

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



November 30, 2016

Carol Edwards
Soil and Water Conservation
1417 Murfreesboro Road
Nashville, TN 37217

Dear Ms. Edwards:

Please find attached the final report on the Soil and Water Conservation 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:

Talia Lomax-O'dneal, Director of Finance, Department of Finance
Gene Nolan, Deputy Director of Finance, Department of Finance
Kim McDoniel, 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 ◆

Soil and Water Conservation

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 Soil and Water Conservation 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 Davidson County Soil Conservation District was established in 1946 as a subdivision of the state government. The mission of the Davidson County Soil Conservation District is "to provide conservation planning, education, information and technical assistance to landowners, groups and units of government so they can enhance and benefit from the proper management of our natural resources."

The Davidson County Soil Conservation District is governed by a five-member Board of Supervisors. Per the Fiscal Year 2016 Operating Budget Book, the Soil and Water Conservation had 1 total budgeted positions and an operating budget of \$91,500.

OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There was one cardholder in the Soil and Water Conservation during the review period. See the table below for details:

Cardholder Name	Time Period	Number of Transactions	Dollar Value of Transactions
Cardholder A	7/2012 – 2/2016	67	\$13,579.30
Totals		67	\$13,579.30

The Office of Financial Accountability reviewed fifty-one percent (51%) 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 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. Soil and Water Conservation:

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

FINDINGS AND RECOMMENDATIONS

1. Used cards for contracted purchases

Finding

Soil and Water Conservation utilized the credit card to make two (2) transactions to purchase 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, outside of 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

Soil and Water Conservation should ensure that needed office supplies are purchased from the Metro contracted vendor. In the extraordinary circumstances that would necessitate Soil and Water Conservation to purchase outside the approved contract, Soil and Water Conservation 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. The District will use contracted vendor for future office supplies. There was only a small amount of funds allocated for the purchase of a printer that had to be purchased quickly.

2. Failed to maintain adequate supporting documentation.

Finding

The OFA also noted that 100% 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 Soil and Water Conservation should 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. The District has reviewed the report. The Board approves each credit card transaction prior and after each purchase for the department. Per recommendation of the audit: The Board voted to have the staff sign the receipt and after the board reviews, the Board chairman also sign receipt or supporting documentations.

OTHER OBSERVATION

The OFA noted that the Soil and Water Conservation was issued Metro credit cards without receiving a Notice of Delegation of Purchasing Agent's Authority from the Procurement Division of Metro Finance. Without a Notice of Delegation of Purchasing Agent's Authority, Metro departments are not permitted to make purchases without the assistance of the Procurement Division of the Metro Finance Department. The OFA recommends the Metro Treasury Division cancel the Metro issued credit card until the department has been granted the authority to complete procurements from the Metro Purchasing Agent.