

BILL PURCELL  
MAYOR



**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

DEPARTMENT OF FINANCE  
OFFICE OF FINANCIAL ACCOUNTABILITY  
222 3<sup>RD</sup> AVENUE NORTH, SUITE 315  
NASHVILLE, TN 37201

May 24, 2004

Mr. Daron Hall, Sheriff  
Nashville Sheriff's Department  
506 2<sup>nd</sup> Avenue North  
Nashville, TN 37201-1085

Dear Mr. Hall:

Please find attached the final report of the Procurement Monitoring review of the Davidson County Sheriff's Office. This report explains the results of our review of delegated authority purchases and procurement card use from February 2003 through January 2004. Staff from the Office of Financial Accountability conducted the fieldwork for this review on March 18, 2004 – March 19, 2004. You previously reviewed and responded to the preliminary report dated April 24<sup>th</sup>, 2004. Your responses to the preliminary report have been incorporated into this final report.

We appreciate your staffs' cooperation and assistance provided us during the review. If you have any questions, please call me at (615) 880-1035.

Sincerely,

Fred Adom, CPA  
Director

cc: David L. Manning, Director of Finance  
Pete Lutz, Sheriff's Office  
Talia Lomax-O'dneal, Deputy Director of Finance  
Kim McDoniel, Audit Manager  
Mitzi Martin, Chief Accountant  
Bill Walker, Office of Financial Accountability



## Metropolitan Government of Nashville and Davidson County

222 3<sup>rd</sup> Ave. N.  
Suite 315  
Nashville, TN 37201

615-862-6170 office  
615-880-2805 fax

[www.nashville.gov/finance](http://www.nashville.gov/finance)

◆ Monitoring Report of ◆

# Davidson County Sheriff's Office



Issued by



## Office of Financial Accountability

Fred Adom, CPA  
Director

Auditor:  
Bill Walker, CPA

May 24, 2004

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

**MONITORING REPORT**  
FOR THE  
**DAVIDSON COUNTY SHERIFF'S OFFICE**

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## EXECUTIVE SUMMARY

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The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a procurement monitoring review for the Davidson County Sheriff’s Office (hereinafter referred to as “DCSO” or “agency”). The OFA is charged with the responsibility of monitoring the prompt pay performance, delegated purchasing authority, and purchasing card activity for the departments of the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”). The OFA is also responsible for monitoring the Federal and State grants to Metro departments and to nonprofit organizations receiving direct appropriations from the Metro Council.

### **Overview of the Department**

The mission of the Sheriff’s Office is “we strive to be the leader in the field of corrections, service of civil process, and innovative community based programs, emphasizing accountability, diversity, integrity and professionalism” The DCSO is different than most Sheriff Offices in the state. The DCSO’s primary duties are to house inmates and serve civil warrants. The office is not a law enforcement agency as this function is the responsibility of the Metro Nashville Police Department. Other responsibilities of the DCSO include street patrols, investigation of criminal activity, and the service of criminal warrants.

In addition to the transportation and care of inmates, the DCSO is responsible for accounting for and distributing inmate funds to outside agencies, individuals and to the inmates themselves. The Sheriff is an elected official and the salaries of the DCSO are established by court order. All of the salaries and other expenditures related to the DCSO are budgeted and paid from the General Fund.

The DCSO has a staff of over 600 employees. The DCSO is segregated into 3 separate divisions. The Chief Deputy heads the first division. This division is responsible for areas such as Investigations, Support Services, Transportation, Detention Facilities, and the Day Reporting Center. The Chief of Administration is in charge of the second division and is responsible for areas such as Human Resources, Legal Support, Records Management, Technology and Training. The Chief of Staff heads the final division. This division encompasses Community Services, Community Outreach, Civil Warrants, and Community Relations.

From February 1, 2003 through January 31, 2004, the DCSO processed over 1,900 transactions using procurement cards. The DCSO has 28 cardholders. The DCSO also processed over 2,700 transactions using the Office’s delegated authority.

### **Objectives, Scope, and Methodology**

A monitoring review is substantially less in scope than an audit. The OFA did not audit DCSO’s financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of DCSO. The objectives for our procurement review were as follows:

- To determine whether expenditures were allowable and necessary.
- To determine if the DCSO is in compliance with the Metropolitan Government of Nashville and Davidson County’s Procurement Code and Operating Procedures for the Purchasing Card Program.
- To determine whether there were unauthorized uses of the DCSO’s purchasing card.
- To identify any patterns in expenditures and payment habits of the cardholders.
- To determine whether purchases were made in accordance with OMB Circular A-87, the minimum federal, state and local requirements, and grantor guidelines.
- To determine whether the agency has adequate and effective internal controls over its purchasing card program.

The review covered the activity for procurement transactions for the period of February 1, 2003 through January 31, 2004. To accomplish the objectives of the monitoring review, the methodology encompassed various interviews and an objective review of fiscal transactions and supporting documentation, including employee’s training files. Through analytical procedures and random sampling, the OFA reviewed 128 of the transactions from the Visa purchasing cards and 53 items related to purchase vouchers.

**Overall Findings and Major Review Highlights**

Our review revealed the following discrepancies in internal control and compliance with policies and procedures.

1. Supporting documentation was missing or inadequate for purchasing transactions.
2. The DSCO s violated the Procurement Card policy on split purchase

The section that follows provides more detailed information for each of the above findings. Management is given an opportunity to respond to each finding. Each response is included herein immediately following the respective finding. Other issues were noted during testing, but were not considered findings for the purposes of this report. The OFA has listed these issues, along with recommendations, in the “Other Issues” section of the report.

## **FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS**

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1. **The DCSO, in some instances, did not maintain adequate documentation to support its procurement transactions.**

### **FINDING**

During the course of its review, the OFA noted that 5 out of the 181 items tested (2%) revealed deficiencies in administering Procurement Transactions. The OFA noted one purchase that contained no supporting documentation. Specifically, an invoice or a receipt did not support the purchase. The OFA also noted 4 purchases that lacked an appropriate signature necessary in authorizing the transaction for payment. A detailed listing of these transactions can be found on Table 1-1 and Table 1-2.

Maintaining adequate documentation is vital in maintaining the integrity and legitimacy of the DCSO's procurement activities. Adequate supporting documentation helps to ensure that liabilities incurred by Metro are appropriate and that public funds are being used in such a way as to promote the public's best interest. Maintaining adequate documentation also helps to mitigate the risk that public funds are being mismanaged. Without supporting documentation, it is impossible to verify if a transaction was authorized and approved. It is also impossible to determine if the amount paid was accurate and properly made for Metro purposes. Good business practice dictates that detailed documentation is obtained and reviewed for all expenditures made by the governmental entity.

Section 5A of the Policies and Procedures manual for the Purchasing Card Program states "the cardholder shall maintain a record of each purchase by maintaining the receipts of purchases, receiving documents, confirmations (for telephone orders), packing slips, and travel related receipts".

### **RECOMMENDATION**

The DCSO should ensure that the office maintains adequate and appropriate supporting documentation within the DCSO. At a minimum, such documentation should include:

- a. An adequate disclosure of the purpose of the transaction and how it pertains to DCSO business.
- b. Evidence of a review by the appropriate party authorizing the purchase should be included on all invoices and other documentation.

### **MANAGEMENT'S COMMENTS**

We Concur in Part. The statement that "an invoice or receipt did not support the purchase" is accurate. This invoice was for the purchase of a frame for the use of displaying a certificate obtained from ACA reaccreditation for one of the facilities within the Sheriff's Office. The invoice was misplaced and never recovered. However, a requisition was created for the purchase, which included a description of the purchase and the proper authorizing signature supporting the purchase made. On a continuous basis, we are communicating to our staff the importance of obtaining the proper authorizations and maintaining all invoices and other documentation associated with the justification and verification of each purchase.

We concur in part to the second statement of this report, "4 purchases that lacked an appropriate signature necessary in authorizing the transaction for payment". Explanation of the 1st of the 4 is explained above. The remaining three are invoices paid for monthly services that are provided which include monthly gas, trash, and copy machine leases. It is accurate to say that there are no signatures or initials to confirm whether or not these invoices were checked for accuracy and correctness. However, from the documentation provided with the invoices, it is obvious that the invoices are reconciled and distributed to the appropriate Business Unit and Object Code due to the attached "Direct Pay Cover Sheet" which illustrates "evidence of review". In the future, the appropriate party verifying all invoice charges will initial invoices.

## **FINDINGS, RECOMMENDATIONS AND MANAGEMENT'S COMMENTS**

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### **2. The DCSO violated the Procurement Card Program policy on "split purchasing"**

#### **FINDING**

During the course of its review, the OFA noted that 1 out of the 181 items tested (< 1%) revealed that the DCSO had engaged in a "split purchase". Under the Procurement Card Program, each Cardholder has a pre-established single transaction limit. Split purchasing occurs when the Cardholder has the vendor split the cost of an item or group of items into multiple invoices/payments to circumvent the single transaction limitation. The credit card company then processes the transaction because, in form, the individual invoice amounts are less than the transaction limit. A detailed listing of this transaction can be found on Table 2.

Sound business practices dictates that controls and reasonable limits be placed on an employee's ability to incur liabilities on behalf of the DCSO. Adherence to procurement policies ensure that expenditures incurred are appropriate, reasonable, and in the best interest of the public. As the amount of the expenditure increases, so should the internal controls in place that govern the expenditure.

#### **RECOMMENDATION**

**The DCSO should take the necessary measures to ensure that:**

- a. Cardholders conform to the Operating Procedures for the Purchasing Card Program as currently written.**
- b. Staffs only use the purchasing cards for purchases that are within the established transaction limits.**
- c. Staff follow the guidelines set forth in the Metro Procurement Code or other internal purchasing guidelines for those transactions that exceed the Cardholder's limit**

#### **MANAGEMENT'S COMMENTS**

We concur. It is accurate to say, "the DCSO had engaged in a 'split purchase'". This is an unacceptable practice and has been corrected. However, I think that it is worthy to note several items associated with this particular purchase. Prior to the actual transaction, an in-house requisition was created for the purchase and signed by the appropriate authorizing parties. The Vendor utilized was a state contractor of which metro was allowed and continues to be allowed to purchase from with unlimited dollar restrictions.

## **OTHER ISSUES**

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In addition to the findings described in the previous section, the OFA review also noted the following:

Several DCSO payments to vendors were not in accordance with the established vendor payment terms. The OFA noted 20 of the 181 items tested were not paid in a timely manner and/or in accordance with the payment terms of the vendor.

### **MANAGEMENT'S COMMENTS**

In response to the first bullet above, concerning “items not paid in a timely manner and/or in accordance with the payment terms of the vendor”, the DCSO is committed to making sure that all invoices and responsibilities associated with invoices are paid and/or responded to in a timely manner. We are aware that there are times when invoices are delayed in our system due to the verification of the commodity or service procured and the different individuals involved. However, it must be noted that there are several instances where the vendor has faltered on their responsibility in making sure invoices are accurate and sent in a timely manner. There have been several instances and continue to be instances where invoices have not been mailed by vendor and DCSO staff have been proactive in retrieving invoices from vendors. There have been other instances where invoices are inaccurate and the time taken to correct inaccuracies delays the process. Unfortunately, these types of situations reflect poorly on our Prompt Pay results at no fault of our own.



## APPENDIX A

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The following tables provide the detail for the findings in the previous section. .

**TABLE 1-1**

<b>Vendor</b>	<b>Cardholder</b>	<b>Amount</b>
Frames by U	Michael Raines	94.00

**TABLE 1-2**

<b>Vendor</b>	<b>Amount</b>
Nashville Gas	398.10
Browning Ferris Industries	574.66
Sharp Electronics	353.00

**TABLE 2**

<b>Vendor</b>	<b>Date</b>	<b>Amount</b>
Software Plus III	09/04/03	\$999.00
Software Plus III	09/04/03	\$999.00
Software Plus III	09/04/03	\$999.00
Software Plus III	09/04/03	\$124.36
	<b>Total</b>	<b>\$3,121.36</b>