

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 6, 2006

Ms. Dot Berry
Employee Benefit Board
222 3rd Avenue North, Suite 200
Nashville, TN 37201

Dear Ms. Berry:

Please find attached the final Procurement Monitoring Report for the Employee Benefit Board. This report explains the results of our review of delegated authority purchases from July 1, 2004 through June 30, 2005. Staff from the Office of Financial Accountability conducted the fieldwork for this review on December 14, 2005.

You previously reviewed and responded to the preliminary report indicating your concurrence and/or disagreement with the finding. Your response has been incorporated into this final report.

We appreciate your staffs' cooperation and assistance provided us during the review. If you have any questions, please call me at (615) 880-1035.

Sincerely,

A handwritten signature in black ink, appearing to be "Fred Adom".

Fred Adom, CPA
Director

cc: David L. Manning, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance
Kim McDoniel, Assistant Director of Finance
Don Dodson, Internal Audit
Kevin Brown, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

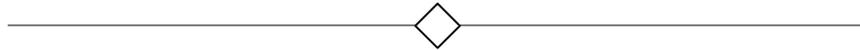
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◆ Monitoring Report of ◆

Employee Benefit Board



Issued by



Office of Financial Accountability

Fred Adom, CPA
Director

February 6, 2006

Lead Auditor:
Kevin Brown

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

MONITORING REPORT
FOR THE
EMPLOYEE BENEFIT BOARD

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EXECUTIVE SUMMARY

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a procurement monitoring review for the Employee Benefit Board. 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 Employee Benefit Board, consisting of 10 members, was established by the Metropolitan Charter and charged with the following general responsibilities:

- a) To administer, manage, and coordinate the metropolitan employee benefit system in accordance with provisions of the system, including the following:
 - 1) Meet with legal counsel and actuarial consultants to coordinate and establish administrative details, forms and procedures to be followed in enrolling persons who are eligible to become members in the system,
 - 2) Select an insurer or insurers to underwrite and administer life insurance and medical care benefits and to execute any contract required,
 - 3) Direct the preparation of and approve a booklet explaining the metropolitan employee benefit system in full detail, and make available to metropolitan employees full information concerning a metropolitan employee’s status and his/her rights concerning the system,
 - 4) Act promptly to secure Social Security coverage for all eligible employees, and
 - 5) Adopt actuarial and other necessary tables for the administration of the system.
- b) The Investment Committee is to employ the services of investment consultants and others as deemed necessary to maintain a soundly designed, administered, and financed system.
- c) The Board has jurisdiction over all voluntary benefit plans and flexible benefit plans under Section 125 of the Internal Revenue Code.
- d) The Board is to establish a medical case management program to encourage and assist in the rehabilitation and retraining of disabled members, whether on disability pensions due to in-line-of-duty injuries or non job-related medical problems.

Objectives, Scope, and Methodology

A monitoring review is substantially less in scope than an audit. The OFA did not audit Employee Benefit Board’s financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Employee Benefit Board. The objectives for our procurement review were as follows:

- To determine whether expenditures were allowable and necessary.
- To determine if the Employee Benefit Board 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 the Employee Benefit Board’s purchasing card.
- 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 agency has adequate and effective internal controls over its purchasing card program.

The review covered the activity for procurement transactions for the period of July 1, 2004 through June 30, 2005. 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. Through analytical procedures and random sampling, the OFA reviewed 59 items related to purchase vouchers.

EXECUTIVE SUMMARY

Finding and Review Highlights

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

1. Inadequate vendor contract oversight.

The section that follows provides more detailed information of the finding. Management is given an opportunity to respond to the 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. Inadequate vendor contract oversight.

FINDING

The Employee Benefit Board had entered into a contract with Bryan Pendleton Swats & McAllister to provide annual evaluation of the Metropolitan Employee Pension Plan. The OFA selected and reviewed 100% of the invoices and supporting documentation of the transactions to Bryan Pendleton Swats & McAllister. The review revealed the Employee Benefit Board made duplicate payments in June and August 2005. The Employee Benefit Board paid three charges amounting to **\$36,082.00** twice. Two of the charges for \$12,737 and \$14,910, which had previously been billed separately in October 2004 and in February 2005, were again listed as part of another larger combined invoice in the amount of \$57,427 in April 2005. The Benefit Board paid Bryan Pendleton Swats & McAllister a total of \$158,103 on June 30, 2005, which included the individual billings and the combined bill that resulted in duplicate payments. Subsequently in August 2005 the Employee Benefit Board paid \$8,435, which had been paid as of combined bill of \$57,427 again. The table below outlines the duplicate payments:

Duplicate Payment Information							
Check Number	Check Date	Invoice Number	Invoice Date	Invoice Amount	Breakdown of invoice	Amount of Duplicate Payments	Previous Check Number
					Amount		
645854	6/30/2005	1000837	Feb-05	\$12,737.00			
645854	6/30/2005	999620	10/7/2004	\$14,910.00			
645854	6/30/2005	1001299	5/6/2005	\$3,285.00			
					\$12,737.00	\$12,737.00	645854
					\$14,910.00	\$14,910.00	645854
645854	6/30/2005	1001024	4/25/2005	\$57,427.00	\$8,435.00		
					\$21,345.00		
					\$57,427.00		
645854	6/30/2005	1000815	3/11/2005	\$69,744.00			
Total Paid on Check Number <u>645854</u>				\$158,103.00			
653525	8/12/2005	999823	11/9/2004	\$8,435.00		\$8,435.00	645854
Total Paid on Check number <u>653525</u>				\$8,435.00			
					Total duplicate payments	\$36,082.00	

It appears a Shared Business Office staff attempted to alert the Employee Benefit Board of the potential duplicate payment. In an email dated June 22, 2005 from the Shared Business Office to the Employee Benefit Board, the employee raised questions concerning the amount approved for payment on Invoice Number 1001024. The email seeking clarification on the correct amount to pay even circled the potential duplicate amounts but was instructed by the Employee Benefit Board to proceed with the payment.

The Employee benefit board failed to exercise the necessary management vigilance over Bryan Pendleton Swats & McAllister contract. Such weakness in contract management could lead huge losses for the Metro Nashville Government.

RECOMMENDATION

The Employee Benefit Board should take all necessary steps to recoup the duplicate payments in the amount of \$36,082 from Bryan Pendleton Swats & McAllister immediately.

The Employee Benefit Board should thoroughly review all invoices to prevent such duplicates payments in the future.

MANAGEMENT'S COMMENTS

We concur in part

There was an error made in paying the BPS&M invoices which resulted in a duplicate payment. This should not have happened. The vendor had re-billed \$36,082. The overpayment was credited back to us 6 weeks later on Invoice number 100198/1002058.

We appreciate the time your staff has taken to review our procurement/payment transactions. You can be assured that we will make every effort to minimize errors of this type in the future.

AUDITORS COMMENTS

We reviewed invoice number 100198/1002058 dated August 24th 2005 and noted the credits on that invoice. We previously reviewed for refunds from Bryan Pendleton Swats & McAllister in FY 2006 through the report date but did not find any. Instead of refunding the overpayments, BPS&M applied the credit of \$36,082 to reduce other invoices.

OTHER ISSUES

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

- The Employee Benefit Board should ensure payments to vendors are made in accordance with the payment terms it has established with the vendors. The OFA review of the timeliness of the Employee Benefit Board's payments to vendors noted 24 of the 59 items tested were not paid in a timely manner and/or in accordance with the vendor payment terms.

The Employee Benefit Board should take all necessary steps to pay its vendors on time.