

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



July 11, 2019

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 monitoring review of the Metropolitan Social Services' compliance with its delegated purchasing authority during fiscal year ended June 30, 2018. Staff from the Office of Financial Accountability conducted the review; and you previously reviewed and responded to the preliminary report. Your responses to the preliminary report have been incorporated into this final report under "Management's Comments".

We appreciate the assistance provided by your department during the course of the review. If you have any questions, please call me at 615-880-1035.

Sincerely,

Fred Adom, CPA, CGMA, CICA
Director

cc: Lisa Ricketts, Chief Financial Officer, Metropolitan Social Services
Talia Lomax-O'dneal, Director of Finance, Department of Finance
Kim McDoniel, Deputy Director of Finance, Department of Finance
Michelle Hernandez-Lane, Chief Procurement Officer, Department of Finance
Tom Eddlemon, Metropolitan Treasurer, Department of Finance
Chris Harmon, Budget Officer, Department of Finance
Phil Carr, Division of Accounts, Department of Finance
Gina Pruitt, Interim Metropolitan Auditor, Office of Internal Audit
Kevin Brown, CMFO, CICA, CFE, Office of Financial Accountability
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Dolly Cook, CICA, Office of Financial Accountability

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Metropolitan Government of Nashville and Davidson County

METROPOLITAN SOCIAL SERVICES

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

July 11, 2019

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a compliance monitoring review of the Metropolitan Social Services’ (hereinafter referred to as “Social Services”) delegated purchasing authority. The monitoring process included a review of the agency’s purchasing transactions that occurred during the fiscal year ending June 30, 2018. The OFA conducted the monitoring review along the major compliance areas identified the notice of Delegated Purchasing Authority that was granted to the agency’s Executive Director.

Department Background

According to the Metropolitan Social Services’ website, their mission “is to empower Davidson County residents to achieve economic stability and social well-being”. The activities of the Social Services are governed by a seven member Board of Commissioners who are appointed to a five year term by the Mayor and confirmed by the Metropolitan Council. The Social Services provide the following services to residents of Nashville and Davidson County: Information and referral, counseling, case management, life management skills, homeless services, senior nutrition, burial services, and planning, coordination and social data analysis.

Per the FY 2019 Operating budget book, the Social Services had an operating budget of \$9,024,300.00 with eighty-eight (88) budgeted positions.

OBJECTIVES, SCOPE AND METHODOLOGY

A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements for the Social Services and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Social Services or the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”). 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. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

The overall monitoring objective was to determine the Social Services’ compliance with Metro guidelines, policies, rules, and regulations. Specifically, we reviewed for the following objectives:

- 1) To determine the agency’s compliance with their Notice of Delegation of Purchasing Agent’s Authority.
- 2) To determine the agency’s compliance with Metro’s official Procurement Policies and Regulations.
- 3) To determine whether purchasing 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 purchasing transactions program.

The scope of our review included purchasing transactions occurring during fiscal year 2018.

The monitoring review procedures included meeting with agency management and staff, reviewing internal controls over purchasing use, and examining certain financial records and supporting documentation to ensure compliance with requirements set forth in Metro’s official Procurement Policies and Regulations. Specific procedures included:

- Comparing purchasing transactions with procurement contracts, purchasing requisitions, and purchase orders issued through iProcurement.
- Comparing purchasing transactions with original receipts, supporting documentation and travel authorizations.
- Identifying split transactions in order to circumvent Metro’s Procurement Policies and Regulations.
- Reviewing supporting documentation for accuracy, necessity and reasonableness.
- Investigating discrepancies and following up as necessary.

RESULTS OF MONITORING

Overall Findings and Major Review Highlights

Our review revealed one discrepancy with Metro policies. The Metropolitan Social Services:

1. Efforts to adhere to its Notice of Delegation of Purchasing Agent's Authority regarding the issuance of Purchase Orders against properly executed Metro contracts need improvement.

The section that follows provides more detailed information for the item listed above. Management is given an opportunity to respond to the finding.

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

1. Efforts to adhere to its Notice of Delegation of Purchasing Agent's Authority regarding the issuance of Purchase Orders against properly executed Metro contracts need improvement.

Finding

The Social Services failed to adhere to its Notice of Delegation of Purchasing Agent's Authority regarding the issuance of Purchase Orders against properly executed Metro Contracts. It was noted that Social Services processed 26 out of 55 (47%) direct vouchers to a Metro contracted vendor, for which the Social Services failed to issue a purchase order within the iProcurement system as required. Per the Social Services' Notice of Delegation of Purchasing Agent's Authority, *"the issuance of releases against properly executed Metro contract (by way of purchase orders within the procurement system managed by the Procurement Division of the Finance Department) subject to the scope, terms and conditions of the said contract."*

Properly entered requisitions along with the issuance of purchases orders within iProcurement, is essential purchasing controls that documents the following information:

- the person whom prepared the requisition,
- the person whom approved the requisition,
- items ordered,
- the vendor that the purchase order was issued along with contract number,
- Department responsible for the transaction,
- Location to deliver the goods or services,

Furthermore, purchase orders allow the Metro Procurement Division to track contract compliance. Without properly issued purchase orders, the Social Services could have caused Metro government to exceed the maximum contract values of the executed agreements, order excessive items, and potentially order goods or services not covered by contract. See Table 1 in Appendix A.

Recommendation

The Social Services should ensure all procurements of goods and services are enabled through iProcurement requisitions and purchase orders.

Management Comments

We concur with the finding. Social Services will work with the Purchasing Group to utilize blanket order method and to have as many purchases as we can put into the purchasing systems.

APPENDIX A

Table 1 – Direct Pay Vouchers to Contracted Vendors without Purchase Order

Contracted Vendor	GL Date	Amount
MUSIC CITY MORTUARY & CREMATOR	7/25/2017	\$ 750.00
HIGHLAND HILLS FUNERAL HOME&CR	8/8/2017	\$ 750.00
HILLS OF CALVARY MEMORIAL PARK	8/14/2017	\$ 1,504.50
HILLS OF CALVARY MEMORIAL PARK	8/23/2017	\$ 1,504.50
HILLS OF CALVARY MEMORIAL PARK	8/29/2017	\$ 1,504.50
NASHVILLE WILBERT BURIAL VAULT	9/6/2017	\$ 475.00
HIGHLAND HILLS FUNERAL HOME&CR	10/2/2017	\$ 375.00
NASHVILLE WILBERT BURIAL VAULT	11/6/2017	\$ 475.00
HILLS OF CALVARY MEMORIAL PARK	11/20/2017	\$ 510.00
LEWIS & WRIGHT FUNERAL DIRECTO	1/30/2018	\$ 750.00
HILLS OF CALVARY MEMORIAL PARK	2/6/2018	\$ 1,504.50
HILLS OF CALVARY MEMORIAL PARK	2/6/2018	\$ 1,504.50
HILLS OF CALVARY MEMORIAL PARK	2/20/2018	\$ 1,504.50
NASHVILLE WILBERT BURIAL VAULT	3/26/2018	\$ 525.00
HILLS OF CALVARY MEMORIAL PARK	3/26/2018	\$ 1,504.50
HIGHLAND HILLS FUNERAL HOME&CR	4/23/2018	\$ 750.00
MUSIC CITY MORTUARY & CREMATOR	5/7/2018	\$ 750.00
HIGHLAND HILLS FUNERAL HOME&CR	5/15/2018	\$ 750.00
MUSIC CITY MORTUARY & CREMATOR	5/31/2018	\$ 750.00
LEWIS & WRIGHT FUNERAL DIRECTO	6/8/2018	\$ 750.00
PICCADILLY CAFETERIA (ACH)	8/21/2017	\$ 11,959.47
PICCADILLY HOLDINGS LLC (ACH)	2/23/2018	\$ 11,561.10
PICCADILLY HOLDINGS LLC (ACH)	3/1/2018	\$ 13,875.90
PICCADILLY HOLDINGS LLC (ACH)	4/10/2018	\$ 11,018.60
PICCADILLY HOLDINGS LLC (ACH)	4/10/2018	\$ 13,132.75
PICCADILLY HOLDINGS LLC (ACH)	5/7/2018	\$ 12,940.05