

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



November 30, 2016

Cynthia Croom – Executive Director
Metropolitan Action Commission
800 Second Avenue North
Nashville, TN 37201

Dear Ms. Croom:

Please find attached the final report on the Metropolitan Action Commission'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 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: Robert Wright, Metropolitan Action Commission
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



◆ Monitoring Report of ◆

Metropolitan Action Commission

Conducted by



Office of Financial Accountability

November 30, 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 Metropolitan Action 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 Metropolitan Action Commission's mission is "to change lives, embodies a spirit of hope, improves communities and makes Nashville a better place to live. We care about the entire community and are dedicated to helping people help themselves and each other." Per the Fiscal Year 2016 Operating Budget Book, the Metropolitan Action Commission had 411 total budgeted positions and an operating budget of \$28,256,100.00.

OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were seven (7) cardholders in the Metropolitan Action Commission during the review period. See the table below for details:

Cardholder Name	Number of Transactions	Dollar Value of Transactions
Cardholder A	31	\$8,945.56
Cardholder B	42	\$4,273.27
Cardholder C	185	\$35,836.43
Cardholder D	775	\$229,114.93
Cardholder E	52	\$8,033.74
Cardholder F	27	\$5,760.46
Cardholder G	187	\$23,768.61
Totals	1,299	\$315,733.00

The Office of Financial Accountability reviewed 149 transactions (11%) 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 Metropolitan Action Commission:

1. 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

1. Failed to exercise exempt status by improperly paying sales tax.

FINDING

The Metropolitan Action Commission improperly paid sales tax on five (5) transactions totaling \$54.97. 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 Metropolitan Action Commission should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Metropolitan Action Commission should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

MANAGEMENT’S COMMENTS

We concur. MAC clearly takes its responsibility for following Metro Finance Policy #19 very seriously by the fact that only 5 out of 1,299 transactions (.39%). In addition, the amount of \$54.97 out of \$315,733 represents a percentage of (.02%). This review period covered 3 years and 8 months. MAC is very proud that this review illustrated how well the department is complying with Metro Finance Policy #19.

Our internal controls process includes at a minimum the following:

- **Safeguarding credit cards in a locked safe when not in use**
- **Assigning purchase orders that must be signed off by requestor, department head, CFO, and lastly by the Executive Director prior to purchase unless an emergency situation.**
- **Reconciliation and approval of credit card transactions monthly online.**
- **Submission of all credit card transactions to MAC’s governing Board monthly for review and approval.**

All credit card holders (by their signature of the Cardholder Responsibility Acknowledgement form) understand that Tennessee sales tax should not be paid. Reviewers will continue to be diligent when reviewing credit card transactions to ensure that sales tax is not being paid.