

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



October 27, 2016

Bill Garrett – Register of Deeds
Davidson County Register of Deeds Office
501 Broadway
Nashville, TN 37203

Dear Mr. Garrett:

Please find attached the final report on the Register of Deeds Office 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,

Director, Office of Financial Accountability

cc: Connie Brookshire, Register of Deeds Office
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 ◆

Register of Deeds Office

Conducted by



Office of Financial Accountability

October 27, 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 Register of Deeds 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 Register of Deeds is "to record all documents pertaining to real estate and documents relative to the Uniform Commercial Code. To maintain the integrity of all official records and offer courteous, friendly, and expeditious service to all who use the Register's Office." Per the Fiscal Year 2016 Operating Budget Book, the Register of Deeds had an operating budget of \$317,300.

OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were three (3) cardholders in the Register of Deeds Office during the review period. See the table below for details:

Cardholder Name	Time Period	Number of Transactions	Dollar Value of Transactions
Cardholder A	07/2012 – 2/2016	132	\$35,003.51
Cardholder B	7/2012 – 2/2016	68	\$13,313.85
Cardholder C	7/2012 – 2/2016	147	\$39,444.14
Totals		347	\$87,761.50

The Office of Financial Accountability reviewed 46 transactions (13%) 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 Register of Deeds Office:

1. Improperly used Metro Credit Card for non-business (personal) transaction,
2. Failed to follow the Metro Code of Law Title 4, Procurement Code,
3. Improperly paid sales tax,
4. 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. Improperly used Metro Credit Card for non-business (personal) transaction.

Finding

Based on test work completed, the Register of Deeds Office improperly used the Metro credit card to purchase meals for employees which appear to have been personal in nature and not for authorized Metro business. Our review revealed one transaction from a local restaurant during lunch in the amount of \$184.21 which based upon follow up questioning was as a result of severe weather. As a result, the transaction has been deemed to be non-business and therefore the transaction needs 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 Register of Deeds Office should take immediate measures to ensure the responsible cardholder reimburse Metro Nashville Government for the total value of the personal transaction identified.

The Register of Deeds 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.

FINDINGS AND RECOMMENDATIONS

MANAGEMENT'S COMMENTS

We Do Not Concur.

Bill Garrett authorized the use of the procurement card to purchase lunch for the staff on 4/28/16. On this date we were short staffed. During mid-day weather conditions were bad with rain, wind gusts, and tornado watches and warnings in the area. For the safety of our employees, lunch was provided so that staff would not have to go out.

2. Failed to follow the Metro Code of Law Title 4, Procurement Code

Finding

The Register of Deeds Office utilized Metro credit card to make the purchase of an office appliance exceeding \$1,000 without receiving the minimum of three verbal quotations. While the office appliance is a legitimate business expense, under *Metro Code of Law Title 4, Procurement Code, 4.08.060 Delegation of authority by the purchasing agent. The dollar amount of the purchase exceeding \$1,000 to \$3,999.99 is required a minimum of three verbal quotations. 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 Register of Deeds Office should ensure it follows *Metro Code of Law Title 4, Procurement Code, 4.08.060 Delegation of authority agent* guidelines when using Metro credit card for purchases exceeding \$999.99. In the extraordinary circumstances that would necessitate the Register of Deeds to purchase an item exceeding \$999.99, the Register of Deeds Office should also ensure compliance with the guidelines for Emergency Purchases as required by M.C.L. 4.12.070 Emergency procurements.

FINDINGS AND RECOMMENDATIONS

MANAGEMENT'S COMMENTS

We concur. Our staff is being trained in iProcurement so that we will have access to the Metro vendor list for services and products.

3. Improperly paid sales tax.

Finding

The Register of Deeds Office improperly paid sales tax on eight (8) transactions totaling \$131.17. 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 Register of Deeds should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Register of Deeds should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

MANAGEMENT'S COMMENTS

We concur in part. We rarely pay sales tax on purchases.

4. Failed to maintain adequate supporting documentation.

Finding

The Register of Deeds Office failed to maintain invoices and/or sales receipts to support 20% of the transactions tested. Without supporting documentation, the Register of Deeds Office 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 72% 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 Register of Deeds' Office should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

The Register of Deeds Office 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. We have implemented the auditor's suggestions.

OBSERVATION

The OFA noted that the Register of Deeds Office did not have a formal travel policy in place to support travel related expenditures.

Recommendation

The OFA recommends that the Register of Deeds adopt a formal travel policy and improve its documentation to support prior travel authorizations for the employees of the Register of Deeds Office. The travel policy should also include travel advance.

MANAGEMENT'S COMMENTS

The Register of Deeds Office adopted our own travel policy on 6/7/16 with the effective date of 7/1/16.