

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



May 27, 2020

Caroline Vincent, Executive Director
Metro Arts Commission
Metro Southeast Campus
1417 Murfreesboro Pike
Nashville, TN 37217

Dear Ms. Vincent:

Please find attached the final report on the monitoring review of the Metro Arts Commission's compliance with its delegated purchasing authority for the time period of September 1, 2019 through March 31, 2020. 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 615-862-6712.

Sincerely,

Kevin Brown, CMFO, CICA, CFE
Finance Manager

cc: Ian Myers, Finance and Operations Director, Metro Arts Commission
Kevin Crumbo, Director, Department of Finance
Talia Lomax-O'dneal, Deputy Director, Department of Finance
Kim McDoniel, Deputy Director, Department of Finance
Tom Eddlemon, Deputy Director, Department of Finance
Mary Jo Wiggins, Deputy Director, Department of Finance
Michelle Hernandez-Lane, Chief Procurement Officer, Department of Finance
Phil Carr, Division of Accounts, Department of Finance
Lauren Riley, Metropolitan Auditor, Office of Internal Audit
Fred Adom, CPA, CGMA, CICA, Director, Division of Grants & Accountability
Nicole Whitlock, Office of Financial Accountability
Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability
Dolly Cook, CICA, Office of Financial Accountability

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Metropolitan Government of Nashville and Davidson County

METRO ARTS COMMISSION

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

May 27, 2020

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 Metro Nashville Arts Commission (hereinafter referred to as “Arts Commission”) delegated purchasing authority. The monitoring process included a review of the agency’s purchasing transactions that occurred during the fiscal year ending June 30, 2020. The OFA conducted the monitoring review along the compliance areas identified the notice of Delegated Purchasing Authority that was granted to the agency’s Executive Director.

Department Background

According to the Arts Commission’s website, Metro Nashville Arts Commission or “Metro Arts” is the office of Arts & Culture for the city of Nashville and Davidson County whose mission is to “drive an equitable and vibrant community through the arts.” We strive to ensure that all Nashvillians have access to a creative life through community investments, artist and organizational training, public art, and direct programs that involve residents in all forms of arts and culture. Metro Nashville Arts Commission was started in 1978 by Metro Charter.

Per the FY 2020 Operating budget book, the Arts Commission had an operating budget of \$3,784,100.00 with thirteen (13) 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 Metro Arts Commission and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Metro Arts Commission 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 Metro Arts Commission’s 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 between September 1, 2019 and March 31, 2020.

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 Metro Arts Commission:

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 needs improvement.

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

FINDINGS, RECOMMENDATIONS AND 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 Metro Arts Commission 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 the Arts Commission processed 6 out of 16 (37.5%) direct vouchers to a Metro contracted vendor, for which the Arts Commission failed to issue a purchase order within the iProcurement system as required. Per the Arts Commission's 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."* The Notice of Delegation of Purchasing Agent's Authority further states, *"payments are made by the enterprise financial system managed by the Financial Operations Division of the Finance Department. Payments should not be made using direct voucher payments where a contract exists in iProcurement, rather POs should be entered and receipts should be entered against these POs in iProcurement to facilitate payment."*

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 Arts Commission 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 Arts Commission should ensure all procurements of goods and services are enabled through iProcurement requisitions and purchase orders.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSE

Management Comments

We concur. Metro Arts agrees with OFA's recommendation and will adjust its processes to ensure that purchase orders are established in iProcurement for contracted vendors before submitting their invoices to Metro Payment Services.

APPENDIX A

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

Contracted Vendor	Invoice Date	Invoice Number	Payment Number	Transaction Amount	GL Date
ART UP NASHVILLE	8/30/2019	1391	501816	850.00	9/13/2019
Tailored Business	10/1/2019	005307	506761	1816.19	10/28/2019
Seitu Ken Jones Studio	10/4/2019	1023	506429	40000.00	10/9/2019
Crystal Springs	10/6/2019	5580648100619	506689	282.03	10/9/2019
Tailored Business	1/17/2020	007142	520412	549.97	2/5/2020
ART UP NASHVILLE	11/4/2019	1422	508868	2166.30	11/15/2019