

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
OFFICE OF FINANCIAL ACCOUNTABILITY
222 3RD AVENUE NORTH, SUITE 650
NASHVILLE, TN 37201

April 5th, 2005

Mr. Richard Byrd
Office of Emergency Management
2060 15th Avenue South
Nashville, TN 37212

Dear Mr. Byrd:

Please find attached the preliminary Procurement Monitoring Report for the Metropolitan Office of Emergency Management. This report explains the results of our review of delegated authority purchases and procurement card use from July 2003 through October 2004. Staff from the Office of Financial Accountability conducted the fieldwork for this review from October 19, 2004 through January 2005.

Please review and respond to each finding on or by April 19th. 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 L. Manning, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Kim McDoniel, Audit Manager
Mitzi Martin, Chief Accountant
Kevin Brown, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

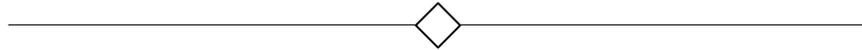
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◆ Procurement Monitoring Report of ◆

The Office of Emergency Management.



Issued by



Finance Department
Office of Financial Accountability

Fred Adom, CPA
Director

Lead Auditor:
Kevin Brown

April 5, 2005

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

MONITORING REPORT
FOR THE
THE OFFICE OF EMERGENCY MANAGEMENT

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....4

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT’S RESPONSES6

OTHER ISSUES.....10

APPENDIX A11

EXECUTIVE SUMMARY

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a procurement monitoring review for the Office of Emergency Management, (hereinafter referred to as “OEM”). 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 Office of Emergency Management is established within the Mayor’s Office of the Metropolitan Nashville and Davidson County Government. The OEM promotes, coordinates, and directs a comprehensive emergency management program which addresses mitigation, preparedness, response and recovery relative to disasters and major emergencies. The OEM is currently in the process of coordinating a major disaster drill that is to take place in September 2005. The disaster drill is to be comprised of all the members of Greater Nashville Homeland Security District 5, which include Davidson, Sumner, Williamson, and Wilson Counties. The OEM is primarily able to fund such exercises along with free disaster training, through the use of Federal and State grant funds.

Objectives, Scope, and Methodology

A monitoring review is substantially less in scope than an audit. The OFA did not audit the OEM’s financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of the OEM. 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 Policies and Procedures Manual for the Purchasing Card Program
- To determine whether there was unauthorized uses of the OEM 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

The review covered the activity for the purchasing cards for the period of July 2003 through October, 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’s training files. We randomly selected our sample of the Visa purchasing card transactions from the monthly statements.

Overall Findings and Major Review Highlights

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

1. The business purpose for expenditures was not adequately documented.
2. Supporting documentation was missing or inadequate for purchasing transactions.
3. The Office of Emergency Management needs to improve its administration of petty cash.

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

1. **The business purpose for expenditures was not adequately documented.**

FINDING

During our review, the OFA identified several purchasing card transactions without a documented business purpose or explanation. The OFA noted 5 of 43 random selected items for testing were charges that are not typical for the nature and operations of the OEM. These items were purchases from restaurants or eateries (grocery, deli, coffee shop, etc.) also were without explanations as to the relation to Metro business. The OFA also noted these expenses from local vendors while the cardholders were not on travel status . See Table 1-1 for a detailed listing of transactions reviewed.

According to Section IV-B-3 of the Operating Procedures for the Purchasing Card Program, "The purchasing card shall not be used for cash advances, purchases of liquor, or any personal use." Without documentation of the purpose for each transaction, there is no assurance that purchases were authorized for Metro business or were for non-personal purposes. Furthermore, good business practices would dictate that controls be established to identify the nature of expenditures.

RECOMMENDATION

The department should ensure that all expenditures, particularly those charged to the purchasing card, are supported by an adequate explanation for the business purpose. At a minimum, this explanation should be included on the batch copy and the internal division's copy of the invoice or receipt.

MANAGEMENT'S COMMENTS

<INSERT MGMT. COMMENTS HERE>

2. **Supporting documentation was missing or inadequate for several procurement transactions.**

FINDING

Our tests revealed that the Office of Emergency Management has not maintained adequate supporting documentation for purchases. We found several problems with documentation of purchases made with the purchasing cards. The OFA auditors noted several purchases that were missing certain supporting documentation.

Missing Documentation:

On 3 occasions, the OEM did not maintain a packing/receiving slip with the supporting documentation to verify that the items purchased were delivered within the 30 day billing cycle. Section IV-D-2 of the Policies and Procedures Manual for the Purchasing Card Program states, "Vendors must deliver all items purchased during one telephone transaction in a single delivery. If an item is not immediately available, a cardholder shall not back order it. Section IV-D-3 also states, "The vendor must deliver all items purchased by telephone within the 30 day billing cycle. A cardholder may not place an order without this assurance." Therefore, it is necessary for the cardholders to maintain and attach the packing/receiving slips with the monthly credit card statement. Without the packing/receiving slip the cardholder does not have a way to provide evidence that the items were delivered within the 30 day billing cycle. Table 3-1 details the 3 transactions that were not supported by a packing/receiving slip.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

Missing Cardholder's Signature on receipt or invoice:

Several purchases tested by OFA revealed a lack of an appropriate signature necessary in authorizing the transaction for payment. See Table 3-2 in Appendix A for a detailed listing of transaction made without authorizing signatures.

In some instances, tests revealed several expenditures that did contain supporting documentation, but failed to disclose the business purpose of the transaction. This issue is discussed in Finding #1.

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 division 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

3. The Office of Emergency Management needs to improve its administration of petty cash.

FINDING

The Office of Emergency Management has a \$500 petty cash fund limit and based upon the OFA review, it was determined that the OEM did not properly maintain the petty cash fund. Based upon the results of the OFA auditors testing of the petty cash fund, the OEM only had cash on hand of \$271.53 and supporting documentation (receipts) for \$214.47. Thus resulting in the OEM not having documentation for \$14.00. Also upon observation, the OFA auditors noticed that the filing cabinet drawer that the petty cash fund is maintained, remained unlocked for 2 days in row while the custodian of the petty cash fund was away from their office. The OFA auditor concluded that by maintaining the petty cash fund in an unlocked filing cabinet drawer, the OEM is not maintaining proper controls in regards to petty cash.

According to section 11.09.00 of the Metropolitan Government of Nashville and Davidson County Standard Operating Procedure Instruction Manual: Division of Accounts Procedure: Petty Cash, under part A-definition states, "the total of the petty cash on hand plus the un-replenished disbursements (represented by signed petty cash receipts) must always equal the established sum of petty cash." Also, section 11.09.00 of the Metropolitan Government of Nashville and Davidson County Standard Operating Procedure Instruction Manual: Division of Accounts Procedure: Petty Cash, under part C-Controls states, "Adequate physical protection of the petty cash fund is to be provided."

RECOMMENDATION

The Office of Emergency Management should take the necessary steps to ensure that the petty cash funds cash on hands plus the amount of un-replenished disbursements equal the total established value of petty cash. The OEM should also ensure that the petty cash fund is adequately protected.

MANAGEMENT'S COMMENTS

<INSERT MGMT. COMMENTS HERE>

OTHER ISSUES

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

Over the course of the review the OFA auditors noted an instance of a split purchase, and a few instances where sales tax was paid by OEM employee's while using the VISA purchasing card. Section II-E of the Policies and Procedures Manual for the Purchasing Card Program that outlines the Cardholder's responsibilities in the Purchasing Card program states, that the Cardholder "assures that sales tax is not charged." However the OFA determined the single instance of split purchase (see Table 3) and few instances of paying sales tax considering the dollar value of sales taxes paid did not warrant separate findings. The OFA recommends that the OEM takes the necessary steps to ensure that OEM purchasing cardholders does not charge sales tax in the future.

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

Last 4 digits of Account Number or Transaction ID	Vendor	Date	Amount
19386	Corky's Bar-B-Q	6/11/2004	\$297.37
7877	Kroger #511	3/10/2004	\$38.45
19287	Publix #160	6/14/2004	\$47.51
22982	Southern Trophy House Inc.	7/8/2004	\$42.00
5580	Lane Bryant	10/11/2003	\$39.50

TABLE 2-1

Last 4 digits of Account Number or Transaction ID	Vendor	Date	Amount
5580	The Supply Room	9/26/2003	\$73.47
6560	YOUREQ.COM	9/29/2003	\$652.90
5580	YOUREQ.COM	9/29/2003	\$652.90

TABLE 2-2

Last 4 digits of Account Number or Transaction ID	Vendor	Date	Amount
8640	OMNi Hotels of Los Angeles	9/18/2003	\$136.33
6560	Rosen Centre	11/15/2003	\$491.06
5580	The Supply Room	9/26/2003	\$73.47
5580	UniSource	10/13/2003	\$118.00
6560	YOUREQ.COM	9/29/2003	\$652.90
5580	YOUREQ.COM	9/29/2003	\$652.90
19386	Corky's Bar-B-Q	6/11/2004	\$297.37
32126	Denny's Inc	9/14/2004	\$8.56
31910	Office Depot #2001	9/13/2004	\$13.54
28415	Office Depot #22	8/17/2004	\$57.28

APPENDIX A

TABLE 3

Last 4 digits of Account Number	Vendor	Date	Amount
6560	YOUREQ.COM	9/29/2003	\$652.90
5580	YOUREQ.COM	9/29/2003	\$652.90
	Total		\$1,305.80