

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



October 11, 2016

Maria Salas, J.D. – Clerk & Master
Clerk & Master of the Chancery Court
1 Public Square, STE 308
Nashville TN 37201

Dear Ms. Salas:

Please find attached the final monitoring report on the Clerk & Master of the Chancery Court's 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. Staff from the Office of Financial Accountability conducted the fieldwork for this review on April 13, 2016. You and your staff previously reviewed and responded to the preliminary report. Your response to that 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,

Director, Office of Financial Accountability

cc: Talia Lomax-O'dneal, Director of Finance, Department of Finance
Gene Nolan, Deputy Director of Finance, Department of Finance
Kim McDoniel, 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, Office of Financial Accountability

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



◆ Monitoring Report of ◆

Clerk & Master of the Chancery Court

Conducted by



Office of Financial Accountability

October 11, 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 Clerk & Master of the Chancery Court's 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 Clerk and Master's office administers and maintains Chancery Court case files and records as directed by the Chancellors or required by law. It collects and reports revenue from court costs and delinquent tax sales, and deposits funds pursuant to court order or law. The office provides public records and information. The role of the office is also judicial, as the Clerk and Master hears matters referred by the Chancellors.

Per the Fiscal Year 2016 Operating Budget Book, the Clerk & Master of the Chancery Court had 18 total budgeted positions and an operating budget of \$1,250,500.

OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There was one cardholder in the Clerk & Master of the Chancery Court during the review period. See the table below for details:

Cardholder Name	Time Period	Number of Transactions	Dollar Value of Transactions
Cardholder A	07/2012 – 2/2016	14	\$2,517.06
Totals		14	\$2,517.06

The Office of Financial Accountability reviewed 14 transactions (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

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 Clerk & Master of the Chancery Court:

1. Used cards for legitimate business purchases but potentially wasteful,
2. Failed to exercise exempt status by improperly paying sales tax,
3. Failed to maintain adequate supporting documentation.

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. Used cards for contracted purchases

Finding

The Clerk & Master of the Chancery Court utilized Metro credit cards to make three (3) transactions for the purchase of coffee. While coffee is a legitimate business expense, the purchase of coffee with a metro credit card is a violation of Metro policy. The Procurement Division within the Finance Department has secured three (3) contracts with vendors for coffee at a discounted rate. Therefore, while the purchasing of coffee, off 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 contracts. 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

The Clerk & Master of the Chancery Court should ensure that needed coffee is purchased from the Metro contracted vendors. In the extraordinary circumstances that would necessitate the Clerk & Master of the Chancery Court to purchase off contract, the Clerk & Master of the Chancery Court should ensure compliance with the guidelines requirements for Emergency Purchases as required by M.C.L. 4.12.070 Emergency procurements.

We concur.

2. Failed to exercise exempt status by improperly paying sales tax.

The Clerk & Master of the Chancery Court improperly paid sales tax on two (2) transaction totaling \$31.79. 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 Clerk & Master of the Chancery Court should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Clerk & Master of the Chancery Court should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

We concur.

3. Failed to maintain adequate supporting documentation.

Finding

The Clerk & Master of the Chancery Court failed to maintain invoices and/or sales receipts to support 17% of the transactions tested. Without supporting documentation, the Clerk & Master of the Chancery Court 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.”*

The OFA also noted that 90% of the transactions for which the supporting documentation was provided was not signed or initialed by the cardholder. Cardholder’s signature is a vital part of the necessary documentation to support the credit card charges. It serves two purposes, 1) it shows that the cardholder was in fact the person who used the card to complete the transaction and 2) it identifies the individual authorized the use of the credit card. Per *Metro Finance Policy #19 2) Card Authorization a) “Only the employee whose name is embossed on a credit card may use the card. No other person is authorized to use the card. The use of the card shall not be delegated to any other person. Cardholder shall use the credit card for Metro authorized purchases only.” In addition, per the *Metro Credit Card Cardholder Responsibility Acknowledgement*, “the card issued to me must not be used by anyone other than myself. (This includes other Metro employees).”*

RECOMMENDATION

The Clerk & Master of the Chancery Court should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

The Clerk & Master of the Chancery Court should further ensure that the cardholders review and sign the credit card supporting documentation to ensure that no one other than the cardholder is utilizing the Metro credit card.

We concur.