

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



December 2, 2016

William Paul, Director
Metro Health Department
2500 Charlotte Avenue
Nashville, TN 37209

Dear Dr. Paul:

Please find attached the final report on the Metro Health Department'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,

Fred Adom, CPA, CGMA, CICA
Director, Office of Financial Accountability

cc: Peter Fontaine, Metro Health Department
Dianne Harden, Metro Health Department
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



Metropolitan Government of Nashville and Davidson County

◆ Monitoring Report of ◆

Metro Health Department

Conducted by



Office of Financial Accountability

December 2, 2016

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as "OFA") has completed a credit card review of the Metro Health Department'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 Metro Health Department's mission is "to protect, improve and sustain the health and well-being of all people in Metropolitan Nashville." Per the Fiscal Year 2016 Operating Budget Book, the Metro Health Department had 521 total budgeted positions and an operating budget of \$44,331,100.00.

OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were eighteen (18) cardholders in the Metro Health Department during the review period. See the table below for details:

Cardholder Name	Number of Transactions	Dollar Value of Transactions
Cardholder A	20	\$1,766.30
Cardholder B	12	\$1,100.61
Cardholder C	129	\$28,224.77
Cardholder D	1	\$1,317.00
Cardholder E	195	\$46,075.60
Cardholder F	44	\$2,484.44
Cardholder G	23	\$1,187.47
Cardholder H	30	\$1,097.84
Cardholder I	19	\$3,422.74
Cardholder J	3	\$510.38
Cardholder K	41	\$2,163.21
Cardholder L	17	\$750.29
Cardholder M	81	\$3,238.08
Cardholder N	9	\$901.19
Cardholder O	721	\$190,358.17
Cardholder P	2	\$76.88
Cardholder Q	59	\$5,919.38
Cardholder R	63	\$2,096.25
Totals	1,469	\$292,690.60

The Office of Financial Accountability reviewed 180 transactions (12%) 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 Metro Health Department:

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

FINDING

The Metro Health Department failed to maintain invoices and/or sales receipts to support 7 out of 180 (4%) of the transactions tested. Without supporting documentation, the Metro Health Department 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 Metro Health Department should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

MANAGEMENT'S COMMENTS

Partially concur. Additional documentation was provided to the Office of Financial Accountability. The Request for Purchase form has been revised to include the business purpose on the transactions. Metro Policy #19 will be reviewed with Metro Cardholders to ensure the policy is adhered and ensure documentation is attached on future purchases. The Credit Card approver will verify documentation.

AUDITORS' COMMENTS

We have updated the report to adjust for the additional information submitted since the preliminary report was issued.

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

FINDING

The Metro Health Department failed to adequately document the business purposes for seven (7) credit card transactions totaling \$843.92. The OFA noted that some of the

transactions were to local restaurants that appeared to be associated with a group of participants, without any indication of the business necessity for the expenditures.

*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 Metro Health Department 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 Metro Health Department 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. Grant funds are used to purchase food if the grantor specifically approves an event or meeting to include food and/or refreshments. Going forward the meeting agenda and list of participants will be required before funds are approved. The request for purchase form has been updated to include the business purpose of the purchase. These policies will be reviewed with the Metro Credit Card

holder to ensure documentation is attached. The Credit Card approver will verify documentation.

3. Improperly paid sales tax.

FINDING

The Metro Health Department improperly paid sales tax on four (4) transactions totaling \$54.88. 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 Metro Health Department should ensure that Metro cardholders review and dispute charges associated with Tennessee sales tax. The Metro Health Department should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

MANAGEMENT'S COMMENTS

We concur. Metro Policy #19 will be reviewed with Metro Cardholders to ensure the policy is adhered on future purchases.