

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



October 21, 2016

Nancy Whittemore, Director  
General Services  
730 2<sup>nd</sup> Ave. South, Suite 201  
P.O. Box 196300  
Nashville, TN 37219

Dear Ms. Whittemore:

Please find attached the final report on the General Services' use of Metro credit cards conducted by the Office of Financial Accountability. 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: Dianna Atwood, General Services  
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 ◆

# General Services

Conducted by



Office of Financial Accountability

October 21, 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 General Services 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 General Services' mission is "to provide sustainable facility and fleet operations, radio communications, employee security, and customer assistance products to government agencies, Metro employees, and the Nashville community so they can meet their goals." Per the Fiscal Year 2016 Operating Budget Book, the General Services had 169 total budgeted positions and an operating budget of \$48,841,500.00.

## 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 ten (10) cardholders in the General Services 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	32	\$8,212.25
Cardholder B	213	\$40,621.62
Cardholder C	14	\$2,997.66
Cardholder D	47	\$5,023.09
Cardholder E	29	\$13,685.50
Cardholder F	19	\$5,213.99
Cardholder G	57	\$12,284.37
Cardholder H	80	\$35,119.10
Cardholder I	237	\$61,631.65
Cardholder J	6	\$419.35
<b>Totals</b>	<b>734</b>	<b>\$185,208.58</b>

The Office of Financial Accountability reviewed 73 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

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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 General Services:

1. Improperly used Metro Credit Card for non-business (personal) transaction,
2. Improperly paid 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

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

#### FINDING

Based on test work completed, the General Services improperly used the Metro credit card to purchase meals for employees which appear to have been personal in nature and not for authorized Metro business. Our review revealed one transaction from a local restaurant during lunch in the amount of \$87.38 for an employee going away lunch, while a token of appreciation; it is not a business necessity. As a result, the transaction has been deemed to be non-business and therefore the transaction needs 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 General Services should take immediate measures to ensure the responsible cardholder reimburse Metro Nashville Government for the total value of the personal transaction identified.

The General Services 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. Cardholder will refund amount to Metro Government.

## **2. Improperly paid sales tax.**

### **FINDING**

The General Services improperly paid sales tax on four (4) transactions totaling \$295.98. 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 General Services should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The General Services should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

### **MANAGEMENT'S COMMENTS**

We concur

## **3. Failed to maintain adequate supporting documentation.**

### **FINDING**

The General Services failed to maintain invoices and/or sales receipts to support 5 out of 73 (7%) transactions tested. Without supporting documentation, the General Services 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 85% 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 General Services should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

The General Services 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**