

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



November 9, 2016

Robert Skoney – General Manager  
Municipal Auditorium  
417 Fourth Avenue North  
Nashville, TN 37201

Dear Mr. Skoney:

Please find attached the preliminary monitoring report on the Municipal Auditorium'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: Kristie Bailey, Municipal Auditorium  
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



Metropolitan Government of Nashville and Davidson County

◆ Monitoring Report of ◆

# Municipal Auditorium

Conducted by



Office of Financial Accountability

November 9, 2016

MONITORING REPORT

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**TABLE OF CONTENTS**

INTRODUCTION..... 5

OBJECTIVES, SCOPE AND METHODOLOGY ..... 6

RESULTS OF REVIEW..... 7

FINDINGS AND RECOMMENDATIONS.....8

## INTRODUCTION

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The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a credit card review of the Municipal Auditorium’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 Municipal Auditorium’s mission is “to provide multipurpose venue and event coordination products to the citizens of Nashville so that they can experience a positive economic impact through a variety of public and private events.” Per the Fiscal Year 2016 Operating Budget Book, the Municipal Auditorium had 10 total budgeted positions and an operating budget of \$1,515,500.00.

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## 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 was one (1) cardholder in the Municipal Auditorium 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	183	\$32,425.08
<b>Totals</b>	<b>183</b>	<b>\$32,425.08</b>

The Office of Financial Accountability reviewed 68 transactions (37%) 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.
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## 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 Municipal Auditorium:

1. Improperly used Metro Credit Card for non-business (personal) transaction,
2. Failed to maintain adequate supporting documentation,
3. 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

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

#### FINDING

Based on test work completed, the Municipal Auditorium improperly used the Metro credit card to purchase items which appears to have been non-business related. Our review revealed five (5) transactions in the amount of \$339.49 to purchase flowers (either for congratulations on a birth of child or with deepest sympathy in the loss of someone's family member) and one (1) transaction to Vanderbilt's Children Hospital in the amount of \$50.00 as a donation. The transactions in question were not a necessary business expense for the Municipal Auditorium to be able to conduct business; therefore, the transactions have been deemed to be non-business and therefore need 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 Municipal Auditorium should take immediate measures to ensure the responsible cardholder reimburse Metro Nashville Government for the total value of the personal transaction identified.

The Municipal Auditorium 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:** As General Manager, I thought flowers for business associates and employees' relative's deaths were legitimate business expenses. I also thought that Charitable Donations were legitimate business expenses. Now that Metro's Audit Findings have been examined, I understand that these are not considered business expenses for Metro. I will not continue to make these types of charges in the future.

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

#### **FINDING**

The Municipal Auditorium failed to maintain invoices and/or sales receipts to support 14 out of 68 (21%) of the transactions tested. Without supporting documentation, the Municipal Auditorium 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 44% 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 Municipal Auditorium should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

The Municipal Auditorium 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:** As General Manager, I did not realize the copy I kept for Metro also needed signing. Going forward all copies will be signed or initialed by myself. Also, all receipts and travel authorization are now being kept by our accountant that was hired 09/2014. Before that is where we had trouble locating documentation.

#### **3. Failed to exercise exempt status by improperly paying sales tax.**

### **FINDING**

The Municipal Auditorium improperly paid sales tax on six (6) transactions totaling \$138.90. 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 Municipal Auditorium should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Municipal Auditorium should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

### **MANAGEMENT'S COMMENTS**

**WE CONCUR:** As General Manager, I will exercise my duties and provide our tax exempt form when using my Metro credit card.