

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



October 11, 2016

Tim Walker – Executive Director
Historical Commission
3000 Granny White Pike
Nashville, Tennessee 37204

Dear Mr. Walker:

Please find attached the final report on the Historical Commission's 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: Yvonne Ogren, Historical Commission
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 ◆

Historical Commission

Conducted by



Office of Financial Accountability

October 11, 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 Historical Commission’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 mission of the Metropolitan Historical and Historic Zoning Commission is “to provide historical and architectural information, preservation technology and advice, and design guidance products to Nashville’s neighborhoods, property owners, businesses, citizens, and visitors so they can incorporate the city’s rich past into today’s economy, culture, and quality of life.” Per the Fiscal Year 2016 Operating Budget Book, the Historical Commission had 10 total budgeted positions and an operating budget of \$872,300.

OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were two (2) cardholders in the Historical Commission during the review period. See the table below for details:

Cardholder Name	Number of Transactions	Dollar Value of Transactions
Cardholder A	158	\$13,691.65
Cardholder B	78	\$3,504.61
Totals	232	\$17,196.26

The Office of Financial Accountability reviewed 111 transactions (47%) 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 Historical Commission:

1. Used cards for contracted purchases
2. 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 Historical Commission utilized Metro credit cards to make twelve (12) transactions for the purchase of office supplies. While office supplies are a legitimate business expense, the purchase of office supplies with a metro credit card is a violation of Metro policy. The Procurement Division within the Finance Department has secured a contract with a Vendor for office supplies at a discounted rate. Therefore, while the purchasing of office supplies, 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 contract. 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 Historical Commission should ensure that needed office supplies are purchased from the Metro contracted vendor. In the extraordinary circumstances that would necessitate the Historical Commission to purchase off contract, the Historical Commission should ensure compliance with the guidelines requirements for Emergency Purchases as required by M.C.L. 4.12.070 Emergency procurements.

MANAGEMENT'S COMMENTS

We concur. Due to the small size of the department the MHC did not set up to purchase office supplies through a Metro contracted vendor as a purchase required four unique reviews/approvals. The audit brought this to our attention and after ensuing conversations with the Purchasing department, we understand and will comply with the policy and procedure that allows us to buy supplies from the Metro contracted vendor.

2. Failed to maintain adequate supporting documentation.

FINDING

The Historical Commission failed to maintain invoices and/or sales receipts to support 8 out of 111 (7%) transactions tested. Without supporting documentation, the Historical Commission 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 Historical Commission should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

MANAGEMENT'S COMMENTS

We concur in part. The number of receipts not maintained as noted in the audit was incorrect, as two of those reported missing were with the documentation. This was verified by the auditor. Of those remaining eight transactions, which covered a 2-1/2 year period, there was secondary documentation for all eight that verified the expenses were work-related, however, the actual receipt was lost or not received.

AUDITOR'S REBUTTAL

After the preliminary report was issued, the Commission provided documentation to support two (2) of the transactions identified in the preliminary report. We have updated the report to reflect that.

Though the Commission maintained some charge slips and other items that pointed to the event or items purchased, it lacked the detailed receipts/invoices to prove the business purpose of those transactions.