

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



October 21, 2016

Terrence L. Cobb – Director
Codes Administration
800 2nd Avenue South
P.O. Box 196300
Nashville, TN 37219

Dear Mr. Cobb:

Please find attached the final report on the Codes Administration's 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,

Director, Office of Financial Accountability

cc: Roy Jones, Codes Administration
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 of Accounts, Department of Finance

Jeff Gossage, Purchasing Agent, Department of Finance
Tom Eddlemon, Metropolitan Treasurer, 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 ◆

Codes Administration

Conducted by



Office of Financial Accountability

October 21, 2016

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as "OFA") has completed a credit card review of the Codes Administration 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 Codes & Building Safety's mission is "to provide permit, inspection, enforcement, and information products to the Nashville community so they can experience safe buildings and improved quality of life." Per the Fiscal Year 2016 Operating Budget Book, the Department of Codes & Building Safety had 101 total budgeted positions and an operating budget of \$8,953,900.00.

OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were two (2) cardholders in the Codes Administration during the review period. See the table below for details:

Cardholder Name	Time Period	Number of Transactions	Dollar Value of Transactions
Cardholder A	7/2012 – 2/2016	12	\$6,952.33
Cardholder B	7/2012 – 2/2016	41	\$15,259.31
Totals		53	\$22,211.64

The Office of Financial Accountability reviewed 32 transactions (60%) 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

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 Codes Administration:

1. Used cards for contracted purchases
2. Failed to maintain adequate supporting documentation
3. Failed to adhere to Metro's Travel Policy

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

1. Used cards for contracted purchases

Finding

The Codes Administration utilized Metro credit cards to make 5 (five) transactions for the purchase of printing services. While printing services is a legitimate business expense, the purchase of printing service with a Metro credit card is a violation of Metro policy. The Procurement Division within the Finance Department has secured a contract with a vendor for printing services at a discounted rate. Therefore, while the purchasing of printing services, off Metro contract, is for legitimate business, it is considered wasteful in the aspect that the department is failing to take advantage of the discounted pricing that is available through the Metro contract. Per *Metro Finance Policy #19: Credit Cards 1) General Policies a) "the credit card can be used to purchase and make payment for approved transactions only including travel and related cost (hotels, car rentals, food, and ancillary items), petty cash type purchases, conference registrations, subscriptions and emergency purchases (as defined by the Purchasing Agent). **Note: All purchases are subject to established purchasing regulations. The credit card is not a payment/purchasing card and is not to be used for routine procurements from contracted suppliers."***

RECOMMENDATION

The Codes Administration should ensure that needed printing services is purchased from the Metro contracted vendor. In the extraordinary circumstances that would necessitate the Codes Administration to purchase off contract, the Codes Administration should ensure compliance with the guidelines requirements for Emergency Purchases as required by M.C.L. 4.12.070 Emergency procurements.

MANAGEMENT'S COMMENTS

The Department of Codes & Building Safety concurs with the recommendation. In a vast majority of cases, the Department does purchase printing services through Metro's contracted vendor. However, there are times when the contracted vendor is unable and/or too expensive to timely print the needed materials. Using an outside printing service is kept to a minimum. Over a forty-four month period covered by the audit's scope, the Department made only five (5) transactions for printing services with the iProcurement card. During that same period of time, there were numerous times when

the Metro contracted vendor was used. In the past it has come to our attention that, at times, the Metro contracted vendor for printing services would take up to two-three weeks to get a printing job done and can cost the department far more, even considered the discounted rate, than an outside vendor that specializes in quick printing (e.g. Sir Speedy). There is no doubt that outside vendors can be quicker and cheaper and can produce excellent materials. However, the Department will continue to use the Metro contracted printing vendor whenever possible and will adhere to the recommendation as detailed above.

2. Failed to maintain adequate supporting documentation

Finding

The Codes Administration failed to maintain invoices and/or sales receipts to support 10 out of 32 (31%) transactions tested. Without supporting documentation, the Codes Administration 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 73% 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 Codes Administration should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

The Codes Administration 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

The Department of Codes & Building Safety concurs with the stated recommendation. There are two (2) individuals who have Codes & Building Safety Department iProcurement cards. One individual was able to provide the vast majority of documentation for her charges. The other individual was unable to produce many of his charges. Both employees have been encouraged to handle their cards in a more business-like manner similar to the suggestions in the recommendation.

3. Failed to adhere to Metro's Travel Policy

Finding

The Codes Administration failed to provide approved travel authorizations in support of travel related credit card expenditures in accordance to Metro Finance Policy #18: Travel. *Per the Metro Finance Policy #18: Travel, 1) General Policies e): "All travel must be authorized in advance by the proper departmental authority. Approved Metro travel is the basis for reimbursement in accordance with this policy and further states under 1) General Policies h) It is ultimately the responsibility of the department or agency head to ensure that all employees adhere to this Travel Policy, that all appropriate approvals are obtained and documented and that all documentation supporting approvals and travel expenses are maintained by the department or agency."* *Per Metro Finance Policy #19: Credit Cards 1) General Policies a) "the credit card can be used to purchase and make payment for approved transactions only including travel and related cost (hotels, car rentals, food, and ancillary items), petty cash type purchases, conference registrations, subscriptions and emergency purchases (as defined by the Purchasing Agent)".*

RECOMMENDATION

The Codes Administration should ensure compliance with Metro Finance Policy #18: Travel Policy and obtain prior approval for all employee travel. The Codes Administration should further ensure that the documentation to support all approved travel is being maintained and readily available for review.

MANAGEMENT'S COMMENTS

The Department of Codes & Building Safety concurs with this recommendation. The department's employees, unlike many other Metro departments, do not travel much in any given year. Normally, the Department only allows certain of its upper-management employees to attend one (1) conference per year, that of the Tennessee Building Officials Association. Usually, about eight to nine of our employees attend the conference which is always held in a location in Tennessee. The rooms are charged to the Metro iProcurment card of one of the two authorized card holders (an assistant director) in the Department. This cardholder always attends the conference and is aware of charges to his card since it is in his possession at all times. The Appointing Authority, who travels to this yearly conference, was and has been totally aware of the travel arrangements over the years and had approved them in advance in each instance. However, in the future, the designated card holder will follow the guidelines of the travel policy as specified in Metro Finance Policy #18: Travel.