metro Government.

The OFA noted that the department has 8 cardholders. From March 2003 through February 2004, the ITS Department processed over 565 in goods and services using procurement cards and approximately 5,261 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 its purchasing card program.

The review covered the activity for the purchasing cards, purchase orders, and direct payment vouchers for the period of March 1, 2003 through February 29, 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

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.

The section that follows provides more detailed information for the above findings. Management is given an opportunity to respond to the 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

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

FINDING

Our tests revealed the ITS department did not maintain adequate supporting documentation for all purchases. Eight (8) of 130 items tested (6%) lacked adequate documentation. Purchases made by the department were missing supporting documentation such as invoices, receipts, purchase orders, and credit memos. Table 1 provides a detailed listing of all purchases that were unsupported.

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 ensure 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.

MANAGEMENT'S COMMENTS

<INSERT MGMT. COMMENTS HERE>

OTHER ISSUES

In addition to the findings described in the previous section, the following additional issues were noted during the review.

1. ITS failed to pay vendors on time in some instances. Twenty-nine (29) items, which represents 23% of the items tested, were not paid in a timely manner and/or in accordance with the payment terms of the vendor. The ITS Department should submit payments to vendors in accordance with the payment terms it has established with the vendor. .

2. During the course of the review, the OFA noted that no evidence to indicate department staff, i.e. cardholders and their supervisor or the Purchase Card Representative had reviewed and approved the monthly statements. The ITS staff should have documented by some physical evidence (i.e. signature or initial) their review and approval of the monthly procurement card statements. **It must be noted that the new card's online approval of the charges would suffice and would not need to be duplicated by physical signature on the statements.**

APPENDIX A

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

<u>Vendor</u>	<u>Amount</u>
Expedia SVC	5.00
Southwestern Comm.	647.61
A to Z Resources	-16.14
Dennis Paper Co.	13.30
MSTECHSUPPORT	-245.00
Kroger's	13.87
Professional Reprograph	201.00

TABLE 1-2

<u>Vendor</u>	<u>Amount</u>
Penske TRK	65.14