

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



June 5, 2020

Parker Toler, Trustee
Office of the Trustee
700 Second Avenue South, Suite 220
Nashville, TN 37210

Dear Mr. Toler:

Please find attached the final report on the monitoring review of the Office of the Trustee's compliance with its delegated purchasing authority for the time period of September 1, 2019 through February 28, 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: Pat Greer, Office of the Trustee
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

OFFICE OF THE TRUSTEE

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

June 5, 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 Office of the Trustee’s 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 in the notice of Delegated Purchasing Authority that was granted to the agency’s Executive Director.

Department Background

According to the Metro Nashville and Davidson County’s website, The Office of the Trustee is a Constitutional office that was established as a tax collection agency for each county in the state of Tennessee. The Trustee in Davidson County collects Real Property, Personalty and Public Utility Taxes. This office also administers the State of Tennessee Tax Relief Program, Tax Deferral Program, Tax Freeze Program, collects and processes Delinquent Taxes, Central Business Improvement District Taxes, Gulch Central Business Improvement District Taxes and Vegetation Liens.

Per the FY 2020 Operating budget book, the Office of the Trustee had an operating budget of \$2,367,100.00 with twenty-eight (28) 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 Office of the Trustee and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Trustee 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 Trustee’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 February 28, 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 Office of the Trustee:

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 & 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 needs improvement.

Finding

The Office of the Trustee 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 6 out of 16 (37.5%) direct vouchers processed to a Metro contracted vendor, the Office of the Trustee failed to issue a purchase order within the iProcurement system as required. Per the Office of the Trustee'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 Office of the Trustee 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 Office of the Trustee should ensure all procurements of goods and services are enabled through iProcurement requisitions and purchase orders.

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

Insert Management Comments

The Office of the Trustee's response has been attached to this report.

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 |
|--|--------------|----------------|----------------|--------------------|------------|
| Pitney Bowes Global Financial Services | 1/30/2020 | 3310557059 | 1302860 | \$941.97 | 2/14/2020 |
| Pitney Bowes, Inc | 1/7/2020 | 1014716298 | 518224 | \$295.00 | 1/28/2020 |
| Axis Direct, Inc. | 11/18/2019 | 69302 | 512133 | \$940.09 | 11/26/2019 |
| Axis Direct, Inc. | 10/24/2019 | 69057 | 508870 | \$633.37 | 11/7/2019 |
| Axis Direct, Inc. | 12/31/2019 | 69604 | 517714 | \$544.97 | 1/28/2020 |
| Axis Direct, Inc. | 10/31/2019 | 69172 | 509921 | \$1,764.08 | 11/7/2019 |

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



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June 4, 2020

Mr. Kevin Brown
Metro Finance Department
Division of Grants and Accountability
700 Second Ave., South, Ste. 201
Nashville, TN 37210

RE: Trustee Delegated Purchasing Authority Monitoring Report

Dear Kevin:

Thank you for your letter dated June 2, 2020 regarding our purchasing procedure related to the issuance of purchase orders against Metro Contracts. Between September 2019 through February 2020, the Office of Accountability conducted the field work for the March review. We concur with your findings.

I came into the Office of the Trustee the end of June 2019. Therefore, in September we began to prepare printing envelopes for mail and paper to print bills and payment for printing the 2019 tax statements. I followed the procedure of the past many years and thought we were doing a great job.

We did not realize we were violating the procedure until you brought it to our attention. We have a plan in place to address our error. We will have members of our staff attend a training class on June 5, 2020.

Please let me know if any further action is needed.

Sincerely,

A handwritten signature in blue ink that reads "H. Parker Toler".

H. Parker Toler
Metropolitan Trustee

HPT:wb