

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



June 28, 2019

Scott Potter, Director
Metro Water Services
1600 Second Avenue North
Nashville, TN 37208

Dear Mr. Potter:

Please find attached the monitoring report for the Metro Water Services. This report explains the results of our review of the agency's compliance with its delegated purchasing authority during fiscal year ended June 30, 2018. Staff from the Office of Financial Accountability conducted the fieldwork for this review in April 2019.

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: Amanda Deaton-Moyer, Chief Financial Officer, Metro Water Services
Talia Lomax-O'dneal, Director of Finance, Department of Finance
Kim McDoniel, Deputy Director of Finance, Department of Finance
Gene Nolan, 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
Gina Pruitt, Interim Metropolitan Auditor, 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

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Metropolitan Government of Nashville and Davidson County

METRO WATER SERVICES

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

June 28, 2019

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a compliance monitoring review of the Metro Water Services’ (hereinafter referred to as “Water Services”) 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 Director.

Department Background

According to the Metro Water Services’ website, their mission “is to supply, treat, manage, and protect our water resources in a sustainable manner for the benefit of all who live, work, and play in our community”. The Metro Water Services operates two water treatment plants and three wastewater treatment plants, in order to provide services to over 190,000 water accounts and more than 200,000 sewer accounts. In addition, the Metro Water Services oversees Metro’s stormwater program. The purpose of the Stormwater division within the Metro Water Services is to provide development review and permitting, master planning, routine and remedial maintenance, and improved watershed water quality to the residents of Davidson County so that they can have a reduced potential for property damage, safe roadways, and improved stream water quality.

Per the FY 2019 Operating Budget, the Metro Water Services has an operating budget of \$294,874,500 with eight hundred forty-two (842) 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 Metro Water Services and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Water Services 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 Metro Water Services’ 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 REVIEW

Major Review Highlights

The Office of Financial Accountability reviewed expenditure transactions processed by the Metro Water Services by both direct payment vouchers and invoices process by three way match. Tests were performed to determine the agency's compliance with its Delegated Purchasing Authority and the Metro Procurement Regulations. Based upon the results of testing, the OFA concludes that the Water Services' controls and processes are sufficient and are being followed regarding expenditure transactions. The Water Services are utilizing iProcurement to procure goods and services off of existing contracts by issuing purchase orders, are receipting the goods and services within iProcurement, and are processing the invoices for payment within EBS by three way match (PO, Receipt document, and Invoice). In addition, test revealed that Water Services use of direct payment vouchers for processing of invoices were primarily for utility payments for which is compliant with the agency's Delegated Purchasing Authority.

Overall, the Metro Water Services is compliant with its Delegated Purchasing Authority as well as Metro Procurement Regulations. No discrepancies or findings of non-compliance were noted during the review.