



Metropolitan Government of Nashville and Davidson County

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Procurement Card Monitoring Report of
**METROPOLITAN
NASHVILLE DEPARTMENT
OF
MUNICIPAL AUDITORIUM**

Issued by



Office of Support Services
Division of Grants Monitoring

Fred Adom, CPA
Director

Kevin Brown,
Lead Auditor

November 8, 2002

Our Vision: To be excellent and proficient in monitoring and management services.

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
222 THIRD AVENUE NORTH, SUITE 601
NASHVILLE, TENNESSEE 37201

November 8, 2002

Robert Skoney, Auditorium Manager
Municipal Auditorium
417 Fourth Avenue North
Nashville, TN 37201

Dear Mr. Skoney:

Please find attached the Monitoring Report for Municipal Auditorium relating to the procurement cards for the fiscal year ending June 30, 2002. Staff from the Division of Grants Monitoring conducted the review on July 9, 2002. Please review and respond to each finding by October 15. Each response should begin with a statement of agreement or disagreement, which should be indicated by stating one of the following: **"We concur," "We concur in part" or "We do not concur."** Your responses will be incorporated in the final report

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

Sincerely,

Fred Adom
Director

cc: David Manning, Director of Finance
Nancy Whittemore, Assistant Director of Finance, Support Services
Kin McDoniel, Internal audit
Mitzi Martin, Division of Accounts
Kevin Brown, Division of Grants Monitoring
Steve Gordon, Support Services, Division of Purchasing

Monitoring Report for the Municipal Auditorium

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OBJECTIVES, SCOPE AND METHODOLOGY

The Division of Grants Monitoring (herein referred to as DGM) is charged with the responsibility of monitoring procurement cards use by Metropolitan Government of Nashville and Davidson County departments. DGM is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government.

We have completed a monitoring review of the procurement cards for Municipal Auditorium for the year ended June 30, 2002. A monitoring review is substantially less in scope than an audit. DGM did not audit the financial statements and accordingly, does not express an opinion or any assurance regarding the financial statements of the Municipal Auditorium. Our objectives for the review were:

- To determine whether costs were allowable and necessary.
- To determine compliance with Metro procurement regulations.
- To determine compliance with Metro Policies and Procedures for the Purchasing Card Program.
- To determine whether the costs were recorded appropriately.
- To determine that there were no unauthorized uses of the VISA purchasing card.

The Municipal Auditorium was built in 1962 and is a multi-purpose facility that handles many different events. Some events that are held at the Municipal Auditorium include concerts, auto shows, circuses, and ice shows. The staff at Municipal Auditorium uses the VISA purchasing card to purchase supplies and pay membership dues.

Our review was limited to **only** purchases made by the Municipal Auditorium using the VISA purchasing cards. The sample consisted of thirty (30) randomly selected transactions. To accomplish the objectives of the monitoring review, we performed the following:

- Interviewed the responsible officials and staff involved in the purchasing process
- Discussed controls, policies and procedures in place to ensure compliance with Metro procurement regulations and the purchasing card manual
- Selected a sample of fifteen transactions for testing to ensure that charges made on the cards were allowable and necessary
- Tested VISA charges for the department's cardholders to determine if the department maintained adequate documentation and properly recorded the costs

RESULTS OF MONITORING

FINDINGS AND RECOMMENDATIONS

1. Inadequate documentation to support purchases

Finding

Tests revealed several of the invoices and/or receipts necessary to support expenditures charged to the Municipal Auditorium's procurement cards were missing. Twenty percent (6 of 30) randomly tested purchases did not have adequate documentation on file to support the purchases.

Metro's Procurement Card Policies state that "the cardholder shall maintain a record of each purchase by maintaining the receipts of purchases, receiving documentation, confirmations (telephone orders), packing slips, and all travel related receipts".

Documentation was inadequate for the following purchases:

Date	Vendor	Amount
August 8, 2001	Aaron's General	\$266.58
September 2, 2001	Opticom	\$1.28
October 19, 2001	Sunbelt Rentals	\$707.20
February 24, 2002	US Airways	\$238.00
March 26, 2002	South Street Inc	\$12.72
May 5, 2002	Delta Air	\$216.00
	Total	\$1,441.78

Without the required invoices and/or receipts, we were unable to confirm the appropriateness of the items or services purchased or determine whether purchases were necessary and allowable.

Recommendation

1. **Municipal Auditorium should take the necessary measures to ensure compliance with the policies governing the Procurement Card program.**
2. **Specifically, Municipal Auditorium should ensure that invoices and/or receipts are maintained on file for all expenses paid with the procurement cards and such invoices are readily available for review;**
3. **Municipal Auditorium should ensure that all personnel issued procurement cards have received the proper training.**

RESULTS OF MONITORING

2. Improper use of the VISA procurement card by an unauthorized person

Test revealed some Municipal Auditorium employees other than those authorized to use the VISA purchasing cards made purchases. Tests revealed unauthorized employees of the department made 2 of the 30 randomly selected purchases. The rate of incidence may seem insignificant however, it points to a violation of the rules established to prevent unauthorized use of the card.

The Metro Policies and Procedures Manual for the Purchasing Card Program states, “Only the employee whose name is embossed on a purchasing card may use that card. No other person is authorized to use the card”. The table below represents the purchases made by the unauthorized people.

Date	Vendor	Amount
May 17, 2002	Crescent Electric Supply	\$100.00
May 26, 2002	Sign Station	\$225.00
	Total	\$325.00

Failure to restrict the use of the card to only authorized users represents a violation that could lead to potential waste, misuse and abuse of the program funds.

Recommendations

1. **Municipal Auditorium should take the necessary measures to ensure compliance with the policies governing the Procurement Card program.**
 2. **Specifically, Municipal Auditorium should reevaluate who needs the VISA Cards. Reassign or obtain additional cards for individuals who need the cards on regular basis.**
 3. **Municipal Auditorium should ensure that ONLY the authorized persons use the VISA purchasing cards.**
- 3. Quarterly physical inventory of procurement cards are not being conducted.**

Finding

Municipal Auditorium is not conducting quarterly physical inventory of the procurement cards as stated in Metro’s procurement card policies and procedures. Metro’s procurement card policies and procedures state “quarterly, departments/divisions must conduct a physical inventory of purchasing cards and maintain a report of the results of the inventory with the Department/Division Card Representative”.

Recommendation

1. **Municipal Auditorium should take the necessary measures to ensure compliance with the policies governing the Procurement Card program.**
2. **Municipal Auditorium’s card representative should conduct a physical inventory of all purchasing cards and document the results at the end of the each quarter, as required.**

MANAGEMENT'S RESPONSE
