

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



October 4, 2016

John Kennedy, Interim Director  
Metro Human Resources  
404 James Robertson Parkway, Suite 1000  
Nashville, TN 37219

Dear Mr. Kennedy:

Please find attached the final report on the Metro Human Resources use of Metro credit cards conducted by the Office of Financial Accountability. This report explains the results of our review of delegated purchasing authority and VISA and MasterCard credit card transactions from July 1, 2012 through February 29, 2016. You previously reviewed and responded to the preliminary report. Your responses to the preliminary report have been incorporated into this final report.

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

Sincerely,

**Fred Adom, CPA,  
CGMA, CICA**

Digitally signed by Fred Adom, CPA, CGMA, CICA  
DN: cn=Fred Adom, CPA, CGMA, CICA, o=Metro  
Department of Finance, ou=Office of Financial  
Accountability, email=fred.adom@nashville.org, c=US  
Date: 2016.10.04 08:39:20 -05'00'

Director, Office of Financial Accountability

cc: Veronica Frazier, Mayor's Office  
Jerome Trice, Metro Human Resources  
Talia Lomax-O'dneal, Director of Finance, Department of Finance  
Gene Nolan, Deputy Director of Finance, Department of Finance  
Kim McDoniel, Deputy Director of Finance, Department of Finance  
Phil Carr, Chief Accountant, Department of Finance  
Tom Eddlemon, Metropolitan Treasurer, Department of Finance

Jeff Gossage, Purchasing Agent, Department of Finance  
Mark Swann, Metropolitan Auditor, Office of Internal Audit  
Kevin Brown, CMFO, CICA, Office of Financial Accountability  
Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability  
Matthew Fouad, Office of Financial Accountability



◆ Monitoring Report of ◆

# Metro Human Resources

Conducted by



Office of Financial Accountability

October 4, 2016

MONITORING REPORT

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## INTRODUCTION

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The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a credit card review of the Metro Human Resources compliance with the *Metro Code of Law Title 4, Procurement Code* and compliance with the *Metro Finance Policy #19: Credit Card Policy*.

A review is substantially less in scope than an audit. The OFA did not audit the financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of Metro or any of its component units.

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. The OFA also conducts prompt pay performance, delegated purchasing authority, and procurement reviews, including credit card usage by Metro departments. In summary, any agreement that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

This review was conducted as part of the comprehensive review of credit cards use by all Metro Departments as requested by the Metro Council. At the conclusion of the review of all applicable Metro departments, the OFA will compile a summary report of the results of the review of all departments.

### **Agency Background**

The Department of Human Resources mission is “to provide information and support in the areas of training, classification compensation, benefits, and compliance with all local, state and federal laws, rules and regulations for active and retired Metropolitan Government employees.” Per the Fiscal Year 2016 Operating Budget Book, the Metro Human Resources had 55 budgeted positions an operating budget of \$4,790,100.

## OBJECTIVES, SCOPE AND METHODOLOGY

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The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were five (5) cardholders in the Metro Human Resources department during the review period. See the table below for details:

<b>Cardholder Name</b>	<b>Time Period</b>	<b>Number of Transactions</b>	<b>Dollar Value of Transactions</b>
Cardholder A	07/2012 – 2/2016	4	\$320.14
Cardholder B	7/2012 – 2/2016	4	\$117.29
Cardholder C	7/2012 – 2/2016	5	\$1,034.10
Cardholder D	7/2012 – 2/2016	67	\$8,683.77
Cardholder E	7/2012 – 2/2016	189	\$23,668.51
<b>Totals</b>		<b>269</b>	<b>\$33,823.51</b>

The Office of Financial Accountability reviewed 37 transactions (14%) of the credit card activity.

The objectives of our review were:

- 1) To determine the agency's compliance with M.C.L. Title 4, Procurement Code.
- 2) To determine the agency's compliance with Metro Finance Policy #19: Credit Cards.
- 3) To determine whether credit card 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 credit card program.

Our review procedures included meeting with agency management and staff, reviewing internal controls over credit card use, and examining certain financial records and supporting documentation to ensure compliance with requirements set forth in Metro's official procurement policies. Specific procedures included:

- Comparing credit card charges with original receipts, supporting documentation and travel authorizations.
- Reviewing supporting documentation for accuracy, necessity and reasonableness.
- Identifying split purchases and unauthorized or fraudulent transactions.
- Investigating discrepancies and following up as necessary.

## RESULTS OF REVIEW

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### Overall Findings and Major Review Highlights

Our review revealed the following issues of non-compliance with M.C.L. Title 4, Procurement Code and Metro Finance Policy #19: Credit Card. The Metro Human Resources:

1. Improperly paid sales tax,
2. Failed to maintain adequate supporting documentation.

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

## Findings and Recommendations

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### 1. Improperly paid sales tax.

#### Finding

The Metro Human Resources department improperly paid sales tax on one transaction totaling \$12.19. Per *Metro Finance Policy #19 3) Expectations of Cardholders d) "Cardholders are also responsible for identifying and disputing erroneous charges, including Tennessee sales tax charges, to their assigned cards. It is the responsibility of the cardholder to dispute the charges as specified in the cardholder agreement."* In addition, *e) "Cardholders should not pay Tennessee sales tax. It is the cardholder's responsibility to dispute Tennessee sales tax charges."*

#### RECOMMENDATION

The Metro Human Resources department should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Metro Human Resources should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

#### MANAGEMENT'S COMMENTS

We concur with the finding of improperly paid sales tax on the above noted receipt. HR has put a review process in place for all receipts and this process will ensure our compliance with the Finance Department's Policy #19. This process includes cardholder review and HR finance manager review. Additionally, cardholders have been advised and understand that Metro Government is exempt from paying sales tax.

### 2. Failed to maintain adequate supporting documentation.

#### Finding

The Metro Human Resources department failed to maintain invoices and/or sales receipts to support 46% of the transactions tested. Without supporting documentation, the Metro Human Resources was unable to support the business purpose of the transactions. Per *Metro Finance Policy #19 Credit Cards 3) Expectations of Cardholders b) "Cardholders should collect and maintain proper sales receipts and invoices to support all*



*charges. Proper sales receipts should include adequate description of the items purchased and the individual benefitting (when applicable). Credit card charge slips are not sufficient support."*

The OFA also noted that 49% of the transactions for which the supporting documentation was provided was not signed or initialed by the cardholder. Cardholder's signature is a vital part of the necessary documentation to support the credit card charges. It serves two purposes, 1) it shows that the cardholder was in fact the person who used the card to complete the transaction and 2) it identifies the individual authorized the use of the credit card. Per *Metro Finance Policy #19 2) Card Authorization a) "Only the employee whose name is embossed on a credit card may use the card. No other person is authorized to use the card. The use of the card shall not be delegated to any other person. Cardholder shall use the credit card for Metro authorized purchases only."* In addition, per the *Metro Credit Card Cardholder Responsibility Acknowledgement*, "the card issued to me must not be used by anyone other than myself. (This includes other Metro employees)."

## **RECOMMENDATION**

The Metro Human Resources department should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

The Metro Human Resources department should further ensure that the cardholders review and sign the credit card supporting documentation to ensure that no one other than the cardholder is utilizing the Metro credit card.

## **MANAGEMENT'S COMMENTS**

We concur with this finding of failure to maintain adequate supporting documentation. HR has put processes into place which ensure that departmental purchases have the required authorization as well as the necessary supporting documentation and receipts. Additionally, HR has put a review process in place which ensures that the HR finance manager will oversee the proper transfer of stored/archived supporting documentation and receipts in an instance when a cardholder separates employment.