

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



November 1, 2016

Keith Durbin, Director
Information Technology Services
700 2nd Avenue South, Suite 301
P.O. Box 196300
Nashville, TN 37219

Dear Mr. Durbin:

Please find attached the final report on the Information Technology Services' 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: Gregg Nicholson, Information Technology Services
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 ◆

Information Technology Services

Conducted by



Office of Financial Accountability

November 1, 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 Information Technology Services 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 Information Technology Services' mission is "to provide information, communications, and business solutions products to the departments and agencies of Metro Government so they can achieve their business objectives and meet the needs and the expectations of the citizens we all serve." Per the Fiscal Year 2016 Operating Budget Book, the Information Technology Services had 138 total budgeted positions and an operating budget of \$19,562,500.00.

OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were four (4) cardholders in the Information Technology Services during the review period. See the table below for details:

Cardholder Name	Number of Transactions	Dollar Value of Transactions
Cardholder A	552	\$99,910.78
Cardholder B	140	\$10,862.13
Cardholder C	158	\$6,438.32
Cardholder D	10	\$645.61
Totals	860	\$117,856.84

The Office of Financial Accountability reviewed 102 transactions (12%) 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 Information Technology Services:

1. Improperly paid sales tax.

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. Improperly paid sales tax.

Finding

The Information Technology Services improperly paid sales tax on five (5) transactions totaling \$27.56. 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 Information Technology Services should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Information Technology Services should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

MANAGEMENT'S COMMENTS

We concur with the auditor's comments, and the following action(s) will be taken to improve the situation:

- The findings of this Monitoring Report shared with Departmental Credit Cardholders;
- ITS Finance Manager to meet with Departmental Credit Cardholders to review of Metro Finance Policy #19;
- Quarterly review performed by the ITS Financial Manager of all ITS Metro Credit Card transactions to ensure adherence to M.C.L. Title 4, Procurement Code and Metro Finance Policy #19;
- If/When Tennessee sales taxes are charged, an immediate dispute of the charges will be sought;
- If a vendor is unwilling to accommodate the request for credit/refund of sales tax charges (and/or is found to be unwilling to recognize our sales tax exempt status), we will discontinue business with the vendor for future purchases.

Upon reviewing the list of identified transactions where sales tax was improperly paid, I am able to confirm that \$5.55 credit has been received from the vendor.

Table 1: Improperly Paid Sales Tax						
Cardholder	Agency	Merchant Name	Transaction	Posting	Transaction Amount	Sales Tax
Cardholder B	ITS	BARNES&NOBLE COM	12/18/2014	12/18/2014	\$ 65.54	\$5.55
Cardholder B	ITS	KRISPY KREME DOUGH	10/07/2015	10/08/2015	\$ 90.58	\$7.67
Cardholder A	ITS	MS *MICROSOFT STORE	05/30/2013	06/02/2013	\$ 65.53	\$5.55
Cardholder B	ITS	WAL-MART #0272	08/09/2014	08/11/2014	\$ 80.85	\$6.85
Cardholder A	ITS	WWW.NEWEGG.COM	09/01/2015	09/02/2015	\$ 22.88	\$1.94
Total						\$27.56