

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

February 12, 2007

Michael Bradley
District Energy Management
90 Peabody Street
Nashville, Tennessee 37210

Dear Mr. Bradley

Please find attached the preliminary Procurement Monitoring Report for the Metropolitan Government of Nashville & Davidson County. This report explains the results of our review of delegated authority purchases and procurement card use from July 1, 2005 through December 31, 2006. Staff from The Office of Financial Accountability conducted the fieldwork for this review on February 7, 2007.

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

Fred Adom, CPA
Director

cc: David Manning, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Don Dodson, Director of Internal Audit
Lannie Holland, Treasury's Office
Ken Maynard, Assistant Director of Finance
Kim McDoniel, Assistant Director of Finance
Bob Lackey, Finance Director's Office
Bill Walker, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

222 3rd Ave. N.
Suite 650
Nashville, TN 37201

615-862-6170 office
615-862-6175 fax

www.nashville.gov/finance

◆ Procurement Monitoring Report of ◆

District Energy System



Issued by



The Office of Financial Accountability

February 12, 2007

Fred Adom, CPA
Director

Bill Walker, CPA
Auditor

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

**MONITORING REPORT
FOR THE
DISTRICT ENERGY SYSTEM**

TABLE OF CONTENTS

Monitoring Objectives, Scope and Methodology	4
Findings, Conclusions and Recommendations	5

OBJECTIVES, SCOPE, AND METHODOLOGY

The Office of Financial Accountability (hereinafter referred to as OFA) has completed a procurement monitoring review for the District Energy System (hereinafter referred to as DES). The OFA is charged with the responsibility of monitoring the prompt pay performance, delegated purchasing authority and procurement cards for departments of the Metropolitan Government of Nashville and Davidson County. 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 District Energy System (DES) provides heating and cooling services to over 40 buildings within the Nashville downtown area. DES clients include the Schermerhorn Symphony Building, the James Polk Building, the State of Tennessee, the Ryman Auditorium, and Hume-Fogg High School. The District Energy System strives to utilize state of the art equipment to provide services at a reasonable and predictable cost. The DES employs approximately 24 people and had an operating budget of \$23,436,000.00 for fiscal year 2006.

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 DES. The OFA's role in this review was to monitor the performance of the department in their established practices and procedures for procuring goods and services for the operations of the Metro Nashville Government. Our objectives for the review were:

- To determine whether costs were allowable and necessary
- To determine if the District Energy System is in compliance with the Metropolitan Government of Nashville and Davidson County's Procurement Code and Operating Procedures for the Purchasing Card Program.
- To determine whether there were unauthorized uses of District Energy System 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 and the minimum federal, state and local requirements.
- To determine whether the agency has adequate and effective internal controls over its purchase cards

The review covered the activity for procurement transactions for the period of July 1, 2005 through December 31, 2006. To accomplish the objectives of the monitoring review, the methodology encompassed various interviews and an objective review of fiscal transactions and supporting documentation. Most of DES transactions were from very few vendors. The OFA obtained and reviewed the entire population of 8 procurement card transactions and a random sample of 20 items from a total of 210 procurement transactions obtained through purchase vouchers.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Our review of the voucher procurements and procurement card purchases did not results in any findings of non-compliance.