

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



February 17, 2023

Tim Townsend, Court Administrator
State Trial Courts
Metro Courthouse
1 Public Square
Nashville, TN 37201

Dear Mr. Townsend:

Please find attached the final report on the State Trial Courts' use of Metro credit cards conducted by the Office of Financial Accountability. This report explains the results of our review credit card transactions from July 1, 2016 through June 30, 2021. Staff from our office concluded the fieldwork for this review during the week of January 31, 2023. You previously reviewed and responded to the preliminary report. Your responses 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) 862-6712.

Sincerely,

Kevin Brown

Kevin Brown, CMFO, CFE
Director, Office of Financial Accountability

cc: Annette Crutchfield, State Trial Courts
Kelly Flannery, Director, Department of Finance
Lauren Riley, Metropolitan Auditor, Office of Internal Audit
Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability
Nicole Whitlock, CICA, CMFO, Office of Financial Accountability
Camile Crutcher, Office of Financial Accountability
Metro Finance Leadership Team



Metropolitan Government of Nashville and Davidson County

◆ Monitoring Report of ◆

State Trial Courts

Conducted by



Office of Financial Accountability

February 17, 2023

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a credit card review of the State Trial Courts’ 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.

Agency Background

The State Trial Courts mission is “to provide the public with equal and fair access to the judicial branch of government by providing a fair, independent and accessible forum for the just, timely and economical resolution of their legal affairs.” Per the Fiscal Year 2022 Metro Operating Budget Book, State Trial Courts operating budget was \$12,952,200 with 159 budgeted positions.

OBJECTIVES, SCOPE, AND METHODOLOGY

The scope of the credit card review period covered July 1, 2017 through December 31, 2021. There were fourteen (14) cardholders in the State Trial Courts during the review period. See the table below for details:

Cardholder Name	Total Number of Transactions	Dollar Amount of Transactions
Cardholder A	92	\$11,351.21
Cardholder B	3	\$287.95
Cardholder C	55	\$8,808.39
Cardholder D	66	\$8,608.52
Cardholder E	345	\$68,516.41
Cardholder F	62	\$6,403.46
Cardholder G	4	\$415.05
Cardholder H	2	\$210.37
Cardholder I	42	\$17,452.15
Cardholder J	19	\$2,564.93
Cardholder K	22	\$4,984.72
Cardholder L	8	\$915.58
Cardholder M	285	\$47,304.55
Cardholder N	104	\$18,668.75
Total	1,109	\$196,492.04

The Office of Financial Accountability reviewed 109 transactions (10%) 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.

OBJECTIVES, SCOPE, AND METHODOLOGY

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 Metro Finance Policy #19: Credit Card and Metro Finance Policy #18 Travel. The State Trial Courts:

1. Improperly paid sales tax.
2. Efforts to adhere to Metro Travel Policy needs improvement.

The section that follows provides more detailed information for the items listed above. Management was given an opportunity to respond to the findings and their responses have been incorporated into this final report.

1. Improperly paid sales tax.

FINDING

The State Trial Courts improperly paid sales tax on nine (9) transactions totaling \$59.25. 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 State Trial Courts should ensure that Metro credit cardholders review and dispute charges associated with Tennessee sales tax. The State Trial Courts should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

MANAGEMENT'S COMMENTS

We concur. Each cardholder will present a copy of Metro's Sales Tax Exemption Certificate for each purchase. Any taxes charged will be disputed, and a credit will be requested from the merchant.

2. Efforts to adhere to Metro Travel Policy needs improvement.

FINDING

State Trial Courts' efforts to adhere to Metro Travel Policy needs improvement. Per Metro Finance Policy #18: Travel, "All travel must be authorized in advance by the proper departmental authority". The travel policy further states, "out of state and in state travel authorizations, rental car requests and Metro vehicle requests for Metro employees must be submitted through the online travel application". The State Trial Courts was unable to provide copies of approved travel authorization forms to support travel related credit card transactions. Per Metro Finance Policy #19 Credit Card 5), Prohibited Uses a) "the credit card generally should not be used to purchase meals unless the cardholder is on an approved travel status."

FINDINGS AND RECOMMENDATIONS

RECOMMENDATION

The State Trial Courts should ensure that approved travel authorizations are maintained to support travel related credit card transactions.

MANAGEMENT'S COMMENTS

We concur. Travel approval documentation will be maintained in a central location.