

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON
COUNTY**



**METROPOLITAN NASHVILLE
AUDIT COMMITTEE**

WORKBOOK

June 22, 2021

*"Fraud and falsehood only dread examination.
Truth invites it."
– Samuel Johnson –*

METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
June 22, 2021, 4:00 p.m.

Committee Room 2
205 Metropolitan Courthouse

- I. Call Meeting to Order (Brackney Reed – Committee Chairman)
- II. Approval of Minutes (Brackney Reed – Committee Chairman)
 - Approval of Minutes for April 13, 2021, meeting
- III. New Business
 - Discussion of External Audit Plan for the year ended June 30, 2021 (Crosslin)
 - Discussion on the Audit Recommendations Follow-up – Nashville Municipal Auditorium issued May 4, 2021. (Lauren Riley – Metropolitan Auditor)
 - Discussion on the Audit Recommendations Follow-up – Audit of Nashville General Hospital Procurement to Pay issued May 13, 2021. (Lauren Riley – Metropolitan Auditor)
 - Discussion on the Audit of Fund Commitments, Restrictions, and Assignments issued June 9, 2021. (Lauren Riley – Metropolitan Auditor)
 - Metropolitan Auditor’s annual performance review. (Brackney Reed – Committee Chairman)
- IV. Unfinished Business
 - Criminal Justice Information Services (CJIS) clearance for Metropolitan Audit Committee Members (Lauren Riley – Metropolitan Auditor)
- V. Internal Audit Project Status (Lauren Riley – Metropolitan Auditor)
 - On Going Projects
 - Recommendation implementation follow-up status
- VI. Other Administrative Matters (Lauren Riley – Metropolitan Auditor)
 - FY2021 Budget Status
 - Office of Internal Audit Staffing
- VII. Consideration of Items for Future Meetings (Brackney Reed – Committee Chairman)
- VIII. Adjournment of Public Meeting – Next Regular Meeting Tuesday, September 14, 2021.
- IX. Call for a motion to enter executive session (Brackney Reed – Committee Chairman)
- X. Executive Session Agenda – (Brackney Reed – Committee Chairman)
 - If needed, discussion of pending or ongoing audits or investigations. (Lauren Riley – Metropolitan Auditor)

METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
June 22, 2021, 4:00 p.m.

Note: Upon a majority vote of committee members in attendance for the public portion of the meeting, the Metropolitan Nashville Audit Committee may hold confidential, nonpublic executive sessions to discuss the following items (T.C.A. § 9-3-405¹):

- Items deemed not subject to public inspection under T.C.A. §§ 10-7-503² and 10-7-504³ and all other matters designated as confidential or privileged under this code;
- Current or pending litigation and pending legal controversies;
- Pending or ongoing audits or audit related investigations;
- Information protected by federal law; and
- Matters involving information under T.C.A. § 9-3-406⁴ where the informant has requested anonymity.



To request an accommodation, please contact Lauren Riley at (615) 862-6111.

¹ T.C.A. § 9-3-405(d). Establishment of audit committee, Notice requirements, Open meetings, Confidential, nonpublic executive session.

² T.C.A. § 10-7-503. Records open to public inspection, Schedule of reasonable charges, Costs.

³ T.C.A. § 10-7-504. Confidential records.

⁴ T.C.A. § 9-3-406. Establishment of process for confidential reporting of suspected illegal, improper, wasteful or fraudulent activity, Retaliatory activities prohibited.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
AUDIT COMMITTEE MEETING MINUTES
April 13, 2021

On Tuesday, April 13, 2021, at 4:00 p.m., the Metropolitan Nashville Audit Committee met via a WebEx video meeting due to the COVID-19 pandemic. The following people attended the meeting:

Committee Members

Brackney Reed, Chamber of Commerce
Tom Bates, Tennessee Society of CPAs
Zulfat Suara, Council Member
Thom Druffel, Council Member
Kevin Crumbo, Director of Finance
Jim Shulman, Vice-Mayor

Others

Lauren Riley, Metropolitan Auditor
Theresa Costonis, Department of Law
Tara Ladd, Department of Law
Dell Crosslin, Crosslin
John Crosslin, Crosslin
Jennifer Manternach, Crosslin
John Crosslin, Crosslin
Katie Farris, Crosslin
Phil Carr, Chief Accountant
Lonnell Mathews, Juvenile Court Clerk
Stephen Martini, DEC
Scott Potter, MWS
Amanda Deaton-Moyer, MWS
Shannon Frye, MWS
Mary Cole, Office of Internal Audit
Nan Wen, Office of Internal Audit
Seth Hatfield, Office of Internal Audit
Bill Walker, Office of Internal Audit

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Reed called the meeting to order. A **roll call** was conducted by Ms. Riley. The following members were in attendance:

- Brackney Reed
- Tom Bates
- Jim Shulman
- Thom Druffel
- Kevin Crumbo

A **motion** to conduct the meeting using a WebEx video format because it was necessary to protect the safety and welfare of Tennesseans due to the COVID-19 pandemic and to conform to Governor Bill Lee's Executive Order Number 60 was made, seconded and carried.

Specifically, a roll call was conducted with the following votes:

- Brackney Reed - Yes
- Tom Bates - Yes
- Jim Shulman - Yes
- Thom Druffel - Yes
- Kevin Crumbo - Yes

APPROVAL OF MINUTES

Mr. Reed inquired about acceptance or changes to the draft for the February 9, 2021, Audit Committee meeting minutes. A **motion** to approve the presented February 9, 2021, Metropolitan Nashville Audit Committee meeting minutes was made and seconded. A roll call was conducted with the following votes:

- Brackney Reed - Yes
- Tom Bates - Yes
- Jim Shulman - Yes
- Thom Druffel - Yes
- Kevin Crumbo - Yes

The motion carried.

Annual election of Metropolitan Audit Committee Chairman and Vice Chairman

A **motion** to name Mr. Reed as the Metropolitan Audit Committee Chairman for the year was made and seconded. A roll call was conducted with the following votes:

- Brackney Reed - Abstained
- Tom Bates - Yes
- Jim Shulman - Yes
- Thom Druffel - Yes
- Kevin Crumbo – Yes

The motion carried.

A **motion** to name Mr. Bates as the Metropolitan Audit Committee Vice Chairman for the year was made and seconded. A roll call was conducted with the following votes:

- Brackney Reed - Yes
- Tom Bates - Abstained
- Jim Shulman - Yes
- Thom Druffel - Yes
- Kevin Crumbo – Yes

The motion carried.

Councilmember Suara joined the meeting at 4:10pm.

NEW BUSINESS

Presentation of the Metropolitan Nashville Government Fiscal Year 2020 Schedule of Expenditures of Federal and State Awards and Reports Required by the Single Audit Act as Amended and the Uniform Guidance.

Ms. Manternach gave an overview and summary of report regarding the Metropolitan Nashville Government Fiscal Year 2020 Schedule of Expenditures of Federal and State Awards and Reports Required by the Single Audit Act as Amended and the Uniform Guidance.

Councilmember Druffel inquired about the finding related to two MNPS terminated employees continuing to be paid after their termination dates. Councilmember Druffel asked if the payments had been returned by the employees. Ms. Manternach advised to her knowledge the payments had not been returned. Mr. J. Crosslin advised the continued payments were not for the entire year but were caught within a couple of months after the employees left MNPS.

Councilmember Druffel inquired if the issue was investigated in more depth once the exceptions were discovered. Mr. J. Crosslin advised they worked with MNPS extensively attempting to ascertain the exact number of employees where this situation occurred. The final determination was immaterial to the financial statements. The finding was significant enough to merit material changes to internal processes. Mr. J. Crosslin stated MNPS appeared to have taken the recommendation seriously and had started to take corrective action. Councilmember Druffel voiced concern over the significance of the finding and asked Ms. Riley if the Office of Internal Audit typically followed up on these findings. Ms. Riley advised historically no but that the office could start.

Councilmember Suara also voiced concern over the MNPS finding as well as issues surrounding cash and reconciliations. Councilmember Suara inquired if Human Resources was involved in the terminated employees being improperly paid. Ms. Manternach advised terminations originate at the department level and are communicated to central MNPS Human Resources. The root cause of the issue was departments failing to communicate to central MNPS Human Resources. MNPS has already begun to implement controls to ensure this recommendation is resolved.

A **motion** to accept the Metropolitan Nashville Government Fiscal Year 2020 Schedule of Expenditures of Federal and State Awards and Reports Required by the Single Audit Act as Amended and the Uniform Guidance was made and seconded. A roll call was conducted with the following votes:

- Brackney Reed - Yes
- Tom Bates – Yes
- Zulfat Suara - Yes
- Jim Shulman - Yes
- Thom Druffel - Yes
- Kevin Crumbo – Yes

The motion carried.

Presentation of the Metropolitan Nashville Government Fiscal Year 2020 Letter of Recommendations to Management.

Mr. J. Crosslin advised there were no Management Letter comments that were classified as a material weakness or significant deficiency. There were comments that could strengthen the control environment. Ms. Farris provided a summary of the comments made in the Management Letter.

A **motion** to accept the Metropolitan Nashville Government Fiscal Year 2020 Letter of Recommendations to Management was made and seconded. A roll call was conducted with the following votes:

- Brackney Reed - Yes
- Tom Bates – Yes
- Zulfat Suara - Yes

- Jim Shulman - Yes
- Thom Druffel - Yes
- Kevin Crumbo – Yes

The motion carried.

Discussion on the Audit of Metropolitan Water Services Water and Sewer Billing Process issued March 2, 2021.

Ms. Riley summarized the scope, observations, and recommendations of the report. Councilmember Druffel noted concerns from his district related to the increased billing. Councilmember Druffel inquired if he could obtain a report regarding the number of citizens whose water bills increased and by what percent. Mr. Potter advised Metro Water and Sewer could provide a report with that information. Councilmember Druffel praised Metro Water Services for always being responsive to his requests and providing good customer service. Councilmember Druffel suggested notifying citizens about the percentage rate increase per the tier system when future rate increases occur. Mr. Potter agreed.

Councilmember Suara inquired about the decrease in the customer base at a time that Nashville was growing. Mr. Potter advised that they could get a report to her showing the decrease in population base.

Councilmember Suara inquired about the integrity of the billing system given Crosslin's comments regarding updating cash receipts to the general ledger. Ms. Deaton-Moyer advised the billing system was up to date. The billing system and general ledger are separate systems for internal controls purposes. Updating the general ledger was hindered due to becoming acclimated to the new Oracle R-12 system. Ms. Deaton-Moyer advised the issue has been resolved. Mr. Crumbo complimented the work and management of Metro Water Services.

Discussion on the Audit of the Juvenile Court Clerk Collections and Victims' Trust Account Management issued March 17, 2021.

Mr. Walker summarized the scope, observations, and recommendations of the report. Councilmember Suara asked if the audit looked to determine if the five terminated employees who still had access to the Justice Management Information System had any activity after leaving their positions. Mr. Walker advised the audit found no activity within the system occurred after the employees terminated their employment.

Discussion on the Audit Recommendations Follow-up – Audit of Nashville General Hospital Pharmacy Operations issued March 23, 2021.

Ms. Riley summarized the scope, observations, and recommendations of the report. Vice-Mayor Shulman inquired about the recommendation related to badge access. Vice-Mayor Shulman asked if that had to do with ensuring only proper personnel have access to the pharmacy and would we be going back out to make sure the recommendation is fully implemented. Ms. Riley advised yes to both questions.

Discussion on the Audit of the Department of Emergency Communications issued March 30, 2021.

Mr. Walker summarized the scope, observations, and recommendations of the report. No discussion ensued.

Metropolitan Auditor's Annual Performance Review.

Ms. Riley discussed the process for evaluating the Metropolitan Auditor. Each Audit Committee member will receive a list of criteria regarding the Metropolitan Auditor's performance. The criteria were listed in the workbook and can be modified at the Audit Committee's discretion. Office of Internal Audit staff are also provided a survey to evaluate performance. Finally, the Metropolitan Auditor conducts a self-evaluation. These three items will be combined and presented at the next Audit Committee meeting. Mr. Reed advised this evaluation is a requirement of the Metropolitan Audit Committee and asked the committee if there were any comments or suggested modifications to the process. No discussion ensued.

Criminal Justice Information Services (CJIS) clearance for Metropolitan Audit Committee Members

Mr. Reed advised that presently one committee member has Criminal Justice Information Service clearance. It would be prudent to have additional members to obtain this to be able to review certain reports. Mr. Crumbo emphasized the importance of the clearance and having more members with it. Vice-Shulman advised he would obtain the clearance. Mr. Reed advised he and Mr. Bates would look into obtaining the clearance.

OTHER ADMINISTRATIVE MATTERS

Ms. Riley went over the current status of recommendation implementation follow up, audit projects currently being worked on, and the budget. Ms. Riley also discussed staffing and promotions. Mr. Reed inquired about staff turnover. Ms. Riley advised the Office of Internal Audit had not had turnover since June 2019.

Miscellaneous

Ethics Training for Boards, Commissions, and Authorities.

Ms. Ladd with the Department of Law provided the required ethics training for the Metropolitan Audit Committee.

Executive Session

Mr. Reed inquired if there was a need to go into Executive Session. Ms. Riley advised only if the committee wanted an update on ongoing investigations.

A **motion** to go into Executive Section was made, seconded, and carried. A roll call was conducted with the following votes:

- Brackney Reed - Yes
- Tom Bates – Yes
- Zulfat Suara - Yes
- Jim Shulman - Yes
- Thom Druffel - Yes
- Kevin Crumbo - Yes

The next regularly scheduled meeting is June 22, 2021, at 4:00 p.m.

The public meeting adjourned after approximately 1 hour and 26 minutes.

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The minutes for the April 13, 2021, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

Lauren Riley, Metropolitan Auditor
Secretary, Metropolitan Nashville Audit Committee



**A Report to the
Audit Committee**

Mayor
John Cooper

**Nashville Municipal Auditorium
Director**
Don Harris

Audit Committee Members
Tom Bates
Kevin Crumbo
Thom Druffel
Brackney Reed
Jim Shulman
Zulfat Suara

Metropolitan
Nashville
Office of
Internal Audit

**Audit Recommendations Follow-up –
Audit of the Nashville Municipal
Auditorium**
(Initial Report Issued October 25, 2019)

May 4, 2021

EXECUTIVE SUMMARY

May 4, 2021



Why We Did This Audit

To evaluate management's implementation of previous audit recommendations as of March 31, 2021.

What We Recommend

Management should continue efforts to implement the remaining recommendations.

Audit Recommendations Follow-Up - Audit of the Nashville Municipal Auditorium

BACKGROUND

On October 25, 2019, the Office of Internal Audit issued an audit of the Nashville Municipal Auditorium. The audit report included six recommendations for improving the operations of the Nashville Municipal Auditorium. All recommendations were accepted by management for implementation. Office of Internal Audit guidelines require monitoring and follow-up to ensure that the recommendations assessed as high or medium risk are appropriately considered, effectively implemented, and yield intended results.

OBJECTIVES AND SCOPE

The objective of this follow-up audit is to determine whether management's action plans for the prior audit report recommendations are completed.

The audit scope covers the status for the six accepted recommendations included in the October 25, 2019, Audit of the Nashville Municipal Auditorium.

WHAT WE FOUND

Of the initial six recommendations made, the Nashville Municipal Auditorium has implemented one recommendation, partially implemented one recommendation, and one recommendation was no longer applicable. Due to the COVID-19 pandemic closing the box office, three recommendations could not be reviewed and will be evaluated once the box office reopens. Details of the implementation status can be seen in **Appendix A**.

PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

The initial audit report resulted in six recommendations, all of which were accepted by management for implementation. Out of the accepted recommendations, one has been fully implemented.

Three of the recommendations from the original audit involved controls over cash management in the box office. Due to the COVID-19 pandemic, the Nashville Municipal Auditorium box office has been closed since March 2020. The Office of Internal Audit will return to Nashville Municipal Auditorium to follow up on these recommendations when the box office reopens.

One of the recommendations from the original audit was to follow-up on the recommendations from the 2011 Municipal Auditorium audit. Of the six recommendations from the 2011 audit, one was fully implemented, and three are not currently able to be determined due to the box office closure. Two recommendations have not been implemented. Though there is a plan to inventory capital assets with the help of the Department of Finance this summer, no physical inventory has taken place as of this follow-up audit.

Details of the implementation status and updated implementation dates can be seen in **Appendix A**.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

METHODOLOGY

To achieve the audit objectives, auditors performed the following steps:

- Reviewed the documentation provided by management as evidence of completion.
- Interviewed key personnel within the Nashville Municipal Auditorium.

AUDIT TEAM

Laura Henry, CFE, In-Charge Auditor

Lauren Riley, CPA, CIA, ACDA, CMFO, Metropolitan Auditor

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

The following table shows the guidelines followed to determine the status of implementation.

Table 1

Recommendation Implementation Status	
Implemented	The department or agency provided sufficient and appropriate evidence to support the implementation of all elements of the recommendation and the recommendation’s implementation caused or significantly influenced the benefits achieved.
Partially Implemented	The department or agency provided some evidence to support implementation progress but not of all elements of the recommendation were implemented.
Not Implemented / No Longer Applicable	The department or agency did not implement a recommendation because: a) of lack of resources; b) an alternative action was taken that achieved the intended results; c) circumstances have so changed that the recommendation is no longer valid.

The following are the audit recommendations made in our original audit report dated October 25, 2019 and the current implementation status of each recommendation based on our review of information and documents provided by the Nashville Municipal Auditorium.

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
<p>A.1 Explore the possibility of switching to an electronic attendance and leave tracking system. Kronos is the Metropolitan Nashville standard for time and attendance tracking and has licenses centrally managed by the Information Technology Services department. Require documented written or electronic approval by a supervisor of compensatory time earned.</p> <p>Assessed Risk Level: High</p>	<p>Kronos time keeping system was implemented to track work hours and leave time. Utilization of Kronos enables setup of review levels to ensure approvals of compensatory time.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>B.1 Implement a procedure whereby revenue collections are retained in the custody of only one employee at a given time. When assets are transferred to another party, the verification of amounts transferred to the other person should be documented at the time of transfer.</p> <p>Assessed Risk Level: High</p>	<p>Per Municipal Auditorium, each person has their own cash box and selling code now.</p>	<p>Due to the COVID-19 pandemic, the box office has not been open since March 2020. Internal Audit could not ensure the implementation actions are in place. Review will occur when the box office reopens.</p>	<p>Unable to be determined</p>

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

<p>B.2 Ensure that incompatible revenue collection duties such as payment handling, deposit preparation, recordkeeping, and authorization are properly segregated to ensure accountability.</p> <p>Assessed Risk Level: High</p>	<p>Per Municipal Auditorium, revenue collection and deposit preparing are handled by one person and verified by another to ensure accountability.</p>	<p>Due to the COVID-19 pandemic, the box office has not been open since March 2020. Internal Audit could not ensure the implementation actions are in place. Review will occur when the box office reopens.</p>	<p>Unable to be determined</p>
<p>B.3 Deposit cash collections within one business day of receipt in accordance with financial policies.</p> <p>Assessed Risk Level: High</p>	<p>Per Municipal Auditorium, deposits are done next day when cash or checks are received.</p>	<p>Due to the COVID-19 pandemic, the box office has not been open since March 2020. Internal Audit could not ensure the implementation actions are in place. Review will occur when the box office reopens.</p>	<p>Unable to be determined</p>
<p>C.1 If Municipal Auditorium is authorized a new credit card, the cardholder should maintain adequate supporting documentation to support credit card transactions and exercise exempt status to avoid paying Tennessee sales tax.</p> <p>Assessed Risk Level: Medium</p>	<p>Municipal Auditorium discontinued use of a departmental credit card. Thus, there is no risk of sales tax payments on credit card purchases.</p>	<p>None</p>	<p>No longer applicable</p>
<p>D.1 Ensure that the recommendations from the 2011 report are fully implemented.</p> <p>Assessed Risk Level: Medium</p>	<p>See Below</p>	<p>See Below</p>	<p>Partially Implemented</p>
<p>D.1.1 Work with the Department of Finance to ensure capital assets are tracked throughout the asset's life cycle. This would include documentation of permanent or temporary transfers, disposals, and/or write-offs of missing or impaired assets.</p>	<p>Per Municipal Auditorium, a plan is in place to begin this in the summer of 2021, but nothing has been done as of this follow-up.</p>	<p>Internal Audit will follow-up on this when implemented, and the remaining recommendations are reviewed.</p> <p>Revised Date: August 2021</p>	<p>Not implemented</p>

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

<p>D.1.2 Annually conduct a physical inventory of capital and tracked assets to Metro Nashville Department of Finance, Division of Accounts.</p>	<p>Per Municipal Auditorium, no inventory has been taken as of the date of this follow-up, but a plan is in place to schedule an inventory in the summer of 2021.</p>	<p>Internal Audit will follow-up on this when implemented, and the remaining recommendations are reviewed.</p> <p>Revised Date: August 2021</p>	<p>Not implemented</p>
<p>D.1.3 Setup individual user accounts in the Ticketmaster system for each employee selling tickets at the box office and reconcile daily cash receipts to the Ticketmaster sales audit. To establish individual accountability, these employees should use separate tills (or locked cash bag) to keep their own sales proceeds.</p>	<p>Per Municipal Auditorium, Box Office staff have Ticketmaster logins with a lock box to secure cash.</p>	<p>Due to the COVID-19 pandemic, the box office has not been open since March 2020. Internal Audit could not ensure the implementation actions are in place. Review will occur when the box office reopens.</p>	<p>Unable to be determined</p>
<p>D.1.4 Submit all cash payments received to the bank for deposit within one business day of receipt and record all receipts into the accounting system within two days of receipt.</p>	<p>Per Municipal Auditorium, deposits are made next business day and cash receipts made in R12 as soon as the receipt is made available for supporting documentation.</p>	<p>Due to the COVID-19 pandemic, the box office has not been open since March 2020. Internal Audit could not ensure the implementation actions are in place. Review will occur when the box office reopens.</p>	<p>Unable to be determined</p>
<p>D.1.5 Establish procedures in accordance with Metro Civil Service Rules and Policy in relation to overtime compensation. This policy states that employees should be aware of the option of election of compensatory time and to establish proper approval and documentation for overtime needs.</p>	<p>Kronos time keeping system was implemented to track work hours and leave time. Utilization of Kronos enables setup of review levels to ensure approvals of compensatory time.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

<p>D.1.6 Consider adopting or creating a scheduling method to efficiently manage working hours around events.</p>	<p>Per Municipal Auditorium, schedules are uploaded in Kronos. Utilization of Kronos allows for efficiently manage events staffing.</p>	<p>Due to the COVID-19 pandemic, events have not occurred since March 2020. Internal Audit could not ensure the implementation actions are in place. Review will occur when events resume.</p>	<p>Unable to be determined</p>
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**A Report to the
Audit Committee**

Mayor
John Cooper

**Nashville General Hospital
Chief Executive Officer**
Dr. Joseph Webb

Audit Committee Members
Tom Bates
Kevin Crumbo
Thom Druffel
Brackney Reed
Jim Shulman
Zulfat Suara

**Audit Recommendations Follow-up –
Audit of Nashville General Hospital
Procurement-to-Pay Process**

May 13, 2021

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

May 13, 2021



Why We Did This Audit

To evaluate management's implementation of previous audit recommendations as of May 13, 2021.

What We Recommend

Management should continue efforts to fully implement the remaining four recommendations issued.

Audit Recommendations Follow-Up - Audit of the Nashville General Hospital Procurement-to-Pay Process

BACKGROUND

On August 28, 2018, the Metropolitan Nashville Office of Internal Audit issued an audit report on the procurement-to-pay process at Nashville General Hospital between January 1, 2016, and December 31, 2017. The audit report included 11 recommendations, all of which were accepted by management for implementation. Office of Internal Audit guidelines require monitoring and follow-up to ensure that the recommendations assessed as high or medium risk are appropriately considered, effectively implemented, and yield intended results.

OBJECTIVES AND SCOPE

The objectives of this follow-up audit were to determine if the recommended action or an acceptable alternative was implemented.

The scope of the follow-up audit included all 11 accepted recommendations that management reported as implemented.

WHAT WE FOUND

Of the initial 11 recommendations made, Nashville General Hospital has implemented 7 recommendations and partially implemented 2 recommendations. One partially implemented recommendation is open because while vendor master reviews have been conducted, the reviews have not been documented. The second partially implemented recommendation is for the retention of paymaster approvals. The Nashville General Hospital Finance Department has maintained the paymaster approvals since the previous audit but still needs to draft a formal retention policy. The two recommendations not implemented include updating the purchasing and procurement procedures to include the retention of bidding documents and ensuring that sales tax is not paid on credit card purchases.

AUDIT FOLLOW-UP RESULTS

The initial audit report encompassed procurement process activities and transactions within the Nashville General Hospital between January 1, 2016, and December 31, 2017. The audit report included 11 recommendations all of which were accepted by management for implementation.

The Office of Internal Audit will close a recommendation only for one of the following reasons:

- The recommendation was effectively implemented.
- An alternative action was taken that achieved the intended results.
- Circumstances have so changed that the recommendation is no longer valid.
- The recommendation was not implemented despite the use of all feasible strategies or due to lack of resources. When a recommendation is closed for these reasons, a judgment is made on whether the objectives are significant enough to be pursued later in another assignment.

The scope of the follow-up audit included all 11 accepted recommendations that management reported as implemented. Of the 11 accepted recommendations, 7 recommendations were fully implemented, 2 recommendations were partially implemented, and 2 were not implemented. Implementation actions were evaluated, as well as progress being made on any open recommendations. Details of the implementation status and updated implementation dates can be seen in Appendix A.

METHODOLOGY

To achieve the audit objectives, auditors performed the following steps:

- Reviewed policies and procedures for the procurement and purchasing process.
- Reviewed and performed analytics on the Nashville General Hospital Vendor Master.
- Obtained and reviewed user access to the Paragon information system.
- Obtained and reviewed a sample of credit card purchase receipts.
- Reviewed approval documentation of a sample of invoices.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

AUDIT TEAM

Seth Hatfield, CPA, CIA, CFE, In-Charge Auditor

Lauren Riley, CPA, CIA, ACDA, CMFO, Metropolitan Auditor

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

The following table shows the guidelines followed to determine the status of implementation.

Table 1

Recommendation Implementation Status	
Implemented	The department or agency provided sufficient and appropriate evidence to support the implementation of all elements of the recommendation and the recommendation's implementation caused or significantly influenced the benefits achieved.
Partially Implemented	The department or agency provided some evidence to support implementation progress but not of all elements of the recommendation were implemented.
Not Implemented	The department or agency did not implement a recommendation because: a) of lack of resources; b) an alternative action was taken that achieved the intended results; c) circumstances have so changed that the recommendation is no longer valid.

The following are the audit recommendations made in our original audit report dated August 28, 2018 and the current implementation status of each recommendation based on our review of information and documents provided by the Nashville General Hospital.

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
A.1 Add cost thresholds for bidding to the updated Metropolitan Hospital Authority Purchasing Policy. Ensure that bidding requirements are communicated to and followed by hospital departments.	The Contract Management Policy with attachment for the Procurement Policy was updated to include cost thresholds for bidding. The policy was supplied to the Office of Internal Audit for review.	None	Fully Implemented/ Closed
A.2 Establish a retention schedule and maintain bidding documentation for the specified period.	The Nashville General Hospital Purchasing and Procurement Policies and Procedures did not include a retention schedule for bidding documentation.	A retention schedule for bidding documentation should be developed. The Chief Compliance Officer is developing a hospital-wide document retention policy that will include payment approvals. Revised Date: 5/28/2021	Not Implemented/ Open

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

<p>A.3 Develop procedures for the competitive sealed bidding process at the Nashville General Hospital.</p>	<p>The Contract Management Policy with attachment for the Procurement Policy was updated to include procedures for the sealed bidding process. The policy was supplied to the Office of Internal Audit for review.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>B.1 Assign one employee and one backup employee to maintain (add, update, inactive) the vendor master listing. The employees assigned should be independent of the procurement-to-pay process.</p>	<p>Sharon Simmons, Executive Assistant to the Chief Financial Officer, is tasked with maintaining the vendor master listing.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>B.2 Periodically review the vendor master to identify duplicate entries, vendors needing a tax identification number (obtain W-9 for new vendors), or vendors that should be inactivated.</p>	<p>Reviews are being conducted on a quarterly basis and another biannual review is conducted by the Chief Financial Officer for tax purposes. However, the reviews were not documented to verify implementation.</p>	<p>Management of the Nashville General Hospital Finance Department communicated that moving forward the quarterly reviews will be documented and the documented reviews will be maintained.</p> <p>Note: Implementation occurred during the reporting phase of the audit (5/11/2021) and did not have sufficient implementation for testing.</p>	<p>Partially Implemented/ Open</p>
<p>C.1 Ensure that access to the Paragon information system is commensurate with the job responsibilities of employees.</p>	<p>Paragon access is controlled through Active Directory. A sample of 10 terminated employees were selected for review. All terminated employees were found to have disabled Active Directory accounts.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>D.1 Develop policies and procedures for credit card usage. Policies and procedures should address acceptable use, approvals, reconciliation of statements and receipts, transactions limits, travel, and retention of supporting documentation.</p>	<p>Policies and procedures for credit card usage were created and supplied to the Office of Internal Audit for review.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

<p>D.2 Ensure credit card holders possess the Nashville General Hospital sales tax exemption number and are instructed not to pay sales tax on credit card purchases.</p>	<p>Sales tax is being paid by the Nashville General Hospital on credit card purchases. Sales tax was paid on 4 out of 5 (80 percent) of reviewed credit card receipts.</p>	<p>Ensure sales tax is not paid on credit card purchases. This review found that sales tax was paid at Panera Bread, Target, and Jason’s Deli all of which would have accepted a sales tax exemption number.</p> <p>Note: Implementation occurred during the reporting phase of the audit (5/11/2021) and did not have sufficient implementation for testing.</p>	<p>Not Implemented/ Open</p>
<p>E.1 Ensure payments are approved within SoftCo prior to payment.</p>	<p>A review of invoices found that invoices are being approved within SoftCo prior to payment.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>E.2 Ensure payments are approved prior to payment.</p>	<p>The paymasters for a sample of invoices was reviewed and were found to be approved prior to payment.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>E.3 Establish a retention schedule and maintain payment approvals for the specified period.</p>	<p>The Nashville General Hospital Finance Department has retained the paymaster approvals since the last audit, but a formal retention policy is yet to be drafted.</p>	<p>A retention schedule for payment approval documentation should be developed. The Chief Compliance Officer is developing a hospital-wide document retention policy that will include payment approvals.</p> <p>Revised Date: 5/28/2021</p>	<p>Partially Implemented/ Open</p>



**A Report to the
Audit Committee**

Mayor

John Cooper

Metropolitan Finance Director

Kevin Crumbo

Audit Committee Members

Tom Bates

Kevin Crumbo

Thom Druffel

Brackney Reed

Jim Shulman

Zulfat Suara

**Audit of Fund Commitments,
Restrictions, and Assignments**

June 9, 2021

Metropolitan
Nashville
Office of
Internal Audit

Audit of Fund Commitments, Restrictions, and Assignments

EXECUTIVE SUMMARY

June 9, 2021



Why We Did This Audit

This audit was performed because of a suggestion from the Tennessee Comptroller's Office. The recommendation was received during annual audit planning.

What We Recommend

- Establish a comprehensive fund balance policy consistent with best practices.
- Enhance the interfund balance note to the Comprehensive Annual Financial Reports.

BACKGROUND

The fund balance of a government represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, in a governmental fund as presented in the Comprehensive Annual Financial Report. Governmental fund information helps to determine whether there are adequate financial resources that can be spent in the near future to finance Metropolitan Nashville Government programs. The Metropolitan Nashville Finance Department is responsible for the accounting, presentation, and disclosure of fund balance information for each fiscal year in the Comprehensive Annual Financial Report.

OBJECTIVES AND SCOPE

The purpose of the audit is to determine if committed, restricted, and assigned fund balances presented and disclosed in the Comprehensive Annual Financial Report provide all the information necessary for understanding and enhancing the usefulness and decision making by all stakeholders.

The objectives of this audit are to:

- Evaluate the design and operating effectiveness of internal controls for processes designated as risk areas.
- Assess the determination of restricted, committed, and assigned fund balances for compliance with statutory standards and state and local government codes and ordinances.
- Assess the presentation and disclosure of committed, restricted, and assigned balances in the Comprehensive Annual Financial Report.

The scope of this audit included committed, restricted, and assigned balances between July 1, 2017, and June 30, 2020.

WHAT WE FOUND

The processes for accounting and reporting of fund balances are adequately supervised and reviewed. Controls in place are operating effectively to ensure accurate and timely reporting of fund balance information in compliance with statutory and government requirements. The presentation and disclosure of fund balances in the Comprehensive Annual Financial Report comply with statutory standards.

Current fund balance policies can be enhanced to provide comprehensive information about fund balance accounting and reporting consistent with best practices. Enhanced disclosure of interfund balances will improve stakeholder understanding and expectations.

OBJECTIVES AND CONCLUSIONS

1. *Are controls in place and operating effectively for fund balance accounting and reporting processes designated as risk areas?*

Yes. The processes surrounding the accounting and reporting of fund balances is under the supervision of the Chief Accountant/Assistant Finance Director and a Deputy Finance Director who ensure that fiscal information is disseminated and captured timely and accurately. Various levels of review of fiscal information ensure that information available to stakeholders reflects the fiscal status of the Metropolitan Nashville Government. An extensive review of a Government Finance Officer Association checklist occurs. However, policies can be enhanced to provide comprehensive guidance on the generally accepted accounting principles providing the basis for fund balance accounting and reporting, relevant state, and local government requirements, and internal Metropolitan Nashville Finance Department policies. (See Observation A.)

2. *Is the determination of restricted, committed, and assigned balances consistent and in compliance with statutory standards and state, and local government code and ordinances?*

Yes. The Metropolitan Nashville Finance Department ensures compliance with the Governmental Accounting Standard Board's Standard 54, the authorizations provided in the annual Metropolitan Nashville budget ordinances, and recommendations by the State of Tennessee. The Finance Director exercises the authority granted by the Metropolitan Nashville Council to ensure that committed, assigned, and unassigned fund balances, reflect the specific requirements in the respective authorizations. The budget ordinance identifies the funds and sub-funds and leaves the assignments to the following year at the Finance Director's discretion. The Office of Internal Audit verified that the total fund balance designated for subsequent year's expenditures and other governing board designations did not exceed the fund balance legally available for appropriation in any fund. The budget ordinance authorizes the Finance Director to carry forward unspent balances at the end of the fiscal year from certain funds and sub-funds and assign them for next fiscal year's expenditures. We reviewed the requirements in the budget ordinances and the budget versus actual information in Oracle E-Business Suite R12 and agreed them to the assignments without any exceptions.

3. *Did the presentation and disclosure of restricted, committed, and assigned balances in the Comprehensive Annual Financial Report comply with statutory standards?*

Yes. The presentation and disclosure of restricted, committed, and assigned balances in the Comprehensive Annual Financial Report comply with statutory standards. The Office of Internal Audit verified that the Comprehensive Annual Financial Report disclosure includes appropriate fund balance classifications, only the General Fund has a positive unassigned fund balance, and components of non-spendable fund balances include the statutory required items. Moreover, the disclosure of Special Fund Balances in the notes to the financial statements included the purpose for each major special revenue fund and which revenues and other resources are reported in each fund. However, the disclosure of interfund transfers and interfund balances could be enhanced to better clarify requirements of Governmental Accounting Standard Board's Statement 38 - *Certain Financial Statement Note Disclosures*. (See Observation B.)

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives to sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. See **Appendix B** for a description of the observation *Assessed Risk Rating*.

Observation A – Lack of Comprehensive Policy

There is no comprehensive fund balance policy to guide all involved in the financial reporting and disclosure process. Preparation of the Comprehensive Annual Financial Report is a complex process requiring data analysis, data aggregation, and review to meet the requirements in Governmental Accounting Standard Board Statement Statements 54 and 38. The establishment of a formal fund balance policy is not required by the Governmental Accounting Standard Board Statement, but disclosure of adopted policies in the notes to the financial statements is required. Also, the Government Finance Officer Association and other best practices recommend the establishment of a comprehensive policy. Formally adopted fund balance policies help to define and communicate the balance that should be maintained in specific funds, use and replenishment of funds, authority to make changes, reporting requirements, and priority of use. The absence of a policy may lead to the omission and nondisclosure of relevant information and the associated misinformation of financial report users.

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- COSO, Control Activities—Principle 11—The organization selects and develops control activities through policies that establish what is expected and procedures that put policies into action.

Assessed Risk Rating:

Low

Recommendation for management of the Finance Department to:

Establish a comprehensive fund balance policy consistent with best practices that will be available to all stakeholders, including employees and internal and external auditors.

Observation B – Disclosure of Interfund Balances

The interfund balance footnote disclosure could be enhanced to increase clarity in meeting the requirements in Governmental Accounting Standard Board Statement 38. Paragraphs 14(B) and 14(C) of the statement require the disclosure of the purpose of interfund balances and interfund balances that are not expected to be repaid within one year from the date of the financial statements. For the three years reviewed, the footnote disclosures for interfund balances in the Comprehensive Annual Financial Reports did not explicitly state if there were interfund balances not expected to be repaid within one year from the date of the financial statements. Stakeholders need to understand when these balances are expected to be repaid so they can make informed decisions.

Criteria:

- *COSO, Control Activities—Principle 10*—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- *COSO, Control Activities—Principle 11*—The organization selects and develops control activities through policies that establish what is expected and procedures that put policies into action.

Assessed Risk Rating:

Low

Recommendations for management of the Finance Department to:

Enhance the interfund balance note to the Comprehensive Annual Financial Reports so stakeholders understand if balances are or are not expected to be repaid within one year from the date of the financial statements.

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

	Recommendation	Concurrence and Corrective Action Plan	Proposed/Expected Completion Date
<i>Risk</i>	<i>Recommendations for the management of Metropolitan Nashville Finance Department to:</i>		
L	A.1 – 1. Establish a comprehensive fund balance policy consistent with best practices that will be available to all stakeholders, including employees, internal and external auditors.	Accept	December 31, 2021
L	B.1 – 1. Enhance the interfund balance note to the Comprehensive Annual Financial Reports so stakeholders understand if balances are or are not expected to be repaid within one year from the date of the financial statements.	Accept	December 31, 2021 (will be incorporated into the June 30, 2021 Comprehensive Annual Financial Report)

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY**
METROPOLITAN NASHVILLE AUDIT COMMITTEE BYLAWS

PURPOSE

The Metropolitan Nashville Audit Committee is to ensure that the Metropolitan Government of Nashville and Davidson County (Metropolitan Nashville Government) has effective, efficient, and sustainable internal controls over its major risks.

SCOPE

To the extent permitted by the Metropolitan Charter the Metropolitan Nashville Audit Committee is authorized to conduct financial audits, performance audits, or other audit services including investigation and disposition of reported incidents of fraud concerning any department, board, commission, officer, agency, or office of the Metropolitan Government which receives direct services from or to which funds are appropriated by the Metropolitan Government or which the Metropolitan Government provides a guarantee for long-term indebtedness. Departments, boards, commissions, officers, agencies, and offices of the Metropolitan Government means those entities which encompass all of the governmental and corporate functions previously performed by Davidson County and the City of Nashville existing at the formation of the Metropolitan Government, and any public entity whose existence is created or authorized by the Metropolitan Charter or the Metropolitan Council.

RESPONSIBILITIES

Financial Statements

- While the financial statement audit engagement is ongoing meet in executive session with the external auditor near the mid-point of the audit engagement and prior to final issuance of the comprehensive annual financial report, to review progress, including any difficulties encountered, with the audit engagement and follow-up as appropriate.
- Review final audit reports and accept, or not accept, the audit results.
- Review with Metropolitan Nashville Government management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.

Risk Management and Internal Control

- Understand the scope of internal and external auditors' reviews of internal controls over financial reporting and government service activities, and obtain reports on significant observations and recommendations, together with department, board, commission, officer, agency, or office management's responses.
- Engage with the Metropolitan Auditor in performing a Metropolitan Nashville Government entity-wide risk assessment to form an audit work plan.

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY**

METROPOLITAN NASHVILLE AUDIT COMMITTEE BYLAWS

- Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Hold follow-up to monitor corrective actions implemented by auditee.

Internal Audit

- Review and approve the internal audit work plan and all major changes to the plan.
- Review and approve the Division of Metropolitan Audit Bylaws annually.
- Assure continued independence of the Metropolitan Auditor. Ensure there are no unjustified restrictions or limitations to the discharge of internal audit responsibilities.
- Review annually the activities, staffing, and organizational structure of the internal audit function.
- Review the effectiveness of the internal audit function, including compliance with generally accepted government auditing standards.
- Recommend the appointment of the Metropolitan Auditor.
- For cause remove the Metropolitan Auditor.
- At least once per year, review the performance of the Metropolitan Auditor and concur with the annual compensation and salary adjustment.

Reporting Responsibilities

- Issue an annual report to the Metropolitan Nashville Council and Mayor regarding Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and department, board, commission, officer, agency, or office management.
- Review any other government issued reports related to committee responsibilities.

Other Responsibilities

- Ensure committee members undergo appropriate orientation upon appointment.
- Ensure at minimum one committee member, preferably more, has Criminal Justice Information Systems (CJIS) clearance.
- Review and assess the adequacy of the committee bylaws annually, requesting approval for proposed changes, and ensuring appropriate disclosure as may be required by law or regulation.
- Annually confirm that all responsibilities outlined in these bylaws have been carried out.

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
METROPOLITAN NASHVILLE AUDIT COMMITTEE BYLAWS**

COMPOSITION

The composition and selection of committee members will follow the provisions provided in Metropolitan Code of Law, Section 2.24.300(E) Division of Metropolitan Audit.

MEETINGS

The Committee will meet at least once per quarter, with authority to convene additional meetings, as circumstances require. The Committee will invite members of department, board, commission, officer, agency, or office management, auditors or others to attend meetings and provide pertinent information as necessary. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor. Minutes will be prepared by the Metropolitan Auditor.

Meeting agendas and minutes/proceedings are to be posted directly to the Metropolitan Nashville Audit Committee page on Nashville.gov at: <http://www.nashville.gov/Government/Boards-and-Commissions.aspx>. Meeting agendas and minutes/proceedings postings should be prepared in a searchable electronic format.

Meeting agendas will be posted six calendar days in advance of the meeting date. Approved meeting minutes will be posted within two workdays of approval by the Committee.

Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of June 15, 2021

Audit Plan Year February 2021 to January 2022	Report Phase					
	Projects	Planning	Fieldwork	Report	Draft	Final
1) Juvenile Court Clerk Cash Collections and Trust Management						Mar-21
2) Emergency Communication Center						Mar-21
3) Metro Water Services Water Billing						Mar-21
4) NGH Procurement Follow-Up						Apr-21
5) NGH Pharmacy Operations Follow-Up						Mar-21
6) Fund Restrictions, Commitments, and Assignment						Jun-21
7) MNPD Fiscal Management			✓			
8) Public Defender			✓			
9) Public Works Revenues			✓			
10) Metro Nashville Employee Benefit Board Pension Investments			✓			
11) Health Department IT Security and Governance (<i>Kraft CPAs</i>)			✓			
12) Municipal Auditorium Follow-Up						Apr-21
13) MNPS Procurement Process	✓					
14) Codes Complaints Process	✓					
Completed Investigations						Final
Metro Integrity Line Alerts - February 2021 to February 2022			Total	Closed	Pending	
Metro Hotline Alerts (Fraud, Waste, & Abuse)			3	0	3	

Note: Goal to complete 17 audit projects for Plan Year 2021. Currently 7 completed audit projects.

**Metropolitan Nashville Office of Internal Audit
2021 Recommended Work Plan**

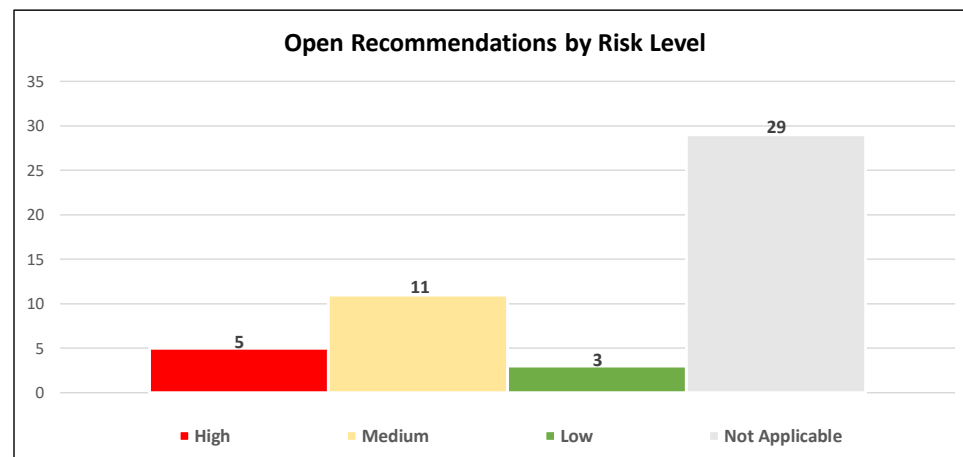
*Co-source		CY 2020 Audits In Progress / Carry Forward	Budget Hours	Status
1	Emergency Communications Center		200	Issued
2	Juvenile Court Clerk		200	Issued
3	Metro Water Services Billing Process		200	Issued
4	Fund Assignments, Restrictions, and Commitments		300	Issued
5	MNPD Fiscal Management		600	Fieldwork
6	Nashville General Hospital Follow-Ups: Pharmacy and Procure to Pay		150	Issued
7	Barnes Fund Operations and Follow-Up (<i>Carry Forward</i>)		800	
8	Public Works Revenue Collections (<i>Carry Forward</i>)		600	Fieldwork
9	Metropolitan Nashville Employee Benefit Board Pension Investments (<i>Carry Forward</i>)		800	Fieldwork
10	Office of Internal Audit Peer Review (<i>Carry Forward</i>)		100	
CY 2021 New Audit Areas				
11	Coronavirus Aid, Relief, and Economic Security (CARES) Spending Process		800	
12	Metro Water Services Water and Sewer Collections		800	
13	Metro Codes Complaints Process		600	Planning
14	Public Works Parking Management		600	
15	Public Defender		600	Fieldwork
16	Agricultural Extension Service		600	
17	Hotel Occupancy Tax Audits – 2021		400	
18	Nashville General Hospital Human Resources Process		800	
19	Metro Nashville Public Schools Procurement		800	Planning
Information Technology Risk				
20*	Enterprise Assessment of Departmental Information Security		400	
21*	Health Department – Information Technology Security Management and Governance		200	Fieldwork
Audit Recommendation Follow-up				
22	Recommendation Implementation Follow-Up Audits		800	Ongoing
Total Audit Services			11,350	

**Metropolitan Nashville Office of Internal Audit
2021 Recommended Work Plan**

Other Potential Audit Engagements		
A	Metro Nashville Disaster Recovery Planning Process	800
B	General Services Building Maintenance	600
C	Metropolitan Council Staff	600
D	Open Records Request Fulfillment Process	600
E	Nashville General Hospital Billing	800
F	Social Services – Homeless Impact Division	600
G	Metro Water Services – Soil and Conservation	600
H	Sheriff Work Release and Inmate Trust	800
I	Sold Property Tax Receivables	600
	<i>Total Other Potential Audit Engagements</i>	<i>6,000</i>
Total Recommended 2021 Audit Services Effort		
	Audit Services	11,350
	Investigation Services	1,200
	Special Projects	400
	Unforeseen Requests	800
	<i>Total</i>	<i>13,750</i>

Implementation Status Update as of June 15, 2021

Audit Department List	Year	# Accepted	Open Recommendations Before Follow-Up	Implementation Due by 6/15/2021	Open Recs After Response	Notes
Industrial Development Board	2013	6	1	X	0	
Assessor's Office	2014	14	3		3	
Historic Zoning and Historical Commission Work Force	2015	7	1		1	
Parks and Recreation Maintenance Division	2015	2.5	1		1	
General Government Occupational Safety Program	2017	24	23		23	
DCSO Information Technology Security Practices (CONFIDENTIAL)	2017	45	2		2	
Finance Department Procurement And Business Assistance Office	2018	13	2		1	
ITS Software Asset Management	2018	4	1	X	0	
Metro Water Services Fire Hydrant Inspections	2018	10	2	X	2	See Revised Dates
NGH Procurement to Pay Process	2018	11	4	X	0	Follow-up issued 5/13/21
Development Conditions	2019	5	4	X	0	
Municipal Auditorium	2019	6	0		4	Follow-up issued 5/24/21
NGH Pharmacy Operations	2019	17	1		1	
Metro Parks and Recreation Relationships with Nonprofits	2020	2	1		1	
Election Commission Information Systems	2020	8	1		1	
MNPS Capital Projects Process	2020	4	1		1	
Criminal Justice Center Project	2020	5	1		1	
Trustee	2021	7	2		2	
Metro Water Services Billing Process	2021	2	2	X	1	
Juvenile Court Clerk Cash Collections and Victims' Trust	2021	8	2	X	0	
Emergency Communications Department	2021	2	2	X	1	
Fund Commitments, Restrictions, and Assignments	2021	2	2		2	
			59		48	



**Recommendation Implementation Changes
As of June 15, 2021**

Audit/Investigation Name	Responsible Entity	Observation	Response	Due Date	Risk	Latest Update	Revised Due Date
Fire Hydrant Inspection and Maintenance Process	Metro Water Services	Review repair data over a certain period to determine if priority codes need to be revised to suit current operational conditions.	Accept – MWS is currently reviewing products to replace Mobile Workforce Management (MWM). We will review the priority codes when we implement the new software.	6/30/2021	N/A	An RFP was put out in 2020 for mobile workforce management. However, with the addition of Waste Services to MWS, the scope of the Mobile Workforce Management RFP changed significantly. That required Purchasing to cancel the RFP that was put out in late 2020 and never awarded. They will put a revised RFP out in the coming months.	12/31/2021
Fire Hydrant Inspection and Maintenance Process	Metro Water Services	Periodically sample and review hydrant information in Hansen for reasonableness and retain evidence of such reviews. This should include hydrants that have in-service (IS) status but have no inspection and flow-test data.	Accept – Hydrant data is reviewed but repair times from MWM are not changed. MWS is evaluating new software to replace MWM to address the problems with reliable timestamps. System Services and Engineering will review the in-service process.	6/30/2021	N/A	An RFP was put out in 2020 for mobile workforce management. However, with the addition of Waste Services to MWS, the scope of the Mobile Workforce Management RFP changed significantly. That required Purchasing to cancel the RFP that was put out in late 2020 and never awarded. They will put a revised RFP out in the coming months.	12/31/2021

**Office of Internal Audit Budget versus Actual
GSD General Fund as of June 15, 2021
FY 2021 Approved Budget**

		FY 2021 Budget	Actual	Difference	Notes
Total Salaries & Fringe		\$ 1,194,500	\$ 819,661	\$ 374,839	
Other Expenses					
Professional & Purchased Services		\$ 195,800	\$ 49,954	145,846	
Building Rent Parkway Towers		\$ 55,500	\$ 56,053	(553)	
Other Expenses		\$ 78,000	\$ 49,271	28,729	
Internal Service Fees		\$ 43,500	\$ 43,500	-	Information Technology
TOTAL EXPENSES		\$ 1,567,300	1,018,439	\$ 548,861	65% of budget used to date

Office of Internal Audit Budget History				
For the year ending June 30,	Co-sourcing Audit Budget	Total Budget	Co-sourcing Percent of Budget	FTE
2008	\$ 500,000	\$ 1,477,000	34%	10
2009	231,000	1,481,600	16%	13
2010	112,000	1,262,000	9%	12
2011	234,000	1,359,800	17%	11
2012	165,000	1,265,400	13%	10
2013	156,200	1,277,900	12%	10
2014	60,200	1,179,300	5%	10
2015	45,100	1,214,900	4%	10
2016	75,100	1,290,400	6%	10
2017	125,100	1,382,900	9%	10
2018	248,000	1,545,700	16%	10
2019	248,000	1,566,100	16%	10
2020	248,000	1,574,900	16%	10
2021	195,800	1,565,100	13%	10

Metropolitan Nashville Office of Internal Audit

Executive Team

Lauren Riley

MAcc, CPA, CIA, ACDA, CMFO
Metropolitan Auditor

Project and Office Management Leadership

William (Bill) Walker

CPA, CIA, CFE

Audit Manager

Seth Hatfield

MAcc, CPA, CIA, CFE

Principal Auditor

Project Quality, Milestone/Project Budget Monitoring, Hotline Support,
Training Plans, GAGAS Compliance, Office Support, etc.

Audit Talent Pool

Innocent Dargbey

MS-Finance, MBA,
CPA, CMFO
Senior Auditor

James Carson

MBA, CIA, CFE
Senior Auditor

Mary Cole

MAcc, CPA, CFE, CISA,
CGFM
Senior Auditor

Nan Wen

MS-Info Sys, MS-
Acctg, CPA
Senior Auditor

Laura Henry

MAcc, CFE
Senior Auditor

(Vacant Position)

Auditor I

(Vacant Position)

Auditor I

**METROPOLITAN NASHVILLE AUDIT COMMITTEE
2021 MEETING PLAN**

Meeting Date	Proposed Agenda Topics
February 9, 2021 (Tuesday)	<ul style="list-style-type: none"> • Office of Internal Audit Annual Performance Report • Internal Audit Annual Work Plan approval • Internal Audit issued report discussion • Open Audit Recommendations Status
April 13, 2021 (Tuesday)	<ul style="list-style-type: none"> • Election of Chairman and Vice Chairman • External Audit Single Audit and Management Letter presentation • Metropolitan Auditor performance review • Internal Audit issued report discussion • Open Audit Recommendations Status
June 22, 2021 (Tuesday)	<ul style="list-style-type: none"> • FY2020 External Audit plan and required communications • Internal Audit issued report discussion • Open Audit Recommendations Status
September 14, 2021 (Tuesday)	<ul style="list-style-type: none"> • Metropolitan Audit Committee self-assessment • Bylaws annual review • Internal Audit issued report discussion • Open Audit Recommendations Status • External Audit Comprehensive Annual Financial Report Audit Progress Executive Session
November 23, 2021 (Tuesday)	<ul style="list-style-type: none"> • Internal Audit issued report discussion • Open Audit Recommendations Status • External Audit Comprehensive Annual Financial Report Audit Progress Executive Session
December 14, 2021 (Tuesday)	<ul style="list-style-type: none"> • External Audit Comprehensive Annual Financial Report • Open Audit Recommendations Status • Internal Audit issued report discussion

Audit Committee

Metropolitan Code of Laws Section 2.24.300
Term-varied
6 Members

		<u>Date of Appt.</u>	<u>Term Exp.</u>
Mr. C. Thomas Bates	Vice Chair	3/22/2021	3/31/2025
5257 Fredericksburg Way East Brentwood, TN 37027- (615) 504-2425 tombates@bcpas.com Representing: Nashville Chapter of the TSCPA			
Mr. Kevin Crumbo	Ex Officio	10/15/2019	8/31/2023
One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151 kevin.crumbo@nashville.gov Representing: Director of Finance			
Mr. Thom Druffel		10/15/2019	8/31/2021
One Public Square, Suite 204 Nashville, TN 37219- (615) 432-1323 thom.druffel@nashville.gov Representing: Metropolitan Council			
Mr. Brack Reed	Chair	2/20/2015	3/20/2023
222 Second Avenue South #1400 Nashville, TN 37201- (615) 770-8100 brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce			
Vice Mayor Jim Shulman	Ex Officio	9/6/2018	8/31/2023
One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357 jim.shulman@nashville.gov Representing: Vice Mayor of Metropolitan Government of Nashville			
Ms. Zulfat Suara		10/15/2019	8/31/2021
One Public Square, Ste. 204 Nashville, TN 37219-6300 (615) 585-2558 zulfat.suara@nashville.gov Representing: Metropolitan Council			

Metropolitan Nashville Audit Committee

Executive Session Checklist

- The published agenda must disclose the general nature of the items to be discussed in executive session.
See, T.C.A. §9-3-405(f)
- All business which is public in nature shall be conducted first.
See, T.C.A. §9-3-405(g)(1)
- During the regular public session committee must vote to go into private executive session. Must obtain a majority to be successful.
See, T.C.A. §9-3-405(d)
- Chair must announce during the public portion of the meeting that no business other than the matters stated generally on the published agenda shall be considered during the confidential executive session.
See, T.C.A. §9-3-405(e)
- Adjourn the public portion of the meeting.
See, T.C.A. §9-3-405(g)(2)
- Only individuals whose presence is reasonably necessary in order for the committee to carry out its executive session responsibilities may attend the portion of the executive session relevant to that person's presence.
See, T.C.A. §9-3-405(h)

Permissible Executive Session Subject Matter

1. Items deemed not subject to public inspection under §§ 10-7-503 and 10-7-54, and all other matters designated as confidential or privileged under this code
2. Current or pending litigation and pending legal controversies
3. Pending or ongoing audits or audit related investigations
4. Information protected by federal law
5. Matters involving information under § 9-3-406 where the informant has requested anonymity
See, T.C.A. § 9-3-405(d)