

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 27, 2007

Ms. Pat Wilson
Election Commission
800 Second Avenue South
Nashville, Tennessee 37210

Dear Ms. Wilson:

Please find attached the final Procurement Monitoring Report for the Election Commission. This report explains the results of our review of delegated authority purchases and procurement card use from July 2005 through December 2006. Staff from The Office of Financial Accountability conducted the fieldwork for this review on February 6th, 2007. You previously reviewed and responded to the preliminary report. Your responses have been incorporated into this final report.

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, Assistant Director of Finance
Kim McDoniel, Assistant to the Director of Finance
Don Dodson, Audit Manager
Bryan Gleason, Office of Financial Accountability



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◆ Monitoring Report of ◆

Election Commission



Issued by



Department of Finance
Office of Financial Accountability

Fred Adom, CPA
Director

Auditor:
Bryan Gleason

February 27, 2007

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

**MONITORING REPORT
FOR THE
ELECTION COMMISSION**

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EXECUTIVE SUMMARY

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a procurement monitoring review for the Davidson County Election Commission (hereinafter referred to as “DCEC”). 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 Election Commission was created to maintain voter registration files and conduct all elections for Davidson County (federal, state, Metro) and six incorporated satellite cities within Davidson County. The Commission is governed by five commissioners appointed by the State Election Commission for two year terms. The commissioners are charged with ensuring compliance with state election laws and operating within Metro’s purchasing and budgeting regulations.

The Permanent Registration Division is responsible for processing candidates’ filing forms, certifying nominating petitions to qualify candidates for ballot, and receiving and reviewing campaign contribution and expenditures reports. This division conducts federal, state, county, and Metro and satellite city elections, recruits and trains election officials, and disseminates election information to voters, poll officials, candidates, schools and community groups. The division also processes and maintains all voter registration records for Davidson County residents.

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 July 1, 2005 through December 31, 2006. 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 EBS and purchasing card transactions from the Paymentnet system. 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. The Election Commission needs to improve controls over sales taxes and 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.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

1. The Election Commission needs to improve controls over sales taxes and petty cash

FINDING

Tests revealed that the Election Commission improperly paid sales taxes in thirty three percent (10 of 30) procurement transactions randomly selected and tested. The Metropolitan Government of Nashville and Davidson County and its departments and agencies are exempt from paying sales tax therefore sound business practice dictates The Election Commission actively utilizes its tax exemption status and takes all measures to avoid paying sales tax. Having tax-exempt status is a significant tool in helping governmental units reduces the operational cost of their entity. Paying sales tax is an unnecessary expense that increases the cost of providing goods and services to the public. See Table 1-1 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.

Also our review of the Election Commission petty cash fund activities indicates it did not properly maintain the petty cash fund. At the time of our tests of the petty cash fund, the Election Commission only had cash on hand of \$353.68 and supporting documentation (receipts) for \$36.37, thus the fund was \$9.95 short.

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."

RECOMMENDATION

The OFA recommends that invoices be diligently reviewed before payment to ensure sales tax is not being charged. All staff members authorized to make purchases should be reminded to advantage of the tax exemption status. The Commission should take measures to reprimand staffs who fail to adhere to such directives. The Election Commission should take the necessary steps to ensure that the petty cash fund is maintained at the full fund amount at all times; cash on hands plus the receipts of disbursements made equal the total established value of petty cash fund at all times.

MANAGEMENT'S COMMENTS

The Election Commission appreciates the opportunity to have these practices reviewed and the resulting tightening of our internal controls.

We concur in part:

The item from Sears w/ reported sales tax of \$11.10 was not purchased and a full credit of \$131.09 was issued. The employee who ordered the item had faxed the vendor Metro's tax exempt status form

We concur:

Sales tax totaling \$30.44 was charged and paid in 9 of the purchasing card transactions examined.

Management has met with the two employees whose purchases included sales tax. They have been advised that their p-cards may be revoked if sales tax is charged in future purchases. Additionally, management has sent another copy of Metro's and Election's p-card policies to all p-card holders. Management will review all transactions more diligently to ensure that no further sales tax is paid.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS

MANAGEMENT'S COMMENTS (CONTINUED)

We have also requested that a representative from Finance conduct p-card training for all p-card holders.

The last cash reimbursement for our petty cash account totaled \$264.71. The reimbursement should have included one roll of quarters totaling \$10.00. It appears that this \$10.00 was inadvertently not returned to petty cash. We have reimbursed the cashbox \$10.00 from personal funds. In the future we will balance petty cash reimbursements immediately upon receipts from the bank.

30-Jan-07

Petty Cash Reimbursement	Amount	\$
One's	24	\$ 24.00
Five's	10	50.00
Ten's	8	80.00
Twenty's	5	100.00
roll of quarters	1	10.00
coins - quarters	2	0.50
coins - dimes	2	0.20
coins - pennies	1	<u>0.01</u>
Total		<u><u>\$ 264.71</u></u>

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

MERCHANT	AMOUNT	Sales Tax
Sears	131.09	11.10
Lowe's	81.03	6.86
Office Depot	74.27	6.29
Office Max	60.06	5.09
Lowe's	52.35	4.43
CompUSA	42.60	3.62
Kroger's	35.78	1.28
Kroger's	16.75	1.19
Home Depot	12.16	1.03
Walmart	7.73	.65