

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



October 21, 2016

Tommy Lynch - Director
Metropolitan Parks and Recreation
511 Oman Street
Nashville, TN 37203

Dear Mr. Lynch:

Please find attached the final monitoring report on the Metropolitan Parks and Recreation'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,

Director, Office of Financial Accountability

cc: Monique Odom, Metropolitan Parks and Recreation
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 ◆

Metropolitan Parks and Recreation

Conducted by



Office of Financial Accountability

October 21, 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 Parks and Recreation’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 Parks and Recreation’s mission is “to provide every citizen of Nashville and Davidson County with an equal opportunity for safe recreational and cultural activities within a network of parks and greenways that preserves and protects the region’s natural resources.” Per the Fiscal Year 2016 Operating Budget Book, the Metropolitan Parks and Recreation had 1,189 total budgeted positions and an operating budget of \$39,267,500.

OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were twelve (12) cardholders in the Metropolitan Parks and Recreation during the review period. See the table below for details:

Cardholder Name	Number of Transactions	Dollar Value of Transactions
Cardholder A	114	\$21,807.67
Cardholder B	381	\$109,393.36
Cardholder C	518	\$116,223.66
Cardholder D	150	\$39,206.58
Cardholder E	160	\$32,871.80
Cardholder F	953	\$144,912.04
Cardholder G	71	\$22,251.03
Cardholder H	148	\$41,879.26
Cardholder I	569	\$75,410.29
Cardholder J	405	\$77,447.65
Cardholder K	108	\$14,551.31
Cardholder L	91	\$31,625.45
Totals	3,668	\$727,580.10

The Office of Financial Accountability reviewed 295 transactions (8%) 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

OBJECTIVES, SCOPE AND METHODOLOGY

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 Parks and Recreation:

1. Used cards for contracted purchases,
2. 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. Used cards for contracted purchases

FINDING

The Metropolitan Parks and Recreation utilized Metro credit cards to make six (6) 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 Metropolitan Parks and Recreation should ensure that needed office supplies are purchased from the Metro contracted vendor. In the extraordinary circumstances that would necessitate the Metropolitan Parks and Recreation to purchase off contract, the Metropolitan Parks and Recreation 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. We will ensure that needed office supplies are purchased from the Metro contracted vendor. In extraordinary circumstances that necessitate the department to purchase off contract, we will ensure there is appropriate documentation to justify the purchase.

FINDINGS AND RECOMMENDATIONS

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

FINDING

The Metropolitan Parks and Recreation improperly paid sales tax on five (5) transactions totaling \$75.64. 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 Parks and Recreation should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Metropolitan Parks and Recreation should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

MANAGEMENT'S COMMENTS

We concur. We will ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. We will ensure that Metro credit card holders adhere to Finance Policy #19.