

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



December 8, 2016

Laura Schloesser – Executive Director  
Board of Fair Commissioners  
500 Wedgewood Avenue  
Nashville, TN 37204

Dear Ms. Schloesser:

Please find attached the final report on the Board of Fair Commissioners' 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

cc: Kenneth Sanders, Board of Fair Commissioners  
Doug Peters, Board of Fair Commissioners  
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  
Tom Eddlemon, Metropolitan Treasurer, Department of Finance  
Jeff Gossage, Purchasing Agent, Department of Finance  
Mark Swann, Metropolitan Auditor, Office of Internal Audit

Kevin Brown, CMFO, CICA, CFE, Office of Financial Accountability  
Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability  
Matthew Fouad, Office of Financial Accountability



◆ Monitoring Report of ◆

# Board of Fair Commissioners

Conducted by



Office of Financial Accountability

December 8, 2016

MONITORING REPORT

---

**TABLE OF CONTENTS**

INTRODUCTION..... 5

OBJECTIVES, SCOPE AND METHODOLOGY ..... 6

RESULTS OF REVIEW..... 7

FINDINGS AND RECOMMENDATIONS.....8

## INTRODUCTION

---

The Office of Financial Accountability (hereinafter referred to as "OFA") has completed a credit card review of the Board of Fair Commissioners' compliance with the *Metro Code of Law Title 4, Procurement Code* and compliance with the *Metro Finance Policy #19: Credit Card Policy*. **The "Board of Fair Commissioners" refers to the organization that operates the "The Fairgrounds Nashville" and not the individual commissioners charged with the oversight of its operation. None of the commissioners on the "board" were cardholders; all cardholders referred to in this report were /are employees of "The Fairgrounds Nashville".**

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 Board of Fair Commissioners' mission is "to provide multipurpose venues for a variety of events that serve the interests of Nashville citizens and visitors to Nashville. This includes public and private events that showcase consumer products, education, commerce, entertainment, agriculture, technology and industry." Per the Fiscal Year 2016 Operating Budget Book, the Board of Fair Commissioners had 119 total budgeted positions and an operating budget of \$3,016,200.00.

## OBJECTIVES, SCOPE AND METHODOLOGY

---

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were six (6) cardholders in the Board of Fair Commissioners during the review period. See the table below for details:

<b>Cardholder Name</b>	<b>Number of Transactions</b>	<b>Dollar Value of Transactions</b>
Cardholder A	3	\$197.15
Cardholder B	72	\$17,671.14
Cardholder C	87	\$27,238.74
Cardholder D	222	\$44,619.34
Cardholder E	60	\$12,325.30
Cardholder F	1,098	\$291,119.09
<b>Totals</b>	<b>1,542</b>	<b>\$401,170.76</b>

The Office of Financial Accountability reviewed 153 transactions (10%) 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

---

### 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. The Board of Fair Commissioners:

1. Improperly used Metro Credit Card for non-business (personal) transactions,
2. Failed to maintain adequate supporting documentation,
3. Failed to exercise exempt status by improperly paying sales tax,

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

## FINDINGS AND RECOMMENDATIONS

---

### 1. Improperly used Metro Credit Card for non-business (personal) transactions.

#### FINDING

Based on test work completed, the Board of Fair Commissioners improperly used the Metro credit card to purchase items which appears to have been non-business related. Our review revealed three (3) transactions in the amount of \$361.33 to purchase various items like flowers (sympathy gift) and plaques for retirees. The transactions in question were not necessary business expense for the Board of Fair Commissioners, deemed to be non-business and therefore need to be refunded to Metro.

*Per Metro Finance Policy #19: Credit Card Section 3) Expectations of Cardholders c) "Use of the credit card for personal expenses is a misappropriation of Metro Funds. Any use of the credit card for personal expenses will result in cancellation of the card and may result in disciplinary action. Any cardholder who uses the card for personal charges will be barred from future use of a Metro card."* In addition, per the Metro Credit Card Cardholder Responsibility Acknowledgement that details the responsibilities of the cardholder, for which is reviewed and signed by the cardholder prior to taking physical possession of the Metro credit card, states "I will not use the card for any non-Metro purpose including personal expenses."

#### RECOMMENDATIONS

The Board of Fair Commissioners should take immediate measures to ensure the responsible cardholder reimburse Metro Nashville Government for the total value of the personal transaction identified.

The Board of Fair Commissioners should also take the necessary steps to ensure that cardholders of a Metro Credit card comply with rules and regulations as stated within their Notice of Purchasing Delegation, the M.C.L. Title 4 Procurement Code, and Metro Finance Policy #19: Credit Card Policy, and the Cardholder Responsibility Acknowledgement Agreement.

#### MANAGEMENT'S COMMENTS

**We concur in part. We acknowledge the purchase of sympathy flowers for an employee's family member should be a personal expense. However, we disagree that**

the purchase of plaques recognizing a Board member's or Director's service to Metro Nashville Government and The Fairgrounds is a personal expense. We welcome additional clarification of this finding.

**2. Failed to maintain adequate supporting documentation.**

**FINDING**

The Board of Fair Commissioners failed to maintain invoices and/or sales receipts to support 7 out of 153 (5%) of the transactions tested. Without supporting documentation, the Board of Fair Commissioners was unable to support the business purpose of the transactions. Per *Metro Finance Policy #19 Credit Cards 3) Expectations of Cardholders b) "Cardholders should collect and maintain proper sales receipts and invoices to support all charges. Proper sales receipts should include adequate description of the items purchased and the individual benefitting (when applicable). Credit card charge slips are not sufficient support."*

**RECOMMENDATION**

The Board of Fair Commissioners should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

**MANAGEMENT'S COMMENTS**

**We concur and will ensure card holders maintain appropriate records and receipts for each purchase.**

**3. Failed to exercise exempt status by improperly paying sales tax.**

**FINDING**

The Board of Fair Commissioners improperly paid sales tax on eight (8) transactions totaling \$116.50. Per *Metro Finance Policy #19 3) Expectations of Cardholders d) "Cardholders are also responsible for identifying and disputing erroneous charges, including Tennessee sales tax charges, to their assigned cards. It is the responsibility of the cardholder to dispute the charges as specified in the cardholder agreement."* In addition, *e) "Cardholders should not pay Tennessee sales tax. It is the cardholder's responsibility to dispute Tennessee sales tax charges."*

## **RECOMMENDATION**

The Board of Fair Commissioners should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Board of Fair Commissioners should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

## **MANAGEMENT'S COMMENTS**

**We concur and will review purchases to ensure no inappropriate sales tax was applied to purchases and will dispute charges if that occurs.**