

Metropolitan Nashville Airport Authority

MEMORANDUM

TO: Raul Regalado, President and CEO

CC: Monty Burgess, Senior Vice President and COO
Stan Van Ostran, Vice President and CFO
Jami McLeod, Controller

FROM: Julie Zwicknagel, Internal Auditor
Basil Dosunmu, Internal Auditor

DATE: July 28, 2010

SUBJ: Corporate Credit Card Usage Review Report

Background

The Metropolitan Nashville Airport Authority (“Authority”) has the following corporate credit cards, which are kept in the Finance Departments safe for use:

- SunTrust Corporate Card
- Kroger
- Staples
- Home Depot
- Sears

The current process for utilizing one of the Authority’s corporate cards consists of the following:

- Authority personnel requests Finance staff to use any of the aforementioned credit cards. The employee has a member of the Finance staff remove the credit card from the safe and they sign the record of use log. The record of use log includes the date, individual assigned to, individual card was returned to, description of use, destination (if applicable), amount, and account code.
- The employee uses the credit card and brings the card and receipt of purchase back to the Finance Department. The credit card is signed back in on the record of use log and a copy of the receipt is included in the credit card envelope kept in the safe.
- If an employee does not physically need the credit card, the Finance Department allows an employee to contact a member of Finance for the credit card number. Finance staff is required to sign out the credit card to give out the number over the

telephone. After the transaction is completed, a copy of the receipt, account code, and description of use is sent to the Finance Department either through email or by paper.

- On a monthly basis, credit card charges and supporting documentation are reconciled to the credit card statements.

The objectives of the audit were as follows:

1. Document and evaluate existing processes and internal controls around the usage of Authority credit cards.

Testing

In order to satisfy the audit objectives, the following tests were performed:

1. Obtained a listing of all Authority credit cards as of April 23, 2010.
2. Selected a sample for detailed testing and performed the following:
 - a. Determined all credit cards were current and in good standing.
 - b. Determined the credit card used by Authority personnel were not properly authorized for use.
 - c. Verified the credit card was not used prior to authorization.
 - d. Determined credit card charges were not properly coded and approved for payment.
 - e. Reconciled credit card charges to monthly credit statements and supporting documentation.
 - f. Verified credit card limits were not exceeded.
3. Through inquiry and observations, reviewed the existing internal controls in place.

Conclusion

Based upon the audit, the following was determined with respect to the stated objectives:

1. Credit card receipts were not properly approved following the guidelines of Authority signature levels, as noted in finding #1.
2. The Staples credit card was not returned to the Finance Department in a timely manner, as noted in finding #2.
3. The SunTrust Corporate credit card was not properly signed out for use by Authority personnel, as noted in finding #3.
4. SunTrust corporate credit card receipts were properly coded but there was not an approving signature noted on the receipt, as noted in finding #4.
5. SunTrust corporate credit card receipts were not properly coded and approved for payment, as noted in finding #5.

6. SunTrust corporate credit card receipts were not properly approved on the credit card receipt; however, the charges were approved through a travel authorization form, as noted in finding #6.
7. The Authority has a number of miscellaneous corporate credit cards, as noted in finding #7.
8. The Authority does not have a formalized credit card policy and process in place, as noted in finding #8.

Finding #1

Observation

Credit card receipts were not properly approved following the guidelines of Authority signature levels.

Background

An objective of the audit was to determine credit card charges were properly coded and approved for payment. Through audit testing, it was determined that the following credit card charges were used and approved by the same employee that does not have proper signature authority.

Vendor Name	Vendor	Voucher No.	Amt Paid	Invoice Date
Kroger	VN000702	VO00129785	\$195.03	12/5/2009
Kroger	VN000702	VO00131553	\$63.65	1/26/2010
Staples	VN000869	VO00131864	\$44.25	2/9/2010

Credit card receipts should follow the same approval requirements as invoices approved for payment, which require management approval following the guidelines of Authority signature levels, as noted below.

Signature Level	Position
As approved by the Board \$100,000	President & CEO
	Senior Vice President
	Vice President
\$50,000	Assistant Vice President
	Chief
	Controller
	Director

\$10,000	Captain Manager
\$5,000	Assistant Manager
\$1,000	Coordinator Lead Supervisor Team Leader Planner

Recommendation

Finance should ensure that credit card receipts are properly approved following the Authority’s signature authority.

Management Response

Finance concurs with the intent of this recommendation. However, there are currently no formal signature authority levels in place for approval of credit card receipts. It should be noted that the signature authority referred is to authorize procurement and does not address the approval of invoices or other payments. Nevertheless, Finance does require approval of all invoices utilizing these approval levels.

Finance did recently take control of credit cards that were in the possession of various departments and instituted a process to log credit card usage because of our concern over a lack of credit card controls.

As for the specific findings noted, Finance staff did confirm that the two staff persons involved in the three exceptions noted above had permission from their supervisor to incur the charges. We further believe it was consistent with the assigned duties of the two staff persons and appropriate to delegate them authority to make these credit card purchases. Nevertheless, Finance agrees that there should be a formal policy developed for the administration of credit cards with appropriate approval levels identified. Until such a policy is developed, Finance will require that only persons with delegated signature authority for procurement be allowed to check out credit cards. However, this practice will not prevent a party from exceeding the delegated authority. Accordingly, if during reconciliation Finance notes a purchase exceeding the delegated authority we will request secondary approval from the party’s supervisor or other person with appropriate authority.

Finding #2

Observation

The Staples credit card was not returned to the Finance Department in a timely manner.

Background

Through audit testing, Internal Audit identified a credit card that was signed out for five (5) days and returned when requested for use by another employee. It should be noted that the credit card was properly authorized, properly coded, and approved for payment. The credit card usage is noted below.

Vendor Name	Vendor	Voucher No.	Amt Paid	Invoice Date
Staples	VN000869	VO00131864	\$97.99	2/9/2010

The Authority has not established guidelines on the amount of time required to return the credit card to Finance; however, five (5) days seems to be an extensive amount of time.

Recommendation

Finance should establish formal guidelines on the amount of time required to return credit cards to Finance.

Management Response

Finance concurs with this recommendation and will propose a formal policy for the administration of credit cards. If we continue the practice of using corporate credit cards not assigned to specific users, we will recommend the policy require all cards be returned to Finance no later than the next business day after they were checked out. The policy will further require that persons who violate the policy will have credit card privileges be suspended for period specified by the Chief Financial Officer, normally one month. Subsequent violations may also result in privileges suspended permanently or for a longer period, as determined by the Chief Financial Officer. Any suspension of credit card privileges may be appealed to the President and Chief Executive Officer

Finding #3

Observation

The SunTrust corporate credit card was not properly signed out for use by Authority personnel.

Background

An objective of the audit was to determine credit cards used by Authority personnel were properly authorized for use. Proper authorization includes the employee completing and signing the record of use log. If an employee does not physically need the credit card, a member of Finance may sign out the card and give the credit number to the employee over the telephone.

Through audit testing, Internal Audit identified the following ten (10) credit card transactions in which an employee or a member of Finance did not sign out the credit card for use.

Vendor Name	Merchant	Voucher No.	Doc Amt	Invoice Date
SunTrust Corporate Card	Ritz Carlton	VO00127647	\$678.03	9/27/2009
SunTrust Corporate Card	Candlewood Suites	VO00127647	\$580.96	9/27/2009
SunTrust Corporate Card	Loews Hotels Vanderbilt	VO00127647	\$2,447.11	9/27/2009
SunTrust Corporate Card	Xtreme Mediall.com	VO00127647	\$8.45	9/27/2009
SunTrust Corporate Card	Allen Limousine Inc	VO00127647	\$257.60	9/27/2009
SunTrust Corporate Card	Outfitter Satellite, Inc	VO00127647	\$135.80	9/27/2009
SunTrust Corporate Card	Government Finance Office	VO00131221	\$580.00	1/27/2010
SunTrust Corporate Card	Nashville Biz Journal	VO00131221	\$93.00	1/27/2010
SunTrust Corporate Card	Omni Hotels - San Diego	VO00131221	\$517.65	1/27/2010
SunTrust Corporate Card	Association of Certified Fraud Examiners	VO00133118	\$69.00	3/27/2010

Recommendation

Finance should ensure proper internal controls are in place so that all credit cards are signed out for use.

Management Response

Finance concurs with the intent of this recommendation and will propose a policy requiring that all use of the credit card be logged, regardless of the approval method. However, it should be noted that the primary purpose of logging the cards is to assist Finance staff in documenting where credit card charges should be appropriately coded and charged. The above transactions were logged by Finance or the President's administrative staff and were directly coded and appropriately documented, despite not being recorded on the log sheet. Additionally, travel related charges were also accompanied by an approved travel authorization form.

Still, log sheets serve a secondary purpose by ensuring all charges are recorded in a consistent manner. Accordingly, during reconciliation we will compare all charges to the credit card log. Finance staff will append to the log any charges that were not initially logged. Additionally, Finance staff will note these appended charges that were not initially logged and report them to the Chief Financial Officer. The Chief Financial Officer will issue warnings for all violations and may suspend credit card privileges for violations that are recurring or habitual.

Finding #4

Observation

SunTrust corporate credit card receipts were properly coded but there was not an approving signature noted on the receipt.

Background

An objective of the audit was to determine credit card charges were properly coded and approved for payment. Through audit testing, Internal Audit identified the following ten (10) credit card receipts that were properly coded but there was not an approving signature noted on the receipt.

Vendor Name	Merchant	Voucher No.	Doc Amt	Invoice Date
SunTrust Corporate Card	E-Tech Silicon Valley	VO00127647	\$71.91	9/27/2009
SunTrust Corporate Card	Tractor Supply.com	VO00127647	\$197.72	9/27/2009
SunTrust Corporate Card	Paypal	VO00131221	\$25.00	1/27/2010
SunTrust Corporate Card	Brentwood Cool Springs Chamber	VO00131221	\$16.00	1/27/2010
SunTrust Corporate Card	Nashville Sports Council	VO00131221	\$230.00	1/27/2010
SunTrust Corporate Card	National Student Clearinghouse	VO00131221	\$6.50	1/27/2010
SunTrust Corporate Card	Insight	VO00133118	\$36.37	3/27/2010
SunTrust Corporate Card	Association of Certified Fraud Examiners	VO00133118	\$69.00	3/27/2010
SunTrust Corporate Card	Aviation Continuing Education	VO00133118	\$525.00	3/27/2010
SunTrust Corporate Card	Best Buy	VO00133118	\$95.81	3/27/2010

On a monthly basis, Finance reconciles credit card charges and supporting documentation to the monthly credit card statement. However, Finance is not verifying all credit card charges have been properly approved.

Recommendation

Finance should ensure credit cards receipts are properly approved for payment prior to processing the monthly credit card statement.

Management Response

While Finance agrees with the spirit of this recommendation, we disagree with the recommendation, and propose alternative corrective action. Finance must make payment timely without regard to whether all documentation or approvals are readily available when reconciling the statement. To delay payment until a full reconciliation and all charges have been accounted for subjects the Authority to finance charges and late payment fees that will likely exceed the amounts of the charges that await reconciliation.

We do agree that Finance should make every attempt to ascertain the party responsible for the charges and they are appropriately documented, including proper approval. Finance will actively research all charges that are not validated by a log entry or other documentation to find the responsible party and code the charges to the appropriate cost center.

Charges requiring research typically are the result of parties having the credit card information available (often without having the physical card) and neglecting to log use of the card. This results from having one credit card and information placed in the hands of many. Nothing stops a previous user from copying or recording the credit card information and accruing other charges without need of the physical card.

Finance has been studying options to initiate a Purchase Card program that would place permanently assigned credit cards in the hands of the employees with recurring need for use of a credit card. Assigned cardholders would be responsible for reporting use of the card. If a cardholder fails to report charges, it is much easier to identify the noncompliant party and hold them accountable.

Finding #5

Observation

SunTrust corporate credit card receipts were not properly coded and approved for payment.

Background

An objective of the audit was to determine credit card charges were properly coded and approved for payment. Through audit testing, Internal Audit identified the following credit card receipt that was not properly coded and there was not an approving signature noted on the receipt.

Vendor Name	Merchant	Voucher No.	Doc Amt	Invoice Date
SunTrust Corporate Card	Brentwood Cool Springs Chamber	VO00133118	\$20.00	3/27/2010

Internal Audit also identified the two (2) credit card charges that were not properly supported by a credit card receipt, as noted below.

Vendor Name	Merchant	Voucher No.	Doc Amt	Invoice Date
SunTrust Corporate Card	Xtreme Mediall.com	VO00127647	\$8.45	9/27/2009
SunTrust Corporate Card	Outfitter Satellite, Inc	VO00127647	\$135.80	9/27/2009

Recommendation

Finance should ensure credit cards charges are properly coded, approved, and have supporting documentation prior to processing the monthly credit card statement.

Management Response

Finance concurs with the recommendation. However, we feel that two of the three charges were properly documented and approved, as well as restate our response to Finding No. 1. The charge for the Brentwood Cool Springs Chamber was coded and approved by Finance staff who initiated the charge on the credit card invoice. As for the remaining two items, one is a recurring charge for satellite phones and was documented by invoice no. 128601, dated 12/1/08. The remaining item for \$8.45 was charged to a pending account while it was investigated. Finance staff have attempted to determine the department that incurred the charge, but been unsuccessful. Finance has also requested documentation from the credit card provider to further substantiate the charge. However, if payment had been delayed for this charge, finance charges and late fees would have been incurred that exceeded the amount for the questioned charge and the credit card account suspended and not available for use by the organization.

Finance also restates the last two paragraphs of the response in Finding No. 4. Had a common credit card not been in use but cards assigned to specific users, determining the responsible party to hold accountable would have been much easier.

Finding #6

Observation

SunTrust corporate credit card receipts were not properly approved on the credit card receipt; however, the charges were approved through a travel authorization form.

Background

An objective of the audit was to determine credit card charges were properly coded and approved for payment. Through audit testing, Internal Audit identified the following thirteen (13) credit card receipts that were not properly approved on the credit card receipt but the charges were approved through a travel authorization form.

Vendor Name	Merchant	Voucher No.	Doc Amt	Invoice Date
SunTrust Corporate Card	American Assn Airport Exec	VO00127647	\$560.00	9/27/2009
SunTrust Corporate Card	Candlewood Suites	VO00127647	\$580.96	9/27/2009
SunTrust Corporate Card	Southwest Airlines	VO00127647	\$225.70	9/27/2009
SunTrust Corporate Card	United Airlines	VO00127647	\$208.70	9/27/2009
SunTrust Corporate Card	Hotwire.com, Radisson	VO00127647	\$184.35	9/27/2009
SunTrust Corporate Card	Southwest Airlines	VO00127647	\$120.20	9/27/2009
SunTrust Corporate Card	Aviation Forecast Summit	VO00127647	\$1,230.00	9/27/2009
SunTrust Corporate Card	Southwest Airlines	VO00127647	\$266.80	9/27/2009
SunTrust Corporate Card	Southwest Airlines	VO00127647	\$287.40	9/27/2009
SunTrust Corporate Card	Airport Council Int'l	VO00127647	\$505.00	9/27/2009
SunTrust Corporate Card	US Airways	VO00127647	\$433.40	9/27/2009
SunTrust Corporate Card	Omni Hotels - San Diego	VO00131221	\$517.65	1/27/2010
SunTrust Corporate Card	Southwest Airlines	VO00133118	\$473.90	3/27/2010

According to Section II., a., Travel Arrangement Responsibility, of Procedure No. 3-703 – Travel, “Each department will have a designated employee to make travel arrangements. The designated departmental employee will use the Authority corporate credit card to purchase airline tickets, hotel rooms and rental cars (when approved by the Authority President). This card will be maintained in the Finance department safe when not in use. The Financial Services Administrator will review the monthly credit card invoice for accuracy; match the charges with the approved Travel Authorization and/or Request for Advance Travel Pay forms; code the invoice; and send to the Authority Treasurer for approval. Once approved, the invoice will be sent to accounts payable for payment processing.”

Through audit inquiries, it was determined that the following travel related charges were not matched with the approved Travel Authorization form.

Vendor Name	Merchant	Voucher No.	Doc Amt	Invoice Date
SunTrust Corporate Card	Allen Limousine Inc	VO00127647	\$257.60	9/27/2009
SunTrust Corporate Card	American Airlines	VO00127647	\$410.70	9/27/2009

Recommendation

Finance should perform a reconciliation between travel related credit card charges and travel authorization forms to ensure all travel charges are properly approved.

Management Response

Finance concurs with the recommendation. Finance staff has previously taken the position that so long as the charges were appropriately coded and approved, whether by entry in the credit card log, Travel Authorization or other means, the charges were properly documented. Travel Authorizations are in fact carefully reviewed for all charges listed. However, the current process does not require travel related charges appearing on the credit card statement be compared back to the Travel Authorization. The audit found two charges for the

benefit of executive staff that should have been subject to a Travel Authorization. Finance will request that a Travel Authorization be prepared for these two charges and submitted to the President and Chief Executive Officer for approval. Future credit card charges that are travel related without a Travel Authorization will be processed for payment for the reasons stated in Finding No. 1. However, if a Travel Authorization covering the charges is not forthcoming in a timely manner (at least with 30 days after receipt of the credit card statement), the credit card charges will be reported to the President and Chief Executive Officer for action as he deems appropriate.

Additionally, Finance is recommending that a separate card(s) be used for all travel related purchases and be administered by only designated personnel that have received training related to travel administration.

Finding #7

Observation

The Authority has a number of miscellaneous corporate credit cards.

Background

The Authority utilized the following corporate credit cards during FY2010:

<u>Credit Card</u>	<u>Amount</u>
SunTrust Corporate Card	\$63,432
Kroger	\$1,439
Staples	\$537

Additionally, the Authority has Home Depot and Sears corporate credit cards. The Authority has a number of miscellaneous credit cards. However, the Authority could use the SunTrust Corporate credit card for all of the Authority’s business needs, which would help assist in monitoring the controls surrounding the usage of corporate credit cards.

Recommendation

Finance should consider canceling all miscellaneous corporate credit cards and utilizing the SunTrust corporate credit for all of the Authority’s business needs.

Management Response

Finance concurs with this recommendation and will initiate steps to cancel all retailer credit cards. However, we note that users of the cards have pointed out that some retailer cards provide additional benefits and savings for use in their retail locations. Finance staff believes that additional administrative burdens associated with these cards outweigh any benefits

provided by retailer store cards. Furthermore, we are unaware of any retailers who will not accept a corporate credit card.

Finance further recommends that the proposed policy for credit cards permit only the Chief Financial Officer and/or the President and Chief Executive Officer have authority to open any new credit card accounts. Some of the accounts listed apparently have no documentation that they were properly authorized.

Finding #8

Observation

The Authority does not have a formalized credit card policy and process in place.

Background

Finance has established an informal credit card usage process. However, based on the findings identified throughout the report, there is a need for proper controls surrounding the usage of corporate credit cards and guidelines established for proper use.

Recommendation

Finance should develop a formalized credit card policy and process to ensure there are proper controls surrounding the usage of corporate credit cards.

Management Response

Finance concurs with this recommendation and will develop a proposed policy for the administration of credit cards to submit to the President and Chief Executive Officer for approval. In addition to addressing the foregoing recommendations, the proposed policy will be intended to make users accountable for submitting all charges and related documentation in a timely manner, as well as require training addressing proper use of a corporate credit card, purchasing laws, business diversity and appropriate documentation standards. The proposed policy will also address transaction and credit limits for users and provide that violations of the policies' compliance procedures may result in appropriate disciplinary action, including suspension of corporate credit card privileges.