

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
DIVISION OF GRANTS MONITORING
222 THIRD AVENUE NORTH, SUITE 315
NASHVILLE, TENNESSEE 37201

February 20, 2004

Marilyn Swing
Metropolitan Clerk's Office
225 Polk Avenue, Suite 130
Nashville, Tennessee 37203

Dear Ms. Swing:

Please find attached the Procurement Monitoring Report for the Metropolitan Clerk. This report explains the results of the review of procurement card and delegated authority purchases for the fiscal year ending June 30, 2003. Staff from the Office of Financial Accountability conducted the review on May 8, 2003. The Metropolitan Clerk's Office previously reviewed and responded to the finding identified in the preliminary report. The responses have been incorporated into this final report.

We appreciate the assistance provided by your department during the course of the review. If you have any questions, please call me at (615) 880-1035.

Sincerely,

Fred Adom, CPA
Director

cc: Vicki Long, Metropolitan Clerk's Office
David Manning, Director of Finance
Talia Lomax-O'Neal, Deputy Director of Finance
Kim McDoniel, Department of Finance, Internal Audit
Mitzi Martin, Department of Finance, Division of Accounts
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◆ Procurement Monitoring Report of ◆

Metropolitan Clerk's Office

Issued by



The Office of Financial Accountability

February 20, 2004

Fred Adom, CPA
Director

Mae Booker,
Lead Auditor

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

**PROCUREMENT MONITORING REPORT
FOR
METROPOLITAN CLERK’S OFFICE**

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EXECUTIVE SUMMARY

The Office of Financial Accountability (hereinafter referred to as "OFA") has completed a procurement monitoring review for the Metropolitan Clerk's Office (hereinafter referred to as "Clerk's Office") for the year ended June 30, 2003. The OFA is charged with the responsibility of monitoring the prompt payment performance, delegated purchasing authority, and procurement card activity for the departments of 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 the nonprofit organizations receiving direct appropriations from the Metro Council.

OVERVIEW OF THE DEPARTMENT

The Clerk's Office is the official recordkeeping agency for Metro. The department, currently located in the Ben West Library building, is responsible for managing and preserving all legislative history and official documents for safekeeping, archival, and research purposes.

The purchase of goods and services for the department is centralized with the Office Services representative. This individual completes all order requests, settles charge disputes, and ensures credit card charges are consolidated for recording to Metro's general ledger.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

- To determine whether expenditures were allowable and necessary.
- To determine the agency's compliance with Metro's Procurement Code and the Policies and Procedures Manual For the Purchasing Card Program.
- To determine whether expenditures were properly recorded.
- To determine whether there were unauthorized uses of the VISA purchasing cards.
- To identify any patterns in expenditures and payment habits of the Cardholders.
- To determine whether the department has adequate and effective internal controls over its purchasing card program.

The review covered the purchasing activity for the procurement cards, purchase orders, and direct payment vouchers for the period of July 1, 2002 through June 30, 2003.

To accomplish the objectives of the monitoring review, our methodology encompassed various interviews and an objective review of fiscal transactions and supporting documentation, including employee training files and journal entries. We tested a sample of 5 purchase orders and 23 direct payment vouchers from FASTnet and 19 purchasing card transactions from the monthly statements. In addition, we conducted analytical procedures for the total population of purchasing card activity.

Results of the review

Overall, our tests revealed that the Clerk's Office Cardholders did not exceed their respective credit limits, purchasing card transactions are consolidated and recorded timely in the Metro general ledger, and the department has only had one charge dispute since the inception of the cards. Our tests revealed only one invoice was paid over 20 days late. All other invoices tested were paid no later than 4 days late while most were paid up to 7 days early. Nonetheless, we found that the department needs to improve in the documentation of its purchases. The following section provides further details as to the specific problems noted.

FINDINGS AND RECOMMENDATIONS

Minor violations of Procurement card policies were noted

FINDING

Our tests of the procurement card activity for the Clerk's Office revealed minor non compliance with the requirements for documentation of transactions per the Policies and Procedures Manual for the Purchasing Card Program. Tests results showed few instances where either no documentation was provided to support purchases, or the documentation was inadequate. Tests also showed there was no evidence noting approval any purchasing transactions tested. According to the Metro Clerk's staff there was no approval process was in place for procurement. We also noted an instance that someone other than the Cardholder had signed for a charge, which is in direct violation of the Metro guidelines.

According to the Policies and Procedures Manual for the Purchasing Card Program, the Cardholder should obtain the documentation for all over-the-counter purchases. The manual also states that either the Cardholder or a designated person in the department should retain the documentation, i.e., charge slips, until it is attached to the monthly statement. The manual also explains the importance of the department head or a designated individual's approval for purchases to the procurement card. It further dictates that only the Cardholder is to authorize any charge to the purchasing card assigned.

RECOMMENDATIONS

The Clerk's Office should ensure all Cardholders are knowledgeable of purchasing card guidelines.

MANAGEMENT'S COMMENTS

- We **do concur** that one charge slip was missing from the procurement card records reviewed. We were aware of this incomplete documentation from the time of purchase occurred – a classified advertisement in an out-of-state newspaper – and had been unsuccessful in obtaining an invoice from the vendor. A record of the amount of the purchase was noted in the file at the time of purchase, however, and the corresponding charge to the procurement card verified upon receipt. The department's own earlier internal review of procurement card purchases during FY 03 revealed that this was the only charge slip missing for that period.
- We **do concur** that a staff member signed for the Cardholder a charge card slip in one instance. This occurred when an employee was authorized and directed by the Cardholder (Metro Clerk) to pick up a purchase that had been made by phone utilizing the procurement card, and the employee was required by the vendor to sign her own name to the ticket.
- We **do concur** that written approval procedures were not in place for procurement card purchases and therefore signatures of approval did not appear on the paperwork of each individual transaction. All procurement charges were however, authorized by the Metropolitan Clerk and verified through the Clerk's review and sign-off on the monthly statements. Written procedures are being developed to address this finding.