

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



June 13, 2019

Monica Fawknotson, Executive Director
Metropolitan Sports Authority
730 2nd Avenue South, Suite 103
Nashville, TN 37210

Dear Ms. Fawknotson:

Please find attached the final report on the monitoring review of the Metropolitan Sports Authority's compliance with its delegated purchasing authority during fiscal year ended June 30, 2018. Staff from the Office of Financial Accountability conducted the review; and you previously reviewed and responded to the preliminary report. Your responses to the preliminary report have been incorporated into this final report under "Management's Comments."

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, CGMA, CICA
Director

cc: Talia Lomax-O'dneal, Director of Finance, Department of Finance
Kim McDoniel, Deputy Director of Finance, Department of Finance
Michelle Hernandez-Lane, Chief Procurement Officer, Department of Finance
Tom Eddlemon, Metropolitan Treasurer, Department of Finance
Chris Harmon, Budget Officer, Department of Finance
Phil Carr, Division of Accounts, Department of Finance
Lauren Riley, Office of Internal Audit
Kevin Brown, CMFO, CICA, CFE, Office of Financial Accountability
Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability
Dolly Cook, Office of Financial Accountability

This page was intentionally left blank



Metropolitan Government of Nashville and Davidson County

METROPOLITAN SPORTS AUTHORITY

◆ **Monitoring Report** ◆

Conducted by



Office of Financial Accountability

June 13, 2019

MONITORING REPORT

TABLE OF CONTENTS

INTRODUCTION	5
OBJECTIVES, SCOPE AND METHODOLOGY.....	6
RESULTS OF MONITORING.....	7
FINDINGS, RECOMMENDATIONS AND MANAGEMENT’S RESPONSE.....	8
APPENDIX A.....	11

INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a compliance monitoring review of the Metropolitan Sports Authority’s (hereinafter referred to as “Sports Authority”) delegated purchasing authority. The monitoring process included a review of the agency’s purchasing transactions that occurred during the fiscal year ending June 30, 2018. The OFA conducted the monitoring review along the major compliance areas identified the notice of Delegated Purchasing Authority that was granted to the agency’s Executive Director.

Department Background

The mission of the Metropolitan Sports Authority is “to acquire, improve, repair, operate and maintain professional sports facilities and their surrounding campuses in Metro Nashville and Davison County, within the provisions of governing contracts.” The Metropolitan Sports Authority’s Board is comprised of 13 members, all of whom shall be a duly qualified voter of the municipality and shall serve six (6) year terms.

Per the FY 2019 Operating Budget, the Metropolitan Sports Authority has an operating budget of \$1,686,400 with three (3) total budgeted positions.

OBJECTIVES, SCOPE AND METHODOLOGY

A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements for the Sports Authority and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Sports Authority or the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”). The OFA is responsible for the internal monitoring of Metro agencies that receive federal and state financial assistance, including cooperative agreements, and non-profit organizations that receive appropriations from Metro government. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

The overall monitoring objective was to determine the Sports Authority’s compliance with Metro guidelines, policies, rules, and regulations. Specifically, we reviewed for the following objectives:

- 1) To determine the agency’s compliance with their Notice of Delegation of Purchasing Agent’s Authority.
- 2) To determine the agency’s compliance with Metro’s official Procurement Policies and Regulations.
- 3) To determine whether purchasing expenditures were allowable and necessary.
- 4) To determine whether purchasing transactions were authorized and sufficiently documented.
- 5) To determine whether the agency has adequate and effective internal controls over its purchasing transactions program.

The scope of our review included purchasing transactions occurring during fiscal year 2018.

The monitoring review procedures included meeting with agency management and staff, reviewing internal controls over purchasing use, and examining certain financial records and supporting documentation to ensure compliance with requirements set forth in Metro’s official Procurement Policies and Regulations. Specific procedures included:

- Comparing purchasing transactions with procurement contracts, purchasing requisitions, and purchase orders issued through iProcurement.
- Comparing purchasing transactions with original receipts, supporting documentation and travel authorizations.
- Identifying split transactions in order to circumvent Metro’s Procurement Policies and Regulations.
- Reviewing supporting documentation for accuracy, necessity and reasonableness.
- Investigating discrepancies and following up as necessary.

RESULTS OF MONITORING

Overall Findings and Major Review Highlights

Our review revealed three discrepancies with Metro policies. The Metropolitan Sports Authority:

1. Efforts to adhere to its Delegation of Authority limit need improvement.
2. Efforts to adhere to its Notice of Delegation of Purchasing Agent's Authority regarding the issuance of Purchase Orders against properly executed Metro contracts need improvement.
3. Efforts to adhere to its Notice of Delegation of Purchasing Agent's Authority regarding payments outside of the procurement system need improvement.

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

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

1. Efforts to adhere to its Delegation of Authority limit need improvement.

Finding

The Metropolitan Sports Authority failed to adhere to its Delegation of Authority limit. The Sports Authority entered into an agreement with a vendor for a term of 36 months, for which the total purchase transaction exceeded \$10,000 without utilizing the Metro Procurement Division as required by its Delegation of Authority. Per the Notice of Delegation of Purchasing Agent's Authority granted to the Sports Authority, *"non-contract purchases in excess of \$10,000 must be issued by the Procurement Division."* In addition, per their delegation of authority, *"all contracts for purchase and/or sale, of any amount, must be issued and awarded by the Procurement Division; this includes equipment/supply rental and lease contracts."* It was noted that there was not an official contract between the vendor and Metro; however, by selecting a term of 36 months, the Sports Authority in essence entered into a contract. As a result of entering into a contract without the use of Metro Procurement Division, the Sports Authority has potentially subjected Metro government to some unforeseen liability. See Table 1 in Appendix A.

Recommendation

The Metropolitan Sports Authority should ensure that purchases in excess of its Delegation of Authority limit are processed by the Metro Procurement Division. Furthermore, the Sports Authority should ensure that all purchasing contracts are issued by the Metro Procurement Division.

Sports Authority's Management Comments

We have completed our review and concur with the recommendations of this finding.

2. Efforts to adhere to its Notice of Delegation of Purchasing Agent's Authority regarding the issuance of Purchase Orders against properly executed Metro contracts need improvement.

Finding

The Metropolitan Sports Authority failed to adhere to its Notice of Delegation of Purchasing Agent's Authority regarding the issuance of Purchase Orders against properly executed Metro Contracts. It was noted that 3 out of 3 (100%) direct vouchers processed to a Metro contracted vendor, the Sports Authority failed to issue a purchase order within the iProcurement system as required. Per the Sports Authority's Notice of Delegation of Purchasing Agent's Authority, *"the issuance of releases against properly executed Metro contract (by way of purchase orders within the procurement system managed by the Procurement Division of the Finance Department) subject to the scope, terms and conditions of the said contract."*

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

Properly entered requisitions along with the issuance of purchase orders within iProcurement, is essential purchasing controls that documents the following information:

- the person whom prepared the requisition,
- the person whom approved the requisition,
- items ordered,
- the vendor that the purchase order was issued along with contract number,
- Department responsible for the transaction,
- Location to deliver the goods or services,

Furthermore, purchase orders allow the Metro Procurement Division to track contract compliance. Without properly issued purchase orders, the Sports Authority could have caused Metro government to exceed the maximum contract values of the executed agreements, order excessive items, and potentially order goods or services not covered by contract. See Table 2 in Appendix A.

Recommendation

The Metropolitan Sports Authority should ensure all procurements of goods and services are enabled through iProcurement requisitions and purchase orders.

Finance Department's Management Comment

We concur with the recommendations noted in this finding. The Finance Department has taken measures to ensure that all such transactions processed on behalf of the Sports Authority are processed through iProcurement and approved by the appropriate parties within the Sports Authority.

3. Efforts to adhere to its Notice of Delegation of Purchasing Agent's Authority regarding direct pay vouchers outside of the procurement system need improvement.

Finding

The Metropolitan Sports Authority failed to adhere to its Notice of Delegation of Purchasing Agent's Authority regarding direct pay vouchers outside the procurement system but within the enterprise financial system. It was noted 4 out of 19 (21%) direct pay vouchers entered with the enterprise financial system were processed in violation of the its Notice of Delegation of Purchasing Agent's Authority. Per the Notice of Delegation, *"payment outside of the procurement system but within the enterprise financial system managed by the Financial Operations Division of the Finance Department is permitted for utilities but NOT standard procurements."* See Table 3 in Appendix A.

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

Recommendation

The Metropolitan Sports Authority should ensure all procurements of goods and services are enabled through iProcurement requisitions and purchase orders.

Sports Authority's Management Comments

We have completed our review and concur with the recommendations of this finding.

APPENDIX A

Table 1 – Transaction exceeding Delegated Purchasing Authority

Vendor	GL Date	Transaction Amount	Description	Total Value	Annual Breakdown
Reserve Interactive	5/11/2018	\$3,000.00	Year 2 – Annual Subscription Payment	\$10,500**	Year 1 - \$4,500 Year 2 - \$3,000 Year 3 - \$3,000

Table 2 – Direct Pay Vouchers to Contracted Vendors without Purchase Order

Contracted Vendor	GL Date	Transaction Amount
Commonwealth Development Group	12/1/2017	\$12,972.50
Ricoh USA Inc.	8/2/2017	\$316.78
Ricoh USA Inc.	3/1/2018	\$16.70

Table 3 - Direct Pay Vouchers to Non-Contracted Vendors without Purchase Order

Vendor	GL Date	Transaction Amount
Nashville Business Journal	5/31/2018	\$105.00
Nashville Post.com	5/18/2018	\$117.00
Gonzalez, Lucy	9/1/2017	\$900.00
Reserve Interactive (ACH)	5/11/2018	\$3,000.00