

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



October 31, 2016

Tim Henderson  
Office of Emergency Management  
2060 15<sup>th</sup> Avenue South  
Nashville, TN 37212

Dear Mr. Henderson:

Please find attached the final report on the Office of Emergency Management'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. 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: Drusilla Martin, Nashville Fire Department/Office of Emergency Management  
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 ◆

# Office of Emergency Management

Conducted by



Office of Financial Accountability

October 31, 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 Office of Emergency Management'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 Office of Emergency Management's mission is "to coordinate activities to mitigate, prepare for, respond to, and recover from disasters." Per the Fiscal Year 2016 Operating Budget Book, the Office of Emergency Management had 14 total budgeted positions and an operating budget of \$1,051,200.00.

## 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 four (4) cardholders in the Office of Emergency Management 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	30	\$2,828.14
Cardholder B	27	\$13,404.49
Cardholder C	8	\$200.00
Cardholder D	128	\$64,357.77
<b>Totals</b>	<b>193</b>	<b>\$80,790.40</b>

The Office of Financial Accountability reviewed 39 transactions (20%) 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 Office of Emergency Management:

1. Failed to exercise exempt status by improperly paying sales tax,
2. Failed to adhere to Metro Finance Policy #18: Travel.

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 exercise exempt status by improperly paying sales tax.**

#### **FINDING**

The Office of Emergency Management improperly paid sales tax on two (2) transactions totaling \$16.56. 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 Office of Emergency Management should ensure that its cardholders review and dispute charges associated with Tennessee sales tax. The Office of Emergency Management should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

#### **MANAGEMENT’S COMMENTS**

**We concur with your findings. The purchases in question were for food that was ordered for OEM activations. Generally these are food orders that are delivered by delivery personnel and they are not in a position to accept tax exempt forms. This process has been discussed with the card holders. In the future every effort will be made to not pay taxes for these purchases by providing a tax exempt form to the vendor via fax before the order is delivered.**

### **2. Failed to adhere to Metro Finance Policy #18: Travel.**

#### **FINDING**

The Office of Emergency Management utilized a Metro credit card to make eight (8) transactions related to non-Metro employee’s travel that totaled \$8,332.38. While non-Metro employee travel cost can be a legitimate business expense, the use of Metro credit card without first obtaining prior out of state travel approval in accordance with the Metro Finance Policy #18 is a violation of Metro policy. Per *Metro’s Finance Policy #18: Travel*: *“The purpose of this Policy Statement is to establish uniform guidelines across the*

*Metropolitan Government of Nashville & Davidson County (Metro) for payment of travel expenses incurred by both employees and non-employees while conducting official Metro business. All out-of-state travel must be approved by the Director of Finance after it has been approved by the department or agency head. General Policies, c) Out-of-state and in-state travel authorization requests, rental car requests and Metro vehicle requests must be submitted through the online travel application."*

*Per Metro's Credit Card Policy #19: 1) General Policies states: a) "The credit card can be used to purchase and make payment for approved transactions only including travel and related costs (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 Office of Emergency Management should ensure that Metro credit cardholders submit a Metro online travel application and receive advanced approval prior to incurring any travel cost. The Office of Emergency Management should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

### **MANAGEMENT'S COMMENTS**

**We concur with your findings. This issue has been discussed with the cardholder. It was the cardholders understanding that since the travel was for people who did not work for Metro, a travel authorization did not have to be done. The travelers involved were from other counties who are eligible for travel under the grant funding that we receive. In the future we will insure that all travel is approved via the online travel authorization system.**