

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



September 23, 2016

Jackie Eslick – Executive Director  
Metropolitan Beer Permit Board  
800 2nd Avenue South  
3rd Floor  
P.O. Box 196300  
Nashville, TN 37219

Dear Ms. Eslick:

Please find attached the preliminary monitoring report on the Metropolitan Beer Permit Board use of Metro credit cards. This report explains the results of our review of delegated purchasing authority and VISA and MasterCard credit card transactions from July 1, 2012 through February 29, 2016. You previously reviewed and responded to the preliminary report. Your responses to the preliminary report have been incorporated into this final report.

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

Sincerely,

Fred Adom, CPA,  
CGMA, CICA  
Director, Office of Financial Accountability

Digitally signed by Fred Adom, CPA, CGMA, CICA  
DN: cn=Fred Adom, CPA, CGMA, CICA, o=Metro  
Department of Finance, ou=Office of Financial  
Accountability, email=fred.adom@nashville.org, c=US  
Date: 2016.09.23 10:40:41 -05'00'

cc: Julie Hudson, Metropolitan Beer Permit Board  
Talia Lomax-O'dneal, Director of Finance, Department of Finance  
Gene Nolan, Deputy Director of Finance, Department of Finance  
Kim McDoniel, Deputy Director of Finance, Department of Finance  
Phil Carr, Chief of Accounts, Department of Finance  
Jeff Gossage, Purchasing Agent, Department of Finance

Tom Eddlemon, Metropolitan Treasurer, Department of Finance  
Mark Swann, Metropolitan Auditor, Office of Internal Audit  
Kevin Brown, CMFO, CICA, Office of Financial Accountability  
Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability  
Matthew Fouad, Office of Financial Accountability



◆ Monitoring Report of ◆

# Metropolitan Beer Permit Board

Conducted by



Office of Financial Accountability

September 23, 2016

MONITORING REPORT

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## INTRODUCTION

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The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a credit card review of the Metropolitan Beer Permit Board compliance with the *Metro Code of Law Title 4, Procurement Code* and compliance with the *Metro Finance Policy #19: Credit Card Policy*.

A 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 assurances regarding the financial statements of Metro or any of its component units.

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. The OFA also conducts prompt pay performance, delegated purchasing authority, and procurement reviews, including credit card usage by Metro departments. In summary, any agreement that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

This review was conducted as part of the comprehensive review of credit cards use by all Metro Departments as requested by the Metro Council. At the conclusion of the review of all applicable Metro departments, the OFA will compile a summary report of the results of the review of all departments.

### **Agency Background**

The mission of the Metropolitan Beer Permit Board is “to provide licensing, control and regulatory products to applicants and permit holders so they can operate within full compliance regarding public dance laws and the transportation, storage, sale, possession and manufacture of beer with not more than 5% alcoholic content by weight.” Per the Fiscal Year 2016 Operating Budget Book, the Metropolitan Beer Board had 5 total budgeted positions and an operating budget of \$379,600.

## OBJECTIVES, SCOPE AND METHODOLOGY

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The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were two (2) cardholders in the Metropolitan Beer Permit Board during the review period. See the table below for details:

<b>Cardholder Name</b>	<b>Time Period</b>	<b>Number of Transactions</b>	<b>Dollar Value of Transactions</b>
Cardholder A	04/2015 – 2/2016	2	439.88
Cardholder B	7/2012 – 3/2015	2	323.24
<b>Totals</b>		<b>4</b>	<b>763.12</b>

The Office of Financial Accountability reviewed one hundred percent (100%) of the credit card activity.

The objectives of our review were:

- 1) To determine the agency's compliance with M.C.L. Title 4, Procurement Code.
- 2) To determine the agency's compliance with Metro Finance Policy #19: Credit Cards.
- 3) To determine whether credit card 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 credit card program.

Our review procedures included meeting with agency management and staff, reviewing internal controls over credit card use, and examining certain financial records and supporting documentation to ensure compliance with requirements set forth in Metro's official procurement policies. Specific procedures included:

- Comparing credit card charges with original receipts, supporting documentation and travel authorizations.
- Reviewing supporting documentation for accuracy, necessity and reasonableness.
- Identifying split purchases and unauthorized or fraudulent transactions.
- Investigating discrepancies and following up as necessary.

## RESULTS OF REVIEW

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### Overall Findings and Major Review Highlights

Our review revealed the following issues of non-compliance with M.C.L. Title 4, Procurement Code and Metro Finance Policy #19: Credit Card. Metropolitan Beer Board:

1. Used cards for contracted purchases.

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

## FINDINGS AND RECOMMENDATIONS

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### 1. Used cards for contracted purchases

#### Finding

Metropolitan Beer Board utilized the credit card to purchase office supplies. While office supplies are a legitimate business expense, the purchase of office supplies with a Metro credit card is a violation of Metro policy. The Procurement Division within the Finance Department has secured a contract with a vendor for office supplies at a discounted rate. Therefore, while the purchasing of office supplies, outside of Metro contract, is for legitimate business, it is considered wasteful in the aspect that the department is failing to take advantage of the discounted pricing that is available through the Metro contract. Per *Metro Finance Policy #19: Credit Cards 1) General Policies a) "the credit card can be used to purchase and make payment for approved transactions only including travel and related cost (hotels, car rentals, food, and ancillary items), petty cash type purchases, conference registrations, subscriptions and emergency purchases (as defined by the Purchasing Agent). Note: All purchases are subject to established purchasing regulations. The credit card is not a payment/purchasing card and is not to be used for routine procurements from contracted suppliers."*

#### RECOMMENDATION

Metropolitan Beer Board should ensure that needed office supplies are purchased from the Metro contracted vendor. In the extraordinary circumstances that would necessitate Metropolitan Beer Board to purchase outside the approved contract, Metropolitan Beer Board should ensure compliance with the guidelines requirements for Emergency Purchases as required by M.C.L. 4.12.070 Emergency procurements.

#### MANAGEMENT'S COMMENTS

We concur and will take measures to comply with the requirements of the policy.