

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



November 15, 2016

Renee Pratt – Executive Director
Metropolitan Social Services
800 Second Avenue North
Nashville, TN 37201

Dear Ms. Pratt:

Please find attached the final report on the Metropolitan Social Services' 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: Lisa Ricketts, Metropolitan Social Services
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 Social Services

Conducted by



Office of Financial Accountability

November 15, 2016

MONITORING REPORT

TABLE OF CONTENTS

INTRODUCTION..... 5

OBJECTIVES, SCOPE AND METHODOLOGY 6

RESULTS OF REVIEW..... 7

FINDINGS AND RECOMMENDATIONS.....8

INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as "OFA") has completed a credit card review of the Metropolitan Social Services' 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 Social Services' mission is "assess and document the patterns of poverty and seeks solutions that promote a positive impact on the most vulnerable people in Davidson County." Per the Fiscal Year 2016 Operating Budget Book, the Metropolitan Social Services had 82 total budgeted positions and an operating budget of \$8,128,700.00.

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 Metropolitan Social Services during the review period. See the table below for details:

Cardholder Name	Number of Transactions	Dollar Value of Transactions
Cardholder A	325	\$83,809.05
Cardholder B	137	\$98,112.54
Totals	462	\$181,921.59

The Office of Financial Accountability reviewed 97 transactions (21%) 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 Social Services:

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

FINDING

Based on test work completed, the Metropolitan Social Services 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 \$240.22 to purchase items associated with employee's going away or retirement parties. While expenses for employee's going away or retirement parties maybe a token of appreciation, they are not a business necessity. Therefore, the transactions have been deemed to be non-business and as a result 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 Metropolitan Social Services should take immediate measures to ensure the responsible cardholder reimburse Metro Nashville Government for the total value of the personal transaction identified.

The Metropolitan Social Services 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. Going forward, we have set up procedures and processes for employee relation events without using Metro fund.

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

FINDING

The Metropolitan Social Services improperly paid sales tax on ten (10) transactions totaling \$120.54. 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 Social Services should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Metropolitan Social Services should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

MANAGEMENT'S COMMENTS

We concur. We always pursued the credits and were able to collect the refunds on some vendors. Procedures and processes are in place to make sure similar transactions will not occur in the future.