

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



October 27, 2016

Howard Gentry – Criminal Court Clerk  
Criminal Court Clerk's Office  
408 2<sup>nd</sup> Avenue North, Suite 2120  
Nashville, TN 37201

Dear Mr. Gentry:

Please find attached the final monitoring report on the Criminal Court Clerk's Office 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,

Director, Office of Financial Accountability

cc: Alfred Degrafinreid, Criminal Court Clerk's Office  
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, Office of Financial Accountability

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



◆ Monitoring Report of ◆

# Criminal Court Clerk's Office

Conducted by



Office of Financial Accountability

October 27, 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 Criminal Court Clerk’s Office’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 Criminal Court Clerk’s mission is “the clerical duties for the operation of the criminal courts, both General Sessions Court and State Trial Court. The Clerk is responsible for record management, both hard copy and electronic, and prepares the minutes (official record) for the Criminal Trial Court. Upon conclusion of cases, the Clerk calculates court costs and begins the collection of them, as required by statute. The Clerk prepares all cases under appeal for the Court of Criminal Appeals. The Criminal Court Clerk is also the custodian of all evidence submitted in the State Trial Courts.” Per the Fiscal Year 2016 Operating Budget Book, the Criminal Court Clerk’s Office had 82 total budgeted positions and an operating budget of \$5,853,700.

## 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 five (5) cardholders in the Criminal Court Clerk's Office 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	9	\$758.57
Cardholder B	57	\$12,716.53
Cardholder C	65	\$12,841.08
Cardholder D	129	\$18,675.51
Cardholder E	100	\$12,346.35
<b>Totals</b>	<b>360</b>	<b>\$57,338.04</b>

The Office of Financial Accountability reviewed 114 transactions (32%) 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. The Criminal Court Clerk's Office:

1. Failed to maintain adequate supporting documentation,
2. Failed to adequately document the business purpose of the transactions,
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

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### 1. Failed to maintain adequate supporting documentation.

#### FINDING

The Criminal Court Clerk's Office failed to maintain invoices and/or sales receipts to support 31 out of 114 (27%) of the transactions tested. Without supporting documentation, the Criminal Court Clerk's Office 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 38% 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 Criminal Court Clerk's Office should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

The Criminal Court Clerk's Office 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.

## MANAGEMENT'S COMMENTS

We concur. It is important to note that the charges without receipts and/or documentation were incurred by employees who are no longer employed by the Criminal Court Clerk's Office.

### 2. Failed to adequately document the business purpose of the transactions.

## FINDING

The Criminal Court Clerk's Office failed to adequately document the business purposes for five (5) credit card transactions totaling \$231.97. The OFA noted that those transactions, mainly to restaurants, appeared to be associated with a group of participants, without any indication of the business necessity for the expenditures. The Criminal Court Clerk's Office provided other pertinent information to prove the business purpose for those five transactions at local restaurants; therefore we did not question those charges as personal.

*Per Metro Finance Policy #19: Credit Cards states under Section 5) Prohibited Uses, "a) The credit card generally should not be used to purchase meals unless the cardholder is on an approved travel status. (Please see the Travel Policy for details). When it is necessary to use the card for payment for a planned office event, the cardholder should ensure that there is proper documentation, approved by the Department or designee authorizing the use of the card." Metro Finance Policy #19 further states, under Section 6) Documentation Requirements, "b) Use of the Metro credit card for meals at local restaurants is generally not allowable. When charges for meals at local restaurants are necessary, the cardholder shall maintain detailed documentation to justify the charges. The documentation at a **minimum** include detailed information such as (a) the list of individuals that participated/attended the meeting/luncheon, (b) time, (c) place, (d) and an agenda or document that describes the business purpose of the meeting and meal."*

## RECOMMENDATIONS

The Criminal Court Clerk's Office should take the necessary actions to ensure that adequate documentation is maintained to support all credit card transactions. The documentation should include clear and concise notation as to the business purpose of all transactions.

The Criminal Court Clerk's Office should ensure that at a minimum the following information is maintained to justify the business purpose of meals purchased from a local restaurant.

- a) the list of individuals that participated/attended the meeting/luncheon,
- b) time,
- c) place,
- d) an agenda or document that describes the business purpose of the meeting and meal.

### **MANAGEMENT'S COMMENTS**

**We concur. It is important to note that the charges without adequate documentation notating the business purposes were charged by employees who are no longer employed by the Criminal Court Clerk's Office.**

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

### **FINDING**

The Criminal Court Clerk's Office improperly paid sales tax on three (3) transactions totaling \$11.06. 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 Criminal Court Clerk's Office should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Criminal Court Clerk's Office should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

### **MANAGEMENT'S COMMENTS**

**We concur.**

## **OBSERVATION**

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The OFA noted two (2) transactions totaling \$553.18 for hotel charges for employees of the Criminal Court Clerk's Office to attend conferences which were not supported by an approved travel authorization. The OFA further noted that the Criminal Court Clerk's Office did not have a formal travel policy in place that addressed the documentation needed to support advanced travel authorizations for the employees of the Criminal Court Clerk's Office. An approved travel authorization grants the cardholder the authority to utilize the Metro credit card for travel related expenditures.

## **RECOMMENDATION**

The OFA recommends that the Criminal Court Clerk's Office adopt a formal travel policy and improve its documentation to support prior travel authorizations for the employees of the Criminal Court Clerk's Office.