

**METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON  
COUNTY**



**METROPOLITAN NASHVILLE  
AUDIT COMMITTEE**

**WORKBOOK**

**February 12, 2019**

*"Where opposing political groups previously expressed frustration with each other, they now express fear and anger."*

*-The Global Risks Report 2019-*

## Top 5 Concerns

The risks that business executives and owners worry about most today remain consistent with their worries from years past.

Of the five key risks tracked year over year, medical cost inflation continues to rank as the most worrisome to businesses overall, followed closely by cyber, computer, technology, and data breaches and risks. Another financial worry – increasing employee benefits costs – is number three. Legal liability (including the risk of the business being sued) and the ability to attract and retain talent and skilled labor rank fourth and fifth.

### THE MOST WORRISOME RISKS REMAIN THE SAME AS IN EARLIER YEARS: MEDICAL COSTS, CYBER RISKS AND EMPLOYEE BENEFITS

- Worry a great deal about this affecting my business
- Worry some about this

	Worry a great deal/some			
	2017	2016	2015	2014
Medical cost inflation	61%	59%	60%	67%
Cyber, computer, technology, and data breaches and risks	56%	54%	58%	53%
Risk of increasing employee benefits costs	55%	56%	56%	62%
Legal liability (including the risk of your business being sued)	51%	51%	56%	58%
Ability to attract and retain talent/appropriately skilled staff/labor	51%	50%	53%	50%
Understanding and complying with U.S. government laws and regulations	47%	45%	51%	52%
Broad economic uncertainty	46%	48%	51%	57%
Financial issues, including access to capital and cash flow risks	44%	43%	49%	47%
Employee safety, including workplace violence	37%	36%	43%	39%



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**METROPOLITAN NASHVILLE  
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA  
February 12, 2019 4:00 p.m.**

**Committee Room 2  
205 Metropolitan Courthouse**

- I. Call Meeting to Order (Brackney Reed - Committee Chairman)
- II. Approval of Minutes for December 11, 2018, meeting (Brackney Reed – Committee Chairman)
- III. Fraud Waste and Abuse Hotline and Investigation Update (Mark Swann – Metropolitan Auditor)
  - Fraud, waste, and abuse hotline activity services update
    - Revised Investigation Report Collier Engineering issued January 24, 2019. (Mark Swann – Metropolitan Auditor)
    - Metropolitan Nashville Public Schools Procurement Matters Investigation Report issued February 7, 2019. (Mark Swann – Metropolitan Auditor)
- IV. New Business
  - Discussion on request received from Council Member Vercher for an audit of certain architecture and/or engineering firms which conduct significant levels of business with the Metropolitan Nashville Government. (Mark Swann – Metropolitan Auditor)
  - Discussion on draft Memorandum of Understanding between the Metropolitan Nashville Board of Public Education and the Metropolitan Nashville Audit Committee. (Mark Swann – Metropolitan Auditor)
  - Discussion on the audit of General Sessions Traffic Court issued January 28, 2019. (KraftCPA)
  - Discussion on the audit of the Follow Up for ITS Radio Communications issued January 24, 2019. (Nan Wen-Auditor)
  - Discussion on the audit of the Audit of Parks and Recreation Wave Country Operations issued December 28, 2018. (Seth Hatfield-Senior Auditor)
  - Discussion on the audit of the Follow Up for Short Term Rental Permitting Process issued January 4, 2019. (Ted Ciuba-Auditor)
  - Discussion on the audit of the Register of Deeds issued January 24, 2019. (Nan Wen-Auditor)
  - Discussion on the audit of the Hotel Occupancy Taxes July 2016 through January 2019 issued February 1, 2019. (Mark Swann – Metropolitan Auditor)
  - Discussion of the Office of Internal Audit Recommended 2018 Annual Work Plan (Mark Swann – Metropolitan Auditor)

**METROPOLITAN NASHVILLE**  
**METROPOLITAN AUDIT COMMITTEE MEETING AGENDA**  
**February 12, 2019 4:00 p.m.**

- V. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
  - On-going projects
  - Recommendation implementation follow-up status
  
- VI. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
  - FY2019 budget status / FY2020 Recommended Budget
  - Office of Internal Audit 2018 Performance Report and Metropolitan Nashville Audit Committee Annual Report to the Metropolitan Nashville Council
  
- VII. Consideration of Items for Future Meetings (Brackney Reed - Committee Chairman)
  
- VIII. Adjournment of Public Meeting – Next Meeting Tuesday, April 9, 2019.
  
- IX. Call for a motion to enter executive session (Brackney Reed - Committee Chairman)
  
- X. Executive Session Agenda – (Brackney Reed - Committee Chairman)
  - Discussion of pending or ongoing audits or investigations. (Mark Swann – Metropolitan Auditor)

**METROPOLITAN NASHVILLE**  
**METROPOLITAN AUDIT COMMITTEE MEETING AGENDA**  
**February 12, 2019 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. § 9-3-405<sup>1</sup>):

- Items deemed not subject to public inspection under T.C.A. §§ 10-7-503<sup>2</sup> and 10-7-504<sup>3</sup> 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. § 9-3-406<sup>4</sup> where the informant has requested anonymity.



To request an accommodation, please contact Mark Swann at (615)862-6158.

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

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

<sup>3</sup> T.C.A. § 10-7-504. Confidential records.

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

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# METROPOLITAN NASHVILLE AUDIT COMMITTEE MEETING MINUTES

**DRAFT**  
**December 11, 2018**

On Tuesday, December 11, 2018, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> Floor, Committee Room 2. The following people attended the meeting:

## Committee Members

Brackney Reed, Chamber of Commerce  
Charles Frasier, Tennessee Society of CPAs  
John Shulman, Vice-Mayor  
John Cooper, Council Member  
Bob Mendes, Council Member  
Talia Lomax-O'dneal, Director of Finance

## Others

Mark Swann, Metropolitan Auditor  
Theresa Costonis, Department of Law  
John Crosslin, Crosslin  
David Hunt, Crosslin  
Lindsey Ellis, Crosslin  
Phil Carr, Department of Finance  
David Sturtevant, Division of Local  
Government Audit, State of Tennessee

*Quorum present? Yes*

## **CALL MEETING TO ORDER**

Mr. Brackney Reed called the meeting to order.

## **APPROVAL OF MINUTES**

A **motion** to approve the November 27, 2018, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for December 11, 2018, was made, seconded, and carried.

## **NEW BUSINESS**

Presentation by the Division of Local Government Audit, Tennessee Comptroller of the Treasury on external auditor contracting and review of annual financial statements.

Mr. David Sturtevant gave a brief overview of the roles and responsibilities of the Division of Local Government Audit within the Tennessee Comptroller of the Treasury. Mr. Sturtevant advised his division is responsible for the external audit of all 95 counties in Tennessee. Mr. Sturtevant advised the Metropolitan Nashville Government is one of five counties in Tennessee where the external audit is contracted out to a third party. Mr. Sturtevant outlined the Division of Local Government Audit's responsibilities regarding the contracted work. The Metropolitan Nashville Government has received the Certification of Achievement award for the high quality of its financial reporting for several years from the Government Finance Officers Association. Mr. Sturtevant advised his division also conducts periodic Peer Reviews on contracted audits to ensure they are conducted in accordance with Governmental Auditing Standards. A Peer Review was conducted on Crosslin with no deficiencies noted.

Brackney Reed asked if other local/county governments had an internal audit function. Mr. Sturtevant advised he was aware of internal audit functions in Shelby and Hamilton Counties. Brackney Reed asked these internal audit functions were independent. Mr. Sturtevant advised no.

Presentation of the Metropolitan Nashville Government Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

Mr. John Crosslin presented the audit results for the fiscal year 2018 Comprehensive Annual Financial Report. Engagement team members, responsibilities, independence, fraud risk, deliverables, and the audit methodology were all summarized. Mr. David Hunt advised the audit opinion for the Nashville General Hospital would be issued shortly. Mr. Crosslin went through upcoming accounting developments.

Talia Lomax-O'dneal inquired about how the instances of fraud that had occurred within the Metropolitan Nashville Government during the fiscal year impacted Crosslin's audit engagement. Mr. Crosslin advised that the instances of fraud that occurred were not considered material as they relate to the financial statements. Ms. Lomax-O'dneal inquired about the fraud that took place at the Traffic School regarding theft of money and if any additional test work was conducted. Mr. Hunt advised the materiality was well beneath their threshold. However, Crosslin does look at applicable internal controls. Crosslin also must report to the State of Tennessee Comptroller's Office how they considered the instances of fraud in conducting the audit. Mr. Sturtevant advised external auditors are required to report the amount of any stolen monies to the Comptroller's Office. The Comptroller's Office will monitor the amount until restitution is made or amounts are written off. Crosslin also monitors the amounts to determine if it is material to the financial audit.

Council Member Cooper inquired if fund balances were based on an accrual or cash basis. Mr. Crosslin advised fund financial statements utilize modified accrual basis. Government-wide financial statements utilize full accrual. Council Member Cooper advised the \$59 million fund balance was higher than expected. Ms. Lomax-O'dneal advised that it was true due to actions taken by management. A discussion ensued over what makes up the difference between the \$59 million fund balance and the estimated fund balance presented to the Metropolitan Nashville Council during the budget process.

Council Member Mendes stated that audits for component units are not available online for the public to view. Council Member Mendes inquired what could be done to make these audit reports available. Mr. Mark Swann advised they are located on the Comptroller of Tennessee's website. Council Member Mendes suggested the public generally looks to the Metropolitan Nashville Government's website and is unaware the reports are located elsewhere.

**Action Item:** Council Member Mendes requested component units financial reports be put on the Metropolitan Nashville Government's website. Council Member Mendes also requested the fraud reporting information submitted by Crosslin to the Comptroller's Office be included on the Metropolitan Nashville Government's website.

A **motion** to accept the Metropolitan Nashville Government Comprehensive Annual Financial Report for the Year Ended June 30, 2018, was made, seconded, and carried.

Discussion on the Follow Up Audit of Human Relations Commission issued December 6, 2018.

Mr. Mark Swann provided a summary of the scope, objectives, and recommendations related to the follow-up audit.

Other Administrative Matters

Mr. Swann presented the proposed six meeting dates for the next calendar year. Mr. Swann also went over project status and budget matters.

The public meeting adjourned after approximately 50 minutes.

The minutes for the December 11, 2018, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

Mark Swann  
Secretary, Metropolitan Nashville Audit Committee



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## METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

January 24, 2019

Mr. Mark Stueverant  
Metro Public Works  
Director

Ms. Monique Odom  
Metro Parks and Recreation  
Director

Mr. Scott Potter  
Metro Water Services  
Director

Ms. Talia Lomax-O'dneal  
Metro Finance Department  
Director

Ms. Michelle Hernandez-Lane  
Metro Nashville Government  
Purchasing Agent

Dear Mr. Sturtevant, Ms. Odom, Mr. Potter, Ms. Lomax-Odneal, and Ms. Hernandez-Lane

### COLLIER ENGINEERING, INC. INVESTIGATION – REVISED REPORT

The Metropolitan Office of Internal Audit received a formal request from Mayor David Briley on May 7, 2018, to investigate the allegation that Collier Engineering, Inc. was improperly entertaining various officials within the Metropolitan Nashville Government. Several other complaints were also made related to Collier Engineering, Inc.'s working relationship with the Metropolitan Nashville Government. The final report on this matter was released on October 26, 2018, and discussed during the November 27, 2018, Metropolitan Nashville Audit Committee meeting.

The attached revised report includes Metropolitan Nashville Government's management responses, and corrective action plans to the investigation report recommendations and additional information requested by the Metropolitan Nashville Audit Committee.

- A motion to have the Metropolitan Nashville Office of Internal Audit staff supplement the investigation report to lay out an analysis of the circumstantial evidence that was collected compared to the preponderance of evidence standard was made, seconded, and carried.

See the revised Allegation A, 'Discussion and Analysis' section on page 13 of the revised report.

- A motion to have the Metropolitan Nashville Office of Internal Audit staff add a recommendation to the investigation report that all involved personnel be reassigned so as not to work on Collier Engineering, Inc. related matters to address the appearance of preferential treatment was made, seconded, and carried.

See recommendation one on page 24 of the revised report.

January 24, 2019

Collier Engineering, Inc. Investigation – Revised Report

Page 2

- A motion to have the Metropolitan Nashville Office of Internal Audit staff supplement the investigation report to point out which specific language in the scope of services with Collier Engineering, Inc. can be considered related to the work performed was made, seconded, and carried.

See 'Background' section for Allegation B on pages 14 – 15 of the revised report.

- A motion to have the Metropolitan Nashville Office of Internal Audit staff to clarify the investigation report by providing a specific timeline for the events related to Allegation H such as when the Office of Internal Audit became aware of the matter and when the Metro Nashville Public Works Department pursued a remedy to the matter was made, seconded, and carried.

See 'Allegation Timeline' section on pages 21 - 22 of the revised report.

- A motion to have the Metropolitan Nashville Office of Internal Audit staff to supplement the investigation report to point out the specific language in the Collier Engineering, Inc. contract scope of services related to the Allegation H complaint matters was made, seconded, and carried.

See 'Background' section for Allegation B on pages 14 – 15 of the revised report.

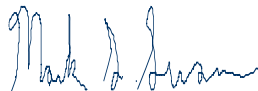
- A motion to have the Metropolitan Nashville Office of Internal Audit staff request each applicable department head to provide a corrective action plan for the investigation report was made, seconded, and carried.

See management's response in 'Appendix A' for the revised report.

Also, the HHM Certified Public Accountants review of Collier Engineering, Inc.'s billing practices and internal controls around billing is available in 'Appendix B' for the revised report.

Work for this request is closed. Please contact me should you have any further questions concerning this matter.

Sincerely,



Mark S. Swann

Enclosure

cc: Honorable Mayor David Briley

Metropolitan Nashville Audit Committee

Jon Cooper, Director, Department of Law

Theresa Costonis, Attorney, Department of Law

Chad Collier, President, Collier Engineering, Inc.

Saul Solomon, Klein Bussell PLLC. , Attorney for Collier Engineering, Inc.



## APPENDIX A – MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendation for management of Public Works to:</i>		
<p><b>A.1</b> Take appropriate administrative action to cure the appearance of preferential treatment being given to contractors. Administrative action should include reassigning involved personnel tasks so as they are not participating in Collier Engineering, Inc. related matters.</p>	<p><b>Reject Due to:</b></p> <ul style="list-style-type: none"> <li>• Public Works has accepted and complied with the initial audit findings presented to the Audit Committee in November 2018. (Reference A2 and A3 below) Public Works believes the actions we have already taken (see below) are the appropriate response to the appearance of preferential treatment. Public Works would take the step of reassigning employees if anything of this type should reoccur in the future after the employee had already received documented counseling regarding this issue and received ethics training.</li> <li>• The audit found no actual preferential treatment given to a contractor. Metro currently has procedures and processes designed to eliminate the possibility of preferential treatment. Contracts are awarded based on Procurement Code and procedures in accordance with Title IV using the RFP process.</li> <li>• In accordance with applicable Civil Service Rules and Policies, reassignment of duties would be warranted if violations and related discipline occurred. Because the audit yielded no such violation that would trigger this process, the current actions appropriately address the findings in the audit.</li> </ul>	<p>N/A</p>
<p><b>A.2</b> Provide training for employees on Metro Code of Law Sections 4.48.030 and 4.48.050 regarding ethics in public contracting and Metro Code of Law Section 2.222.020 general standards of ethical conduct, and conflict of interest.</p>	<p><b>Accept:</b> These employees as well as all Public Works employees have either completed or are scheduled to receive training from the Metro HR department that covers all the Codes and issues listed. These employees have also been individually counseled and have formal documentation in their employee file acknowledging such.</p>	<p><i>03/31/2019</i> For entire PW department employees.</p> <p>Affected employees completed training on 11/26/2018.</p>
<p><b>A.3</b> Ensure that credit for all reworks for Metropolitan Nashville Public School Sidewalk Projects are received by Collier Engineering, Inc.</p>	<p><b>Accept:</b> Check from Collier Engineering for rework cost was received and deposited in November.</p>	<p><i>11/2018</i></p>

## APPENDIX A – MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendation for management of Metro Water Services to:</i>		
<p><b>B.1</b> Take appropriate administrative action to cure the appearance of preferential treatment being given to contractors. Administrative action should include reassigning involved personnel tasks so as they are not participating in Collier Engineering, Inc. related matters.</p>	<p><b>Accept:</b> The assignment process for capital design projects is completed by an uninvolved employee. Projects are assigned on a rotating basis.</p> <p>Inspections conducted by Collier are assigned and monitored by an uninvolved employee.</p> <p>The Collier employee who had been in residence providing administrative support for SW projects has returned to the Collier Offices, reducing any appearance of preferential treatment.</p> <p>An advertisement for Financial Officer II closes 1-18-2019. Once a candidate is selected the need for the Collier employee will be eliminated.</p>	<p><i>3-15-2018</i></p>
<p><b>B.2</b> Provide training for employees on Metro Code of Law Sections 4.48.030 and 4.48.050 regarding ethics in public contracting and Metro Code of Law Section 2.222.020 general standards of ethical conduct, and conflict of interest.</p>	<p><b>Accept:</b> All personnel involved in the RFP/ITB process and their supervisors have reread these code sections as well as the associated executive order.</p> <p>Additionally, Ethics training was conducted on December 13, 2018, by Terri Costonis (Legal) to our Process Owners Meeting which represents mid-level to senior management personnel.</p>	<p><i>Completed</i></p>

**APPENDIX A – MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS**

<i>Recommendation for management of Parks and Recreations to:</i>		
<p><b>C.1</b> Take appropriate administrative action to cure the appearance of preferential treatment being given to contractors. Administrative action should include reassigning involved personnel tasks so as they are not participating in Collier Engineering, Inc. related matters.</p>	<p><b>Partially Accept:</b> Appropriate administrative action has been taken to cure the appearance of preferential treatment being given to contractors.</p> <p>Corrective Action: The employee involved has been counseled with documentation placed in his personnel file, and trained on Metro Code of Law Sections 4.48.030 and 4.48.050 regarding ethics in public contracting and Metro Code of Law Section 2.222.020 general standards of ethical conduct, and conflict of interest.</p> <p>Taking into consideration that the appearance of impropriety can be as negatively impactful as actual impropriety, the remorsefulness expressed by the employee for his error in judgment, the restitution made by the employee, the employee’s performance and years of service to Metro, appropriate corrective action has been taken.</p> <p>While it is not feasible to reassign the employee at this time, there are controls innate to the procurement process to mitigate the risk of impropriety and/or preferential treatment. The employee has not and will not solely select contractors. Individuals independent of the Parks department will oversee the procurement process/activities to ensure fairness.</p>	<p>11/05/2018</p>

## APPENDIX A – MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS

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<p><b>C.2</b> Provide training for employees on Metro Code of Law Sections 4.48.030 and 4.48.050 regarding ethics in public contracting and Metro Code of Law Section 2.222.020 general standards of ethical conduct, and conflict of interest.</p>	<p><b>Accept:</b> Metro Code of Law Section 2.222.020 general standards of ethical conduct, and conflict of interest was distributed to Parks staff both on July 6, 2018, and November 8, 2018. A training for senior staff employees on Metro Code of Law Sections 4.48.030 and 4.48.050 regarding ethics in public contracting and Metro Code of Law Section 2.222.020 general standards of ethical conduct, and conflict of interest was conducted by the Metro Legal Department on November 8, 2018. Training for all appropriate staff will be ongoing.</p>	<p>12/31/2018 Ongoing</p>
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## METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

February 7, 2019

Dr. Shawn Joseph  
Metro Nashville Public Schools  
Director

Dear Dr. Joseph,

METROPOLITAN NASHVILLE PUBLIC SCHOOLS PROCUREMENT INVESTIGATION

### Sources of Allegations

The Metropolitan Nashville Office of Internal Audit began receiving allegations about Metropolitan Nashville Public Schools' purchasing activities in March 2018. The allegations were made through telephone calls, the Metro Nashville Fraud Waste or Abuse Hotline, and interviews.

### Purpose of Investigation

The Metropolitan Nashville Office of Internal Audit conducts internal investigations of potential violation of governance policies established for the Metropolitan Nashville Government or investigations of potential fraud, waste, and abuse. Investigation requests are received from the management of the Metropolitan Nashville Government or tips received from the Metropolitan Nashville Government fraud, waste, and abuse hotline.

Any findings or observations of potential fraud and other criminal acts would be referred to the 20th Judicial District Attorney Office, Metropolitan Nashville Police Department, or other appropriate agency. Any findings related to employee misconduct, waste, abuse; as well as process inefficiencies and deficient internal controls would be forwarded to the management of the Metropolitan Nashville Government for corrective action.

We conduct investigations and create reports using the Standards of the Association of Certified Fraud Examiners as a guide. The standard of "preponderance of the evidence" is used as a basis for substantiating or not substantiating an allegation. Key definitions used during investigations include:

- Preponderance of Evidence – A certain set of facts "more likely than not" occurred.
- Substantiated – The preponderance of the evidence collected during the investigation indicates that the incident occurred.

February 7, 2019

METROPOLITAN NASHVILLE PUBLIC SCHOOLS PROCUREMENT INVESTIGATION

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- Unsubstantiated - The evidence collected during the investigation indicates there was not a preponderance of the evidence to support the allegation or that the evidence collected during the investigation was conflicting or inconclusive.

The Metropolitan Nashville Office of Internal Audit discovery of evidence is primarily from Metropolitan Nashville Government's personnel testimonial statements, financial and operations records, and information assets (computers, email, mobile phone, and so forth). Personal private information assets and financial and operations records will be reviewed when voluntarily provided by parties involved in an investigation or contractual audit clauses facilitate such reviews.

The purpose of this investigation is to determine if there were any matters of improper use of public resources by Metropolitan Nashville Public Schools that would require management action or referred to other appropriate agencies.

### **Background**

This report regards the documentation of the compliance or noncompliance with particular purchasing policies, federal regulations, and state law, within the context of the allegations that were made. The new management team, assembled by Dr. Shawn Joseph, Director of Schools, July 2016, immediately began to increase the use of vendors for professional development to pursue a new direction in literacy, in an attempt to improve student achievement. This report does NOT evaluate the new trend in literacy, student achievement, methods, or specific products chosen to improve literacy.

Generally, the allegations are the new management team was circumventing purchasing procedures and sometimes federal regulations, and sometimes duplicating services that were already provided, because they were receiving kickback payments from vendors. There were allegations that certain vendors were unqualified. Many of the vendors had more than one allegation, and most allegations pertained to more than one vendor. Unethical activity was suspected with the Educational Research Development Institute and Educational Research Development Institute partner companies. Educational Research Development Institute's business is to test educational products and provide feedback. Dr. Monique Felder, Chief Academic Officer, had disclosed a small amount of fees received from Educational Research Development Institute.

Sometimes the allegations arose from a lack of understanding of policies and laws. Also, the requirements of policies and regulations were not always clearly understood. Some allegations stemmed from differences of opinions on the new direction in literacy and methods to achieve it. Sometimes amounts rumored to have been paid on specific contracts have been inaccurate or unclear because there is no systematic, reliable method to separately identify expenditures for individual contracts and scopes of work within the same contract because of existing computer system limitations. Some allegations arose because knowledge of cooperative (piggybacking) contracting practices was not understood.

### **Summary and Outcome of Investigation**

After performing an investigation of the allegations, and using the preponderance of evidence standard as a basis, the Office of Internal Audit believes:

**Allegation A**

The allegation that consultant Bruce Taylor is not qualified and lacks credentials or qualifications is **unsubstantiated**.

**Allegation B**

The allegation that Metropolitan Nashville Public Schools has paid Northwest Evaluation Association \$963,904, which exceeds the contract value of \$911,000, is **substantiated**.

**Allegation C**

The allegation that Metropolitan Nashville Public Schools was recognized nationally for their climate survey they had worked on with Vanderbilt but Metropolitan Nashville Public Schools paid Panorama for the same climate survey is **unsubstantiated**.

**Allegation D**

The allegation that Dr. Shawn Joseph, Director of Schools, being a member of Learning Forward's board of trustees is a conflict of interest between Metropolitan Nashville Public Schools and its participation with Learning Forward is **unsubstantiated**.

**Allegation E**

The allegation that Sharon Fogler is part of the Hemphill Educational Consultant (Sharon Hemphill) or that Metropolitan Nashville Public Schools split the services between these two vendors to avoid bringing a \$100,000 contract to the Metropolitan Nashville Board of Public Education for approval is **unsubstantiated**

**Allegation F**

1. The allegation the Edgenuity no-bid contract award failed to comply with Metropolitan Nashville Public Schools procurement procedures is **unsubstantiated**.
2. The allegation that Edgenuity consultants duplicates work that employees using existing Metropolitan Nashville Public Schools courses and resources could do is **unsubstantiated**.

**Allegation G**

The allegation the no-bid (sole source) contract award to the Educational Research Development Institute partner company, Amplify, did not comply with Metropolitan Nashville Public Schools procurement policy is **unsubstantiated**.

**Allegation H**

The allegation Metropolitan Nashville Public Schools employees, including Dr. Shawn Joseph, Dr. Sito Narcisse, and wife Maritza Gonzales, and others on the management team, have received undisclosed consulting fees from Educational Research Development Institute partner companies is **unsubstantiated**.

**Allegation I**

The allegation Achievement Network was excessively billing Metropolitan Nashville Public Schools to reach the maximum amount of the contract, and the purchasing process was not followed for awarding this contract is **unsubstantiated**.

**Allegation J**

The allegations that Read America/Read Worldwide is managed or owned by one individual, Ebony Andrews-Hill, managed from her home and Metropolitan Nashville Public Schools is the company's only source of income and may not exist is **unsubstantiated**.

**Allegation K**

The allegation that the 17-6 Request-for-Proposal process was manipulated to award the contract to Discovery Education specifically and that the cost of services from Discovery Education is "somewhere around ten times the cost of competitor services" is **unsubstantiated**.

**Allegation L**

The allegation that Research for Better Teaching services are split between departments; there is a separate contract providing the same service; the same vendor has multiple contracts; someone is getting a kickback; the contract was split into three agreements (one for \$50, another for \$50,000 and another for \$12,000) to circumvent the \$100,000 board approval requirement is **unsubstantiated**.

There was more than one scope of work for Research for Better Teaching. One scope of work was less than \$100,000. If that scope of work had been drafted into a contract before the work was performed, the contract would not have been subject to Metropolitan Nashville Board of Public Education approval. However, the amount paid exceeds the \$25,000 per Contracts Policy FM 2.113 Revision November 2016, and there should have been a contract in place before spending the funds.

**Allegation M**

1. The allegation that Metropolitan Nashville Public Schools paid extra inappropriate expenditures for Moreno Carrasco, a (former) management member when the new administration came in July 2016, paid them for an extended period of time with federal funds, and for "trendy air b&b's" with high costs is **unsubstantiated**.
2. The allegation Metropolitan Nashville Public Schools paid extended temporary housing for other employees, and used federal funds is **unsubstantiated**.

**Allegation N**

The allegation that Metropolitan Nashville Public Schools was preparing to execute a contract with Scholastic as a result of accepting a trip to a conference on Amelia Island, paid by Scholastic was **unsubstantiated**.

**Allegations O**

1. The allegation that the Performance Matters contract is for a data warehouse, even though Metropolitan Nashville Public Schools already had an excellent one is **unsubstantiated**.



February 7, 2019

METROPOLITAN NASHVILLE PUBLIC SCHOOLS PROCUREMENT INVESTIGATION

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2. The allegation that the Metropolitan Nashville Board of Public Education approved a summary of contracts with Performance Matters for \$1.1 million, but the actual contracts filed with the Metro Clerk's office indicates \$1.8 million between the two contracts is **substantiated**. However, this error does NOT appear to have been intentional. The \$698,653 amount paid to Performance Matters for services between December 2016 and June 2018 was less than the \$1.1 million approved by the Metropolitan Nashville Board of Public Education.

**Recommendation for management of the Metropolitan Nashville Public Schools to:**

1. Use the more stringent policy between Metropolitan Nashville Public Schools procurement policy or the federal *Uniform Grant Guidance 200.320* for purchases with federal funds. "*Uniform Grant Guidance 200.320 Methods of Procurement to Be Followed*" requires different methods based on threshold amounts. As of November 2016, the Metropolitan Nashville Public Schools' purchasing policy did not allow exclusions from competition.
2. Document the process of determining the "recognized competence and integrity" when nonfederal funds are used. *Tennessee Code Annotated § 12-3-1209* allows entities to choose educational consultants on the basis of "recognized competence and integrity."
3. Implement a consistent, reliable method to track expenditures per contract and scope of work to ensure contract limits and procurement policies are followed. Existing computer system limitations should be resolved with the planned iProcurement and Oracle Enterprise Business System implementation scheduled for July 2019.

Work for this request is closed. Please contact me should you have any further questions concerning this matter.

Sincerely,



Mark S. Swann

Enclosures

cc: Honorable Mayor David Briley  
Metropolitan Nashville Board of Public Education  
Metropolitan Nashville Audit Committee  
Jon Cooper, Director, Department of Law  
Theresa Costonis, Attorney, Department of Law



## METROPOLITAN COUNCIL

Member of Council

January 30, 2019

Members of the Audit Committee,

In light of continuing revelations regarding the invoice practices of Collier Engineering, Inc., I hereby request that an audit be conducted for certain architectural and/or engineering firms which conduct significant levels of business with the Metropolitan Government, as authorized under Section 2.24.300 of the Metropolitan code of Laws. I respectfully request your approval of this request at your next regularly scheduled meeting of February 12, 2019.

The specific firms for which an audit should be performed as follows:

Civic Engineering and Information Technologies, Inc.  
KCI Technologies, Inc.  
Ragan-Smith & Associates, Inc.  
Gresham Smith & Partners  
Barge Design Solutions, Inc.  
HDR  
CDM Smith, Inc.  
Barge Cauthen & Associates, Inc.  
AMEC Foster Wheeler – now acquired by Wood Group  
CPS Land

If you require additional information substantiating this request, I will plan to attend the February 12<sup>th</sup> committee meeting.

Sincerely,

Tanaka Vercher  
Member of Metro Council, District 28  
Chair, Budget & Finance Committee

CC: Mark Swann

MEMORANDUM OF UNDERSTANDING  
BETWEEN  
METROPOLITAN NASHVILLE AUDIT COMMITTEE AND  
METROPOLITAN NASHVILLE GOVERNMENT DIVISION OF AUDIT  
AND METROPOLITAN NASHVILLE BOARD OF EDUCATION

I. Memorandum of Understanding

This Memorandum of Understanding establishes a collaborative partnership between the Metropolitan Nashville Audit Committee, Metropolitan Nashville Government Division of Audit, commonly referred to as the Metropolitan Nashville Office of Internal Audit (hereinafter “OIA”) and Metropolitan Nashville Board of Public Education (hereinafter “MBPE”) to perform financial audits, performance audits, or other audit services.

II. Purpose of the Memorandum

The purpose of this Memorandum is to define the structure and inner workings between the Metropolitan Nashville Audit Committee, OIA, and MBPE as it relates to two dedicated audit resources that will provide year-round financial audits, performance audits, or other audit services to MBPE.

III. Metropolitan Nashville Board of Public Education Agrees

MBPE will:

1. Fund the cost of the two auditors (approximately \$115,000 each with benefits).
2. Provide adequate workspace for OIA personnel to perform assurance and other audit services.
3. Provide telephone service, computer network access with access to the “Nashville” network domain, access to a copier, and a locked space for working papers.
4. Provide recommendations for assurance and other audit service engagements.
5. Recognize that all assurance service engagements must be approved by the Metropolitan Nashville Audit Committee. All other audit and advisory services will be approved by the Metropolitan Auditor.
6. Ensure, to the extent permitted by the Metropolitan Charter, the OIA, with strict accountability for confidential and safeguarding records and information, shall have access to all MPBE records, agreements, information systems, physical properties, and personnel. Such authority shall include but is not limited to, the ability to review, research, and conduct interviews, along with the ability to have access to any and all necessary documentation to complete the services expected in this agreement.

IV. Metropolitan Nashville Office of Internal Audit Agrees

OIA will:

1. Dedicate two internal audit resources, one Internal Auditor-Senior or equivalent and one Internal Auditor II or equivalent, (approximately 2,600 annual project work hours) to assurance objectives specifically focused on Metro Nashville Public Schools activities.
2. Provide subject-matter experts to complete assurance services competently.
3. Provide day-to-day management and oversight for the internal audit resources.

MEMORANDUM OF UNDERSTANDING  
BETWEEN  
METROPOLITAN NASHVILLE AUDIT COMMITTEE AND  
METROPOLITAN NASHVILLE GOVERNMENT DIVISION OF AUDIT  
AND METROPOLITAN NASHVILLE BOARD OF EDUCATION

4. Perform annually a risk-based assessment of Metro Nashville Public Schools activities to determine the audits to be performed for the subsequent audit year. Input from the MBPE and management will be taken into consideration during this process.
5. Submit all audit engagement project requests received from members of the MBPE to the Metropolitan Nashville Audit Committee for consideration to be included in the annual internal audit work plan.
6. Provide assurance services progress reports to the MBPE or its representative at least quarterly.

V. Structure

The auditors will be predominately located in office space provided by and located at Metro Nashville Public Schools. The auditors will report directly to the management of the OIA and as such will abide by office policies and procedures, Government Auditing Standards, and the standards of any and all professional organizations to which they may belong. In addition, the auditors will be required to attend OIA staff meetings and assigned training. Further, the auditors will be evaluated and any pay increases will be approved by the Metropolitan Auditor. This structure ensures independence, quality assurance, professionalism, and oversight.

VI. Additional Audit Efforts / No Constraints

This agreement does not preclude additional audits of Metro Nashville Public Schools by the OIA above and beyond the audits performed by the two aforementioned auditors. Metro Nashville Public Schools' activities will continue to be part of the Metropolitan Nashville Government audit universe as it relates to the annual audit risk assessment process or any other area that the OIA determines a need to be audited.

VII. Advisory Projects

Ten percent of the dedicated internal audit resources will be available for MBPE advisory projects should the need arise.

VIII. Modifications

Either party may amend this agreement at any time upon ninety (90) days written notice to the Chair, Metropolitan Nashville Audit Committee, Metropolitan Auditor, and Chair, Metropolitan Nashville Board of Education.

IX. Term

The term for this agreement shall be from July 1, 2019, through June 30, 2022, both days inclusive. Either party may terminate this agreement at any time upon ninety (90) days written notice to the Chair, Metropolitan Nashville Audit Committee, Metropolitan Auditor, and Chair, Metropolitan Nashville Board of Education.

Signatures for Memorandum of Understanding between the Metropolitan Nashville Audit Committee, Division of Audit, and Metropolitan Nashville Board of Public Education.



## EXECUTIVE SUMMARY

January 28, 2019



### Why We Did This Audit

In July 2018, an employee was charged with stealing more than \$100,000 from the General Sessions Court Traffic School. The Presiding Judge and Court Administrator for the General Sessions Court believed it to be prudent to review internal controls after this matter became evident.

### What We Recommend

- A record (paper or electronic) of authorized fee waivers should be created.
- Cashiers should have a method for validating a fee waiver presented in place of payment.
- Re-evaluate the need to collect a \$20 rescheduling fee when an attendee reschedules their appointment.
- Cashier drawers should remain locked at all times.
- User access to the OTS computer application should be reviewed for least privilege based on job responsibility.

## BACKGROUND

The General Sessions Court Traffic School is a state licensed training agency of the National Safety Council, the General Sessions Court Traffic School is part of the General Sessions Court's approach to promoting safer driving habits among the Davidson County motoring public.

## OBJECTIVES AND SCOPE

KraftCPAs PLLC was retained to evaluate the design and effectiveness of the internal controls related to the Traffic School for the period July 1, 2015, through June 30, 2018. Areas of audit emphasis included, but were not limited to:

- Safeguarding cash and other assets.
- Processing and recording revenue.
- Processing and recording disbursements.
- Preparation and approval of fee waivers.
- Segregation of duties, including logical access restrictions.
- Compliance with laws and regulations.

## WHAT WE FOUND

The following table identifies the functional area tested where observations exist, along with the number of observations by risk level. Red reflects audit observations that are considered high risk, yellow reflects audit observations of medium risk, and green reflects observations of low risk.

Internal Audit Area	Auditor's Grade	High	Medium	Low	Page
Fee Waiver Management	Unsatisfactory	1	-	-	5
Physical Security of Cash		1	-	-	6
Cashier Accountability		-	1	-	6
Daily Reconciliation and Monitoring		-	1	-	7
Employee Cross-Training		-	1	-	7
OTS Privileged User Access		-	1	-	8
Expense Management		-	-	1	8
Multiple Timekeeping Applications		-	-	1	9
<b>Total</b>			<b>2</b>	<b>4</b>	<b>2</b>

Chart page numbers refer to the KraftCPAs PLLC full report, Appendix A.

## APPENDIX B – MANAGEMENT ACCEPTANCE 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.

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations management of the General Sessions Court Traffic School to:</i>		
<p><b>A.1 Risk: High</b></p> <p>At the time a fee waiver is granted by a Judge, a record (paper or electronic) of the authorized waiver should be created. This record should be separately routed to the individual responsible for performing daily payment reconciliations who should also be independent of the cashiering function.</p>	<p><b>Accept.</b> The General Sessions Judges have approved, and the Circuit Court Clerk has agreed to assume the revenue collection responsibilities via the Traffic Violations Bureau. Such action will occur in phases.</p>	<p>02/15/2019</p> <p>Revenue Responsibility Transfer</p> <p>04/01/2019</p>
<p><b>A.2 Risk: High</b></p> <p>Cashiers should have a method for validating a fee waiver presented in place of payment. For example, cashiers should only accept waivers with the original signature and cashiers should have an example of each judge’s signature to ensure the authenticity of the signature. Alternatively, the cashier could be provided access to an electronic log/record created at the time the fee waiver is granted.</p>	<p><b>Accept.</b> This issue was only an issue with the criminal case related transactions. Judicial fee waivers are now verified by associating the court date posted in the Criminal Justice Info. System (CJIS). All such waivers are analyzed for authenticity and scanned, then sent back to the Judge, if there are any questions.</p>	<p>09/15/2018</p>
<p><b>A.3 Risk: High</b></p> <p>Re-evaluate the need to collect a \$20 rescheduling fee when a Traffic School attendee reschedules their appointment. If management determines that the fee should continue to be collected, policies and procedures should be developed detailing circumstances in which the fee can be waived and the required documentation that should be retained to support the waiver. Systematic controls should be considered that would automatically waive the fee based on defined parameters, and/or limit the ability to waive a fee to an authorized individual separate from the cashiering function.</p>	<p><b>Accept.</b> The standard practice is that a person files a motion to reschedule a class and the General Sessions Judge in Courtroom 1B will determine if the rescheduling is necessary. This would apply to both civil and criminal related cases.</p>	<p>04/01/2019</p>
<p><b>B.1 Risk: High</b></p> <p>Cashier drawers should remain locked at all times, and the key should remain with the cashier assigned to that station. The combination to the safe should be reset and only given to those responsible for the supervision of cashiers.</p>	<p><b>Accept.</b> This is scheduled to be completed by General Services on an interim basis until the Circuit Court Clerk assumes these cash management responsibilities.</p>	<p>02/15/2019</p>

## APPENDIX B – MANAGEMENT ACCEPTANCE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p><b>C.1 Risk: Medium</b></p> <p>Each cashier should be assigned their own cash drawer. The cashier should be responsible for agreeing to opening and closing balances and recording any draws or transfers from their drawer. The ability to assign a cash drawer and perform an out-of-balance override should be limited to those in a cashier oversight role and independent of performing cashiering duties. OTS should be configured to retain an audit log each time an override is performed. The log should include who performed the override, the date, and the amount of the override.</p>	<p><b>Accept.</b> All but the Traffic School Cashiering and Enrollment System (OTS) function should be completed by January 25, 2019.</p> <p>The OTS portion modification will be done by Justice Integration Services (JIS).</p> <p>This will be done on an interim basis until the Circuit Court Clerk assumes these cash management responsibilities.</p>	<p>01/25/2019</p> <p>01/28/2019</p>
<p><b>D.1 Risk: Medium</b></p> <p>The daily payment reconciliation process should be evaluated for effectiveness, and the process should be documented. The updated process should ensure that the reconciliation is performed by someone independent of the cashiering function, errors are identified and resolved, the reconciliation is reviewed for completeness and accuracy, evidence of review is documented, and employees are cross-trained to perform this process.</p>	<p><b>Accept.</b> All daily detail paperwork is proofed for accuracy by the Dept. Manager, who checks off and initials each cashier report. If there are any vouchers, notes are made on the original voucher regarding the approval and initialed by the manager. This process is documented and will be a part of the department standard operating procedure manual.</p> <p>This will be done on an interim basis until the Circuit Court Clerk assumes these cash management responsibilities.</p>	<p>09/06/2018</p>
<p><b>E.1 Risk: Medium</b></p> <p>Processes should be documented in standard operating procedures and employees should be cross-trained to ensure key tasks could be completed in the absence of another employee.</p>	<p><b>Accept.</b> Since the Traffic School is in the process of being reorganized, this will be done in phases.</p>	<p>04/01/2019</p>
<p><b>F.1 Risk: Medium</b></p> <p>User access should be reviewed and access granted based on the principle of least privilege based on job responsibilities. After the initial changes have been made, access to the Traffic School Cashiering and Enrollment System (OTS) should be reviewed on a periodic basis to ensure only appropriate individuals have access to the system and their access is appropriate based on their role.</p>	<p><b>Accept.</b> This request has been forwarded to Justice Integration Services (JIS).</p>	<p>03/01/2019</p>



## APPENDIX B – MANAGEMENT ACCEPTANCE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p><b>G.1 Risk: Low</b></p> <p>Update the approval tiers in EBS to only allow users to have approval authority in one tier to ensure dual approval occurs for all invoices. As EBS only requires two tiers of approval for a department and the Traffic School currently has three, management should consider removing the third tier to assist in achieving proper segregation of duties. Final approval should be completed by the department head.</p>	<p><b>Accept.</b> We will comply with this recommendation.</p>	<p><i>02/15/2019</i></p>
<p><b>H.1 Risk: Low</b></p> <p>Consider using one timekeeping application rather than two. Using one application decreases the risk of incorrect time being entered when reconciling the two systems and enables the use of reporting from one system.</p>	<p><b>Accept.</b> We will evaluate the functionality of both applications to determine if one will meet all our needs.</p>	<p><i>03/01/2019</i></p>



**A Report to the  
Audit Committee**

**Mayor**  
David Briley

**ITS Director and Chief  
Information Officer**  
Keith Durbin

**Audit Committee Members**  
John Cooper  
Charles Frasier  
Talia Lomax-O'dneal  
Bob Mendes  
Brackney Reed  
Jim Shulman

Metropolitan  
Nashville  
Office of  
Internal Audit

**Follow-Up on the Audit of  
Metropolitan Nashville  
Government's Radio  
Communication Division - Public  
(Initial Report Issued November 2, 2015)**

**January 24, 2019**

# Follow-Up on the Audit of Metropolitan Nashville Government's Radio Communication

## EXECUTIVE SUMMARY

January 24, 2019



### Why We Did This Audit

This is the second follow-up audit of the November 2, 2015, Radio Communication Division audit due to the importance of radio communications to public safety.

### What We Recommend

Management of the Radio Communication Division should complete the implementation of the two audit recommendations still in-progress.

## BACKGROUND

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The Office of Internal Audit conducted an audit of Metropolitan Nashville Government's General Services Department Radio Communication Division in 2015. In July 2016, the Radio Communication Division was moved from the General Services Department to the Information Technology Services Department.

The objectives of the initial audit were to determine if:

- Controls are in place to ensure the radio communication system's daily availability of 99.999 percent.
- Metro assets are tracked and safeguarded.
- Radio Shop cost is accurately billed to users and payments tracked.

The audit report included 41 recommendations for improving the Radio Communications Division that were accepted by management of the General Services Department.

On November 10, 2016, a first follow-up audit report was issued on the status of the recommendations implementation of the 2015 Radio Communication Division audit. In this follow-up audit report, 21 recommendations were fully implemented out of the 41 recommendations issued in the 2015 audit report.

## OBJECTIVES AND SCOPE

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The objective of this second follow-up audit is to determine if management's action plans for the remaining 20 prior audit report recommendations have been implemented.

The audit scope covers the status of the remaining 20 open recommendations included in the November 2, 2015, Follow-Up Audit of Metropolitan Nashville Government's General Services Department Radio Communication Division.

## WHAT WE FOUND

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Out of the 20 remaining audit report recommendations, 18 recommendations are implemented. The two open recommendation implementation plans are still in progress.

## EXECUTIVE SUMMARY

December 28, 2018



### Why We Did This Audit

The audit was initiated due to the importance of ensuring all revenue collections are managed and the safety risks associated with operating a public pool.

### What We Recommend

- Protect against cash skimming opportunities by restricting access to voids and refunds and reconciling discount coupons.
- Maintain daily pool inspection documentation for at least two years.

# Audit of Parks and Recreation Wave Country Operations

## BACKGROUND

Wave Country is a water park operated by the Metropolitan Nashville Parks and Recreation Department. The mission of Wave Country is to provide a safe family friendly waterpark experience in a fiscally responsible manner. Wave Country has been in operation since 1980 and contains a wave pool, baby pool, speed slides, and flume slides. Wave Country is open from Memorial Day weekend to Labor Day weekend each summer.

Wave Country employs over 70 part-time and a limited number of full-time employees that served over 147,000 citizens from 2016 to 2018. Attendance for 2018, 2017, and 2016 seasons is presented in Exhibit A.

### Exhibit A – Attendance for 2018, 2017, and 2016

	2018	2017	2016	Total
Attendance	47,604	49,221	50,692	147,517

Source: Recreation Dynamics Point of Sale System

## OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Controls are in place to ensure the safety and security of patrons.
- Controls are in place over fiscal resources.
- Patrons are satisfied with the operations of Wave Country.

The scope of this audit included financial transactions from August 1, 2016, to July 31, 2018.

## WHAT WE FOUND

Wave Country employs certified lifeguards to conduct daily inspections to ensure that the facility is safe for patrons. The Metro Public Health Department also conducts safety inspections on a monthly basis. However, daily inspection documentation generated by Wave Country employees was not maintained for at least a two year period.

Strong controls around cash receipts are in place, and functioning, but controls to protect against cash skimming opportunities could be implemented. A survey indicated that Wave Country members are satisfied with the staff, the facilities, and their overall experience and believe their safety is a priority while at Wave Country.

## GOVERNANCE

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Wave Country employs seasonal employees to work as lifeguards, work the concessions stand, staff the front gate, and supervise employees. The seasonal employees are overseen by one full-time employee, the general manager, who reports directly to a superintendent. The superintendent oversees operations at Wave Country, the Centennial Sportsplex, and the Hamilton Creek Marina. The superintendent reports to a Special Projects Manager, who oversees the operations of all revenue-producing facilities within the Metropolitan Nashville Parks and Recreation Department.

## GENERAL INFORMATION

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Safety is a top priority for Wave Country. The facility is staffed by over 30 American Red Cross certified lifeguards. Lifeguards are trained to perform multiple water quality checks daily. The Metro Public Health Department will do a preseason inspection before the park opens and then conduct subsequent monthly inspections throughout the summer. All coolers and bags are checked upon entry.

Wave Country generates revenues from three primary sources, admission fees, equipment rentals, and concessions. A summary of amounts collected for each source over the past three fiscal years is presented in Exhibit B.

### Exhibit B – Revenue Sources for Calendar Years 2018, 2017 and 2016

Revenue	2018	2017	2016
Admissions	\$416,740	\$392,259	\$424,286
Rentals	2,657	2,049	1,515
Concessions	54,645	45,168	62,075
Total	\$474,042	\$439,476	\$487,876

Source: Metropolitan Nashville Government JD Edwards EnterpriseOne Financial System

Primary expenses for Wave Country include salaries/benefits and utilities. A summary of primary expense categories for the past three fiscal years is presented in Exhibit C.

### Exhibit C– Major Expense Categories for Calendar Years 2018, 2017 and 2016

Expenses	2018	2017	2016
Salary and Benefits	\$330,478	\$306,696	\$325,542
Electric	85,989	83,467	82,050
Water	173,544	122,434	83,246
Other Expenses	82,441	86,114	103,611
Total	\$672,452	\$598,711	\$594,449

Source: Metropolitan Nashville Government JD Edwards EnterpriseOne Financial System

## 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 Completion Date
<i>Recommendation for management of the Parks and Recreation Department to:</i>		
<p><b>A.1</b> - Restrict the ability to perform voids and refunds to supervisors in the Recreation Dynamics Point of Sale system. Management should monitor voids and refunds daily to ensure no unauthorized instances occur.</p>	<p><b>Accept.</b> The POS system already allows for restricting staff from performing voids. Future versions of the POS system will allow us to restrict staff from performing refunds. Also, we are having a customized report created to allow managers of all facilities to monitor all voids and refunds on a daily basis. This report will also be monitored and reviewed by our Finance and Administration staff.</p>	07/01/19
<p><b>A.2</b> - Collect coupons for admission prices and reconcile the coupons with the total in Recreation Dynamics each day.</p>	<p><b>Accept.</b> Staff will collect coupons for admission prices and reconcile the coupons with the total in Recreation Dynamics each day.</p>	01/01/19
<p><b>B.1</b> - Maintain daily pool inspection documentation for a minimum of two years.</p>	<p><b>Accept.</b> Staff will maintain daily pool inspection documentation for a minimum of two years.</p>	01/01/19

## EXECUTIVE SUMMARY

January 4, 2019



### Why We Did This Audit

This is a follow-up audit of the Department of Codes and Building Safety Short Term Rental report issued on August 30, 2017. This follow-up audit was included on the Annual Internal Audit Work Plan as requested by the Metropolitan Nashville Audit Committee.

### What We Recommend

Management should complete the implementation of the five remaining audit recommendations still in-progress.

# FOLLOW-UP AUDIT OF THE DEPARTMENT OF CODES AND BUILDING SAFETY SHORT TERM RENTAL PERMIT

## BACKGROUND

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The Office of Internal Audit conducted an audit of the Metropolitan Department of Codes and Building Safety Short Term Rental Process in 2017

The objectives of that audit were to determine if:

- Documentation required within the Metropolitan Nashville Code of Laws § 17.16.250.E related to the issuance of Short Term Rental Property permits were reviewed, verified, and approved prior to the issuance or renewal of a permit.
- Requirements related to Short Term Rental Property permits were communicated to permit applicants and permit holders.

The audit report included 12 recommendations for improving the issuance of Short Term Rental Property permits that were accepted by the management of the Metropolitan Department of Codes and Building Safety.

## OBJECTIVES AND SCOPE

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The objective and scope of this follow-up audit are to determine whether management's action plans for achieving the August 30, 2017, audit report recommendations have been completed as of September 7, 2018.

## WHAT WE FOUND

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Out of the 12 audit report recommendations, six recommendations have been implemented, four recommendations are still in process, and two recommendations are not able to be completed. The recommendations that are no longer applicable include:

- A.1 Procure services to assist in the identification of owner-occupied status.
- D.3 Modify the City Works "Date Expired" field to automatically populate upon the issuance or renewal of a permit and limit the ability to alter this field.

Implementation of the remaining four recommendations are in-progress and are scheduled to be completed by June 1, 2019. Details of the implementation status and updated due dates can be seen in **Appendix A**.

## APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

Recommendations	Proposed Completion Date	Updated Completion Date	Status
<i>Recommendations for Management of Codes and Building Safety:</i>			
<b>A.1</b> Procure the services from an entity that specializes in providing publicly available online information that could help provide assurance of owner-occupied status.	December 1, 2017	Not Applicable	<p><b>No Longer Applicable.</b></p> <p>The Department of Codes and Building Safety has contracted with Host Compliance to identify property owners operating Short Term Rentals Properties (STRP) without a proper STRP permit.</p> <p>Host Compliance does not, however, offer owner occupancy verification services, as would be most useful for identifying possible false Type I, “Owner Occupied” STRP rental permits. The Department of Codes and Building Safety will continue to look for ways to mitigate this risk.</p>
<b>A.2</b> Work with the Metropolitan Nashville Council to clarify the definition of “owner-occupied” for Type I permit issuance.	March 1, 2018	February 2, 2018	<p><b>Closed – Verified.</b></p> <p>Ordinance 2017-608, Amendment 8, defines owner occupancy for Type I permits.</p>
<b>B.1</b> Ensure that verification of all applicable taxes is obtained and reviewed prior to issuing or renewing Short Term Rental Permits.	December 1, 2017	June 1, 2019	<p><b>Status Update - Still in process.</b></p> <p>Management states that they verify applicable taxes have been paid prior to issuing or renewing permits.</p>
<b>C.1</b> Establish a policy of adding a management level of review on the issuance/renewals of permits to ensure all applicable documentation has been obtained and reviewed.	December 1, 2017	January 1, 2019	<p><b>Status Update - Still in process.</b></p> <p>(1) Management currently reviews each STRP Renewal application to ensure the required documentation is reviewed and stored;</p> <p>(2) Management does not yet periodically test a percentage of Initial STRP applications to ensure required documentation is reviewed and stored.</p>



## APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

<p><b>C.2</b> Create a field within the City Works computer system that provides evidence of review of applicable documentation for Short Term Rental Permit renewals.</p>	<p>December 1, 2017</p>	<p>April 1, 2019</p>	<p><b>Status Update - Still in process.</b> Management is still in the process of implementing this recommendation.</p>
<p><b>D.1</b> Limit the number of staff with administrative rights to only those parties who have a business need for such rights and privileges.</p>	<p>December 1, 2017</p>		<p><b>Closed - Verified.</b> Management of Codes and Building Safety worked with the Metropolitan Nashville Information Technology Services Department to ensure administrative rights only applied to those parties who needed such rights and privileges.</p>
<p><b>D.2</b> Develop a methodology to ascertain the number of properties owned by a specific owner.</p>	<p>December 1, 2017</p>		<p><b>Closed – Verified.</b> Management of Codes and Building Safety stated that verification of owner-occupied status is challenging. There has not been a cost-effective way to ascertain the numbers of properties owned by a specific owner. Currently, verification of owner-occupied status is conducted by reviewing documentation during the application process. A process is in place whereby a citizen can notify Codes and Building Safety of potential owner-occupied status violations. These complaints are then investigated. Management advised they are continually searching for opportunities to mitigate this specific risk.</p>
<p><b>D.3</b> Modify the “Date Expired” field to populate upon the issuance or renewal of the permit automatically. Limit the ability to alter the data in this field to ensure the data is not being improperly manipulated.</p>	<p>December 1, 2017</p>	<p>Not Applicable</p>	<p><b>No Longer Applicable.</b> The Metropolitan Information Technology Services Department advised the City Works system does not have the functionality to implement this recommendation.</p>

## APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

<p><b>D.4</b> Explore technology solutions that facilitate online Short Term Rental Permit applications and renewals.</p>	<p>December 1, 2017</p>		<p><b>Closed – Verified.</b></p> <p>Management of Codes and Building Safety did a review and explored this recommendation. It was concluded that applicants are coming into their office significantly reduces potential issues and problems in initial processing applications. The possibility of utilizing online processing for renewal applications is still being pursued.</p>
<p><b>E.1</b> Work with the Metropolitan Nashville Clerk’s Records Management Division to establish a records disposition authorization schedule for Short Term Rental Permit documentation.</p>	<p>December 1, 2017</p>		<p><b>Closed - Verified</b></p>
<p><b>E.2</b> Ensure all applicable supporting documentation is being retained for a reasonable time.</p>	<p>December 1, 2017</p>		<p><b>Closed – Verified.</b></p> <p>Documentation retention has been improved since the initial report, as 17 of 20 permits tested, dating from May to August of 2018, had the majority of all required documentation retained within the document management system.</p> <p>Management of Codes and Building Safety has chosen not to retain documentation pertaining to proof of owner-occupancy status for Type I permits (driver’s license, bank statements, etc.). Management stated they conferred with the Metropolitan Legal Department and chose not to retain these documents due to sensitive, personal information being contained in such documentation. It should be noted that examiners are required to obtain and review such documentation before a Type I permit is issued. This review is documented in the City Works system.</p>

## APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

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<p><b>F.1</b> Develop written procedures for each critical process and task related to the permitting process and other core requirements. These procedures should be periodically reviewed and updated.</p>	<p>December 1, 2017</p>	<p>June 1, 2019</p>	<p><b>Status Update - Still in process.</b> Management states they are currently in the process of drafting policies and procedures specific to short term rental application and renewal processes.</p>
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## EXECUTIVE SUMMARY

January 24, 2019



### Why We Did This Audit

The audit was requested by the then-incoming Register of Deeds, Karen Johnson.

### What We Recommend

The Register of Deeds should:

- Enhance access controls to the Business Information System
- Monitor internet subscription payments.
- Perform a compensation study.
- Leverage software applications and professional services of the Metropolitan Nashville Government.
- Ensure all expenditures relate to a public purpose and documentation is maintained for the minimum retention requirements.

## Audit of the Register of Deed

### BACKGROUND

The mission of the Register of Deeds is to “record all documents pertaining to real estate and documents relative to the Uniform Commercial Code. To maintain the integrity of all official records and offer courteous, friendly, and expeditious service to all who use the Register’s office. “

From July 1, 2016, to June 30, 2018, (24 months) the Register of Deed’s recorded 265,475 documents and collected \$101,472,020 in taxes and fees.

### OBJECTIVES AND SCOPE

The overall objective of the audit is to provide assurance the Register of Deeds has controls in place to ensure compliance with sound financial practices. Specific audit objectives include:

- Reported revenues are complete, deposited within two business days, and recorded in the accounting records.
- Payroll expenses are accurately stated, recorded, and for work actually performed.
- Goods and services procured by the Register of Deeds are authorized, received, recorded, and for a public purpose.
- Management’s corrective action plans from the April 17, 2012, Register of Deeds internal audit report were implemented.

The audit scope included activity between July 1, 2016, and June 30, 2018.

### WHAT WE FOUND

The Register of Deeds controls are generally in place to ensure financial objectives are met. However, inappropriate user access rights were assigned within the Business Information System. Incoming mail requests for service are not logged and subsequently reconciled to ensure the work is completed. A number of peripheral information systems are used which are redundant to systems operating within the Metropolitan Nashville Government. Expenditures did not consistently contain supporting documentation, and thus the public purpose could not always be determined. A compensation study has not been performed.

## GOVERNANCE

The Register of Deeds Office is a constitutional office established by Tennessee Code Annotated §§ 8-13-108 through 8-13-117. The Register of Deeds is an elected position which serves four-year terms. Bill Garrett served as Register of Deeds from 1998 to August 31, 2018. Karen Johnson is the current Register of Deeds and began her term on September 1, 2018.

## FINANCIAL HIGHLIGHTS

The Register of Deeds is one of the few offices within the Metropolitan Nashville Government that operates on a net of fee basis and also receives an annual budget appropriation from the Metropolitan Nashville Government. The annual appropriation covers building rent, internal service fees, and other miscellaneous expenditures. The Register of Deeds, in turn, collects fees and generates expenditures throughout a given year. In December and June of each fiscal year, any net gains are forwarded back to the Metropolitan Nashville Government.

Expenditures related to the Metropolitan Nashville Government appropriation and the excess fees returned are recorded in the EnterpriseOne financial system. All other financial transactions are recorded internally by the Register of Deeds utilizing QuickBooks financial software. The Office of Internal Audit obtained trial balances for transactions recorded in both QuickBooks and EnterpriseOne. A summary of fees collected by the Register of Deeds as well as the cost of operations and net receipts are presented in Exhibits A and B.

### Exhibit A – Fees, Other Funding Sources, and Expenditures for Fiscal Years 2018 and 2017

Accounts	2018	2017
<u>Fees and Other Funding Sources</u>		
Recording Fee	\$3,269,222	\$3,561,877
Fee for Collecting State Taxes	1,189,042	1,056,643
Other Service Fees	556,730	737,027
Metro Nashville Government Appropriation	266,000	259,100
Total Funding	<u>\$5,543,702</u>	<u>\$5,614,647</u>
<u>Expenditures</u>		
Payroll	\$2,708,019	\$2,653,016
Internal Service Fee	108,300	103,400
Rent, Building & Land	122,956	121,238
All Other Expenditures	70,540	84,795
Total Expenditures	<u>\$3,009,815</u>	<u>\$2,962,449</u>
Excess of Fees and Other Funding Sources over Expenditures	\$2,271,179	\$2,652,198
<b>Distribution to Metro Nashville Government</b>	<b><u>2,000,000</u></b>	<b><u>2,600,000</u></b>
Balance after Expenditures and Distribution	<u>\$ 271,179</u>	<u>\$ 52,198</u>
Fund Balance June 30, 20xx	<u>\$ 865,091</u>	<u>\$ 602,510</u>

Source: Metropolitan Nashville Government EnterpriseOne Financial System and Register of Deeds QuickBooks Software

**Exhibit B – Computer Fund Fees and Expenditures for Fiscal Years 2018 and 2017**

Accounts	2018	2017
<u>Fees and Other Funding Sources</u>		
Recording Computer Fee	\$257,208	\$272,046
Metro Nashville Government Appropriation	5,500	11,800
Total Fees and Other Funding Sources	262,708	283,846
Total Expenditures	236,006	7,489
Excess of Fees and Other Funding Sources over Expenditures	\$26,702	\$276,357
Fund Balance June 30, 20xx	\$1,962,280	\$1,980,950

Source: Metropolitan Nashville Government EnterpriseOne Financial System and Register of Deeds QuickBooks Software

**Exhibit C – Metro Fund Top Vendors for Fiscal Year 2018, 2017**

EnterpriseOne Purchases Vendor	Amount	Fifth Third Credit Card Purchases Vendor	Amount
Pitney Bowes Reserve Acct	\$9,000	1105 Media Events	\$1,695
Myoffice Products	8,138	Comcast	1,178
American Paper & Twine Co	2,483	Country Inn By Carlson	1,144
Pitney Bowes (Neenah Wi)	1,389	Sir Francis Drake Hotel	1,131
Aramark Refreshment	1,221	Successories	980

**Exhibit D – Excess Fees and Computer Funds Account Top Vendors and Category for Fiscal Year 2018, 2017**

Vendor	Amount	Pinnacle Credit Card Purchases Category	Amount
Business Information Systems	\$219,075	Computer Fund Purchases	\$3,044
DEX Imaging	3,893	Food/Meals	2,529
Document Technology Systems Ltd	3,750	Air Travel/Travel	3,133
RACO Industries	2,672	Repairs & Maintenance	1,946
Comcast Business	2,135	Miscellaneous Expense	862

Source: Metropolitan Nashville Government EnterpriseOne Financial System and Register of Deeds QuickBooks Software

**INFORMATION SYSTEMS**

In addition to QuickBooks, the Register of Deeds utilizes a document recording system called Business Information System to manage documents recorded, and payments received. The Business Information System server is managed by the Metropolitan Nashville Government Information Technology Services.

Business Information System was implemented on September 11, 2018, in the Register of Deeds office as an upgrade of the system. Prior to that, Document Technology System was used for the same purpose. Business Information System has all the functionalities of the document recording management system as the previously used Document Technology System. The system also improved the ways that the cashier function can take various types of payments. The other improvement is an audit log of changes made inside the system has been added.

## APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to understand best 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 Completion Date
<i>Recommendation for the Management of Register of Deeds to:</i>		
<b>A.1</b> Ensure all expenditures are related to a public purpose, are well documented, excludes sales tax, and documentation is maintained for the minimum retention requirements.	<b>Accept.</b>	Implemented
<b>B.1</b> Review the user rights in Business Information System to ensure that access privileges will be assigned based on employee business need.	<b>Accept.</b>	February 1, 2019
<b>B.2</b> Ensure that employees who are responsible for the generation and reconciliation of the financial records do not have access to the revenue operating cycle at the same time.	<b>Accept</b> - These duties are now being done by two separate employees whose duties do not cross.	Implemented
<b>C.1</b> Implement a process where two employees retrieve and open the incoming mail at the same time. A log listing all payments and request for services should be maintained and signed by both employees.	<b>Accept</b> - Will take more resources than what is available at this time, but will look at implementing this at a future date.	December 31, 2020
<b>C.2</b> Ensure that a supervisor reconciles the number of payments and request of services to the number of requests completed/returned in the Business Information System periodically.	<b>Accept</b> - This is a reasonable request, and will be implemented.	In process
<b>D.1</b> Perform periodically reconciliation between the subscriber's detail reports to the ACH payments received in the bank.	<b>Accept</b> - This is currently being done and has been implemented by the new accountant.	Implemented
<b>E.1</b> Ensure each employee is paid within the agreed salary range outlined within the Letter of Agreement.	<b>Accept</b> - Any employee out of range for the previous administration will be corrected in the 2019 Letter of Agreement.	August 31, 2019
<b>E.2</b> Obtain an independent, formal compensation study in order to ensure pay rates and salaries are commensurate with job functions and industry norms.	<b>Accept</b> - If not cost prohibitive, will work with other Register of Deeds Offices throughout the State to leverage resources and data already completed.	December 31, 2022
<b>F.1</b> Use Metropolitan Nashville Government services and applications to record all financial and payroll activities.	<b>Reject</b> - Pursuant to State statute, we are a fee-based office and we will continue to operate under our fee based structure.	Not applicable
<b>F.2</b> Work with the Metropolitan Nashville Council to change from an excess fee-based system to an appropriation based system for funding of all expenditures.	<b>Reject</b> - State law under statute dictates that the Register of Deeds is a fee-based office and operates off of fee based services, and we will continue to do so.	Not applicable

# Audit of Hotel Occupancy Taxes July 2016 Through January 2019

## EXECUTIVE SUMMARY February 1, 2019



### Why We Did This Audit

This audit was conducted at the request of the Office of the Treasurer to provide management assurance that hotel occupancy tax collections are accurate and complete.

### What We Recommend

Hotel operators need to continue to ensure documentation for hotel occupancy tax room revenue, number of rooms rented, adjustments to revenue, justification for out of service rooms, and exemption claims is retained for 36 months.

For more information on this or any of our reports, email [Mark.Swann@nashville.gov](mailto:Mark.Swann@nashville.gov)

## BACKGROUND

The Metropolitan Nashville Office of Internal Audit conducts compliance audits of Metropolitan Nashville Government's six percent hotel occupancy tax and \$2.50 per rented room convention center tax. There were 290 hotel and 4,845 vacation rental operators that filed hotel occupancy taxes between July 2016 and December 2018 (fiscal years 2017, 2018 and first half 2019). Exhibit 1 summarizes the amount received in the Treasury Collections Office within the Office of the Treasurer.

### Exhibit 1 – Hotel Occupancy Tax Return by Fiscal Year<sup>1</sup>

Type	2017	2018	2019 <sup>1</sup>
Hotel	\$80,888,829	\$87,685,647	\$49,058,260
Vacation Rental	4,045,677	6,799,846	4,996,988
Not Classified	128,768	65,281	2,185
Total	\$85,063,274	\$94,550,774	\$54,057,433

## OBJECTIVES AND SCOPE

- The objectives of the audits were to determine:
- Revenue and number of rooms asserted for monthly hotel occupancy tax returns agreed with hotel operator's results of operations.
- Exemptions to hotel occupancy tax were for continuous stays in excess of thirty days or for federal, state, or local government business.

A sample of 18 hotel operator's (see Appendix B for locations) tax returns representing \$5.6 million in hotel occupancy taxes and convention center taxes were audited. Hotels selected for audit were based on annual reported room nights not matching expected number of room nights reported or properties jointly reviewed with the City of Goodlettsville.

## WHAT WE FOUND

The \$5.6 million in hotel occupancy tax and convention center tax returns reviewed were materially valid. However, 17 hotels underpaid taxes by \$66,257 along with hotels overpaying \$8,492, leaving a total of \$57,765 net underpaid recommended for recovery (1.03 percent) of hotel occupancy tax and convention center tax audited. Tax underpayments ranged between \$24,937 and \$154 for these 17 hotels.

<sup>1</sup> Hotel occupancy taxes received as posted in Treasury Department Collections database as of December 31, 2018.



## GOVERNANCE

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The Collections Office within the Office of the Treasurer is responsible for receiving hotel occupancy tax returns. The Collections Office will review hotel occupancy tax returns for accuracy and monitor payments. Hotel operators assert total revenue and number of rooms rented on monthly hotel occupancy tax returns. Normally hotel operators obtain information for these hotel occupancy tax returns from their lodging computer system and records maintained for guest exemptions.

## OBJECTIVES AND CONCLUSIONS

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*Were hotel occupancy tax return revenue, number of rooms rented, and exemption claims accurate and complete?*

**Generally yes.** Hotel occupancy tax returns were materially valid. However, 17 hotels underpaid taxes by \$66,257 along with hotels overpaying \$8,492, leaving a total of \$57,765 net underpaid recommended for recovery (1.03 percent) of hotel occupancy tax and convention center tax audited between July 2017 and January 2019.

Hotel operators need to continue to ensure documentation for hotel occupancy tax room revenue, number of rooms rented, adjustments to revenue, justification for out of service rooms, and exemption claims is retained for 36 months.

## COLLECTION OF HOTEL OCCUPANCY TAX NET AUDIT CLAIMS AT 72 PERCENT

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**Exhibit 2 – Summary of Hotel Occupancy Tax Net Audit Claims By Fiscal Year as of January 22, 2019**

Fiscal Year	Number of Audits	Audited Revenue Amount	Audited Tax Amount	Net Audit Claim	Collected
2013	18	\$ 63,740,705	\$ 5,385,583	\$ 22,058	\$ 26,985
2014	29	182,368,581	14,242,187	415,061	289,891
2015	14	42,664,158	2,849,694	126,335	120,070
2016	15	195,849,557	14,150,449	93,385	65,766
2017	5	30,587,191	1,977,256	29,131	5,964
2018	6	23,502,929	1,997,296	20,814	14,884
2019	7	21,557,917	1,636,622	27,744	7,993
Total	94	\$ 560,271,037	\$ 42,239,087	\$ 734,529	\$ 531,553

# METROPOLITAN NASHVILLE GOVERNMENT OFFICE OF INTERNAL AUDIT



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## 2019 AUDIT WORK PLAN

February 1, 2019, through January 31, 2020

Recommended to:  
Metropolitan Nashville Audit Committee  
February 12, 2019

*Execute a Focused Audit Plan*



## METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

February 12, 2019

Metropolitan Nashville Audit Committee Members:

The Metropolitan Nashville Office of Internal Audit solicited request for potential audit areas from Metropolitan Nashville management, council members, and internal audit staff in preparing this plan. The recommended plan attempts to identify the risk that matter and provide enterprise-wide audit coverage. Exhibit A below describes the allocation of 13,500 resource hours needed to complete 25 audit engagements, 1 audit follow-up engagements, and 4 investigation engagements during the 2019 internal audit plan year.

### Exhibit A – 2019 Audit Work Plan Allocation of Work Hours

<i>Status</i>	<i>Number of Projects</i>	<i>Budget Work Hours</i>
2018 Audits Currently In-Progress	6	1,450
New Performance Audits	19	9,900
Prior Audit Follow-Up	1	250
<i>Total Audit Projects</i>	<i>26</i>	<i>11,600</i>
Metro Hotline Coordination		200
Investigation Request	4	1,300
Non-audit advisory services		400
<i>Total Report Deliverables</i>	<i>30</i>	<i>13,500</i>

I have reviewed the recommended audit work plan and believe the Office of Internal Audit staff, along with contracted specialists, possess the adequate professional competence to address potential audit engagement objectives. Also, I believe the Office of Internal Audit can maintain objectivity while performing the recommended audit engagements.

I am requesting members of the Metropolitan Nashville Audit Committee to review and approve the 2019 Audit Work Plan. The Office of Internal Audit will **complete 25 audit engagements and 1 prior audit follow-up engagements during the 2019 plan year**. We also anticipate requests for 4 investigation engagements during the year.

Sincerely,

Mark S. Swann

### Attachment A – CY 2019 Audit Plan

<b>CY 2018 Audits In Progress</b>		<b>Hours</b>
1	Planning Commission – Zoning Conditions Enforcement and Coordination with Public Works - Development Infrastructure Incentives (Testing Phase)	200
2	General Government Employee Benefits Management (Testing Phase)	550
3	Arts Commission (Testing Phase)	200
4	Oracle R12 E-Business Suite / Taleo Implementation Project (Reporting Phase)	300
5	Metro General Government EE0-4 Diversity Regulatory Reporting (Testing Phase)	100
6	Mayor’s Office - Barnes Fund for Affordable Housing (Reporting) Phase)	100
<b>CY 2019 New Audit Areas</b>		
1	Road Paving Horizontal Construction and Maintenance Process	1,000
2	Sidewalk Horizontal Construction and Maintenance Process	1,000
3	Architectural and Engineering Firm Contract Monitoring - Civic Engineering and Information Technologies, Inc	300
4	Architectural and Engineering Firm Contract Monitoring - KCI Technologies, Inc	300
5	Architectural and Engineering Firm Contract Monitoring - Raga-Smith & Associates, Inc	300
6	Architectural and Engineering Firm Contract Monitoring - Gresham Smith & Partners	300
7	Architectural and Engineering Firm Contract Monitoring - HDR	300
8	Architectural and Engineering Firm Contract Monitoring - CDM Smith, Inc.	300
9	Architectural and Engineering Firm Contract Monitoring - Barge Cauthen & Associates, Inc.	300
10	Architectural and Engineering Firm Contract Monitoring - Wood Group – AMEc Foster Wheeler	300
11	Architectural and Engineering Firm Contract Monitoring - CPS Land	300
12	Metro General Government Capital Project Construction Program (Need, Estimates, Approval, Contracting, Monitoring)	800
13	General Services - Downtown Detention Center and the Behavioral Care Center Construction Project	800
14	Election Commission Operations (See Information Technology Risk)	600
15	Nashville General Hospital – Pharmacy Management	800
16	Municipal Auditorium	400
17	Hotel Occupancy Tax Audits – 2019	800
<b>Information Technology Risk</b>		
18	Election Commission Information Systems	400
19	Health Department – Information Technology Security Management and Governance	600

### Attachment A – CY 2019 Audit Plan

<b>Audit Recommendation Follow-up</b>		
20	General Services Department - Fleet Management Audit Follow-Up	250
	<b>Total Audit Services</b>	<b>11,600</b>
<b>Other Potential Audit Engagements</b>		
A	Mayor's Office / Nashville Career Advancement Center Opportunity Now Program	800
B	General Services Department – Construction Owner Representative Contractors (Capital Project Solutions, etc.)	800
C	Metropolitan Nashville Public Schools - Capital Projects Program (Need, Estimates, Approval, Contracting, Monitoring)	800
D	Metro General Government Infrastructure Participation Agreement Process	800
E	Sports Authority / General Services Department - MLS Soccer Stadium Construction Project	800
F	Metropolitan Nashville Government Collaboration with Nonprofit Entities	800
G	Metro Water Services - Storm Water Billing and Revenue Collection	800
H	Treasury Department - Collections Office	800
I	Police Department - Fiscal Management	800
J	Library – Building Security	400
K	Cooperative Purchases Best Practices	400
L	Let's Move Nashville Transit Referendum Total Expense	400
M	Metropolitan Nashville Public Schools - Information Technology Security Management	800
N	Metropolitan Nashville Government Unusual Financial Transactions Review (i.e. payables, credit card, fuel card, time entry, top ten travel)	800
O	Police Department - Advance Records Management System Application Review	800
P	Sold Property Tax Receivables Process	400
Q	Employee Benefit Board Pension Investments	800
	<b>Total Other Potential Audit Engagements</b>	<b>12,000</b>
	<b>Total Recommended and Potential Audit Engagements</b>	<b>23,600</b>
<b>Total Recommended 2019 Audit Services Effort</b>		
	Audit Services	11,600
	Investigation Services	1,500
	Special Projects	400
	<b>Total</b>	<b>13,500</b>

## Attachment B – CY 2019 Risk Prioritization Objectives and Risks

### Office of Internal Audit Mission

#### Independent Appraisal

1. **Integrity** - resources are used for the intended purpose
2. **Equality** - services are accessible to citizens
3. **Accountability** - internal control environment, track performance measures
4. **Effectiveness** - entities mission and objective is being achieved
5. **Efficiency** - prudent (cost effective) use of resources

### Metro Service Delivery Objectives

#### Metric Used to Measure Inherent Risk Impact

#### 1. Government services do not waste or abuse financial resources. (Integrity)

Risk: Revenue or cash collected is diverted for unintended use	(C) Total Fees & Collection
Risk: Payment for material or service is diverted for personal use	(D) Vendor Payments
Risk: Payroll is diverted for personal use	(F) % Payroll Not Regular Pay
Risk: Employee time is used for personal use	(E) Budget FTEs
Risk: Equipment, material, or information is diverted for personal use	(D) Vendor Payments

#### 2. Government provides equal access to services.

##### (Equality)

Risk: Some participants allowed to by-pass service eligibility requirements	(H) Number of Citizens Served
Risk: Favoritism in employment selection or promotion process	(J) HR Transactions
Risk: Procurement request for bids contain unnecessary qualifications, bundling of scope of work, or insurance requirements	(D) Vendor Payments

#### 3a. Government services are managed.

##### (Effectiveness)

Risk: Strategies not clearly defined, aligned, communicated or understood.	(I) Number of Programs
Risk: Process policies, procedures, and tasks have not been defined or obsolete.	(I) Number of Programs
Risk: People are not trained or held accountable for performance.	(E) Budget FTEs

#### 3b. Government services are accomplished as citizens envisioned. (Effectiveness)

Risk: Services are not aligned with stakeholders expectations	(H) Number of Citizens Served
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#### 4. Government services are cost-effective without reducing quality. (Efficiency)

Risk: Pay too much for material or services	(G) Expense Value
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#### 5. Government services are subject to independent appraisal. (Accountability)

Risk: Independent audit appraisal has not been performed	(B) Last Audit Month
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### Mayor's Priority Objectives

a. Citizens and visitors feel safe in Metro neighborhoods. (Strategy)	(A) Public Safety Impact Yes/No
---	---------------------------------

## Attachment B – CY 2019 Risk Prioritization Objectives and Risks

- |   |                              |
|---|------------------------------|
| b. Every student in Nashville deserves the best education we can provide them.<br><b>(Strategy)</b> | (A) Education Impact Yes/No  |
| c. Bringing more and better jobs to Nashville <b>(Strategy)</b>                                     | Not Considered In Assessment |
| d. Affordable Housing <b>(Strategy)</b>   | “                            |
| e. Transportation <b>(Strategy)</b>   | “                            |

## Attachment B – CY 2019 Risk Prioritization Objectives and Risks

Risk Impact Metric	Source	High	Medium	Low
A. Mayor's Priority- Public Safety or Education Impact	OIA Assumption	Entire Population	Subset Population	No Impact
B. Last Audit Month	OIA Project Records	GT 4 Years ('14 or older)	3 to 4 Years ('15 or '16)	LT 2 Years ('17 '18)
C. Total Fees and Collection	OMB Budget to Actual Report (BAR) June 2016	GT \$6 Million	\$6 Million to \$1 Million	LT \$1 Million
D. Vendor Payments	OMB Budget to Actual Report (BAR) June 2016	GT \$6 Million	\$6 Million to \$1 Million	LT \$1 Million
E. Budget FTEs	FY 2016 Budget	GT 250	250 to 50	LT 50
F. Percent Payroll Not Regular Pay	OMB Budget to Actual Report (BAR) June 2016	GT 17%	17% to 7%	LT 7%
G. Expense Appropriation Value	OMB Budget to Actual Report (BAR) June 2016	GT \$15 Million	\$15 Million to \$2 Million	LT \$2 Million
H. Number of Citizens Served	OIA Assumption	Entire Population	Subset Population	Primarily Metro Internal Stakeholders
I. Number of Programs	FY 2018 Business Units with Budget Amounts Assigned to Entity	GT 15 Programs or unknown	Between 15 and 5 Programs	LT 5 Programs
J. HR Transaction	EBS HR Transactions for Promotions or New Hire – CY 2015	GT 50	50 to 11	LT 10

**Note:** Financial information for component units, fiduciary funds, funds held in trust, and other auditable entities were taken from the *Metropolitan Nashville Budget Versus Actual Report June 30, 2018, FY 2018 Comprehensive Annual Financial Report, or FY 2019 Budget Ordinance*.



Attachment C - CY2019 Metrowide Inherent Risk Priorization Worksheet

Entity	Plan	Risk Score	Last Audit	Months Overdue	Total Expenses	FTEs	Fees & Collections	Total Payroll	Payroll % Not Regular	Vendor Payments	Grants	Net Position
31-Police		2.82	7/8/2015	42	220,967,691	1,852	8,638,450	130,497,643	29%	33,061,608	3,004,510	-
32-Fire		2.64	12/17/2018	1	134,739,235	1,206	9,392,129	87,914,038	32%	7,925,098	12,070,147	-
38-Health	✓	2.64	5/10/2017	20	47,808,161	486	6,083,598	24,882,842	16%	11,899,882	20,250,522	-
42-Public Works	✓✓	2.55	1/18/2018	12	172,032,323	395	22,572,523	19,905,458	21%	115,948,952	1,504,245	-
65-Water & Sewer Services		2.55	12/17/2018	1	204,014,628	806	278,659,109	46,342,918	24%	118,948,999	6,070,382	-
30-Sheriff		2.46	10/31/2017	15	90,533,621	865	3,040,372	44,218,523	22%	27,443,078	15,758,823	-
39-Library		2.36	5/28/2013	68	38,106,255	360	958,566	15,270,137	15%	15,016,290	143,394	-
40-Parks and Recreation		2.36	1/11/2019	0	87,004,168	575	15,190,119	21,456,565	16%	54,333,915	512,728	-
80-MNPS General Purpose Fund		2.36	8/28/2018	5	1,515,481,804	9,294	772,328,930	522,504,374	3%	686,343,219	445,059,311	-
10-General Services	✓✓✓	2.09	1/24/2019	0	181,286,426	169	25,422,233	7,024,513	20%	156,898,768	57,387	-
14-Information Tech Services		2.09	1/24/2019	0	43,928,710	138	26,147,491	10,336,368	15%	28,639,249	-	-
91-Emergency Communication Center		2.09	8/25/2011	89	14,645,234	185	676	10,210,648	26%	472,631	447,487	-
26-Juvenile Court		2.00	3/31/2016	34	14,700,204	119	9,025	6,555,943	13%	4,937,892	1,489,962	-
75-Metro Action Commission		2.00	7/6/2018	6	30,169,718	383	228,773	11,152,481	17%	9,218,643	19,136,295	-
19-District Attorney		1.91	9/21/2011	88	8,658,375	96	1,064,138	5,276,130	1%	1,337,513	295,715	-
21-Public Defender		1.91	7/15/2010	102	8,171,472	84	2,695	5,639,868	9%	600,091	2,330,800	-
23-Circuit Court Clerk		1.91	10/9/2013	63	9,751,472	46	13,640,780	6,003,653	1%	1,312,296	-	-
24-Criminal Court Clerk		1.91	12/20/2011	85	6,116,248	81	3,763,924	4,049,236	2%	385,514	910,685	-
33-Codes Administration		1.91	8/30/2017	17	10,073,151	95	23,450,357	5,892,580	12%	802,843	-	-
68-District Energy System		1.91	4/24/2014	57	17,397,889	1	17,189,602	160,466	17%	15,914,904	13,549	-
07-Planning Commission	✓	1.82	2/14/2014	59	6,716,065	55	1,873,048	3,450,516	12%	1,705,370	1,023,683	-
15-Finance		1.82	8/17/2018	5	22,327,194	104	825,380	7,107,344	14%	12,585,255	264,000	-
28-State Trial Courts		1.82	12/8/2016	25	12,246,379	158	617,133	8,038,145	1%	1,021,032	3,016,256	-
37-Social Services		1.82	8/20/2014	53	8,958,084	76	71,290	3,570,738	12%	3,203,648	1,287,798	-
76-Nashville Career Advancement Center		1.82	11/27/2012	74	6,421,228	41	282	1,465,388	11%	4,349,120	6,077,068	-
04-Mayor's Office		1.73	4/4/2014	57	7,950,444	30	441,602	2,829,537	7%	4,230,506	-	-
18-County Clerk		1.73	3/24/2015	46	4,238,799	79	9,514,126	2,790,954	7%	210,170	81,830	-
27-General Sessions Court		1.73	1/19/2019	0	12,051,102	123	3,031,386	8,315,129	1%	722,451	-	-
49-Office of Emergency Management		1.73	4/4/2014	57	1,759,310	-	526	467,269	21%	756,536	814,695	-
06-Law		1.64	10/10/2017	15	15,200,238	48	9,717,721	4,014,047	10%	7,848,156	-	-
22-Juvenile Court Clerk		1.64	8/9/2012	77	1,773,827	-	388,586	1,229,835	16%	39,049	-	-
41-Arts Commission	✓	1.64	2/24/2010	107	4,499,095	9	277	746,029	3%	3,447,956	114,070	-

Attachment C - CY2019 Metrowide Inherent Risk Priorization Worksheet

Entity	Plan	Risk Score	Last Audit	Months Overdue	Total Expenses	FTEs	Fees & Collections	Total Payroll	Payroll % Not Regular	Vendor Payments	Grants	Net Position
61-Municipal Auditorium	✓	1.64	9/15/2010	100	3,735,522	10	1,926,258	552,335	16%	1,364,598	-	-
05-Elections	✓✓	1.55	6/20/2013	67	2,714,565	39	14,406	1,597,286	16%	302,386	15,164	-
16-Assessor of Property		1.55	5/1/2017	20	7,030,465	78	124	4,170,315	16%	850,386	21,399	-
29-Justice Integration Services		1.55	10/22/2014	51	3,008,890	19	-	1,535,915	15%	809,515	-	-
60-Farmers Market		1.55	8/18/2016	29	2,460,854	7	1,125,316	304,271	11%	1,487,959	-	-
62-State Fair		1.55	11/23/2016	26	5,014,548	28	3,018,780	1,127,859	5%	1,985,218	-	-
02-Council Staff		1.46	10/19/2010	99	2,241,074	49	-	1,310,832	0%	232,648	-	-
08-Human Resources	✓	1.46	6/28/2017	19	5,124,617	55	-	2,785,474	15%	1,085,036	-	-
17-Trustee		1.46	7/24/2015	42	67,589	25	-	1,107,816	14%	235,577	-	-
34-Beer Board		1.46	9/6/2013	64	432,280	5	482,922	272,521	11%	15,072	-	-
70-Community Education Commission		1.46	10/31/2014	51	478,971	3	145,979	184,271	5%	194,445	-	-
03-Metropolitan Clerk		1.36	8/3/2012	77	778,425	6	15,075	337,062	11%	247,550	-	-
09-Register of Deeds		1.36	1/24/2019	0	3,010,272	-	4,752,452	2,021,996	0%	193,852	-	-
25-Clerk and Master of the Chancery Court		1.36	3/18/2016	34	1,408,906	18	1,459,952	941,768	14%	130,932	-	-
36-Soil and Water Conservation		1.36	10/30/2013	63	95,467	1	-	52,527	9%	14,900	-	-
45-Transportation Licensing Commission		1.36	9/30/2010	100	-	6	-	-	0%	-	-	-
51-Office of Family Safety		1.36	4/3/2018	9	1,996,815	1	1,617	1,055,763	1%	589,696	882,573	-
11-Historical Commission		1.27	1/26/2015	48	1,105,667	10	-	725,608	11%	82,697	12,938	-
35-Agricultural Extension Serv		1.27	6/15/2010	103	312,434	7	-	223,405	2%	31,872	-	-
47-Criminal Justice Planning		1.27	5/8/2014	56	524,403	4	-	343,190	12%	44,205	-	-
44-Human Relations Commission		1.09	12/6/2018	1	497,194	4	-	260,556	4%	131,716	-	-
48-Office of Internal Audit		1.09	11/6/2018	2	1,281,335	10	-	790,992	13%	164,646	-	-
<b>Subtotal</b>					3,003,048,843	18,341	1,267,207,728	1,051,021,077		1,341,755,540	542,667,416	
<b>Fiduciary Funds</b>												
FF-Metro Employees' Benefit Trust		1.55	7/29/2009	114	170,786,822	-	319,099,772	-		-	-	3,116,571,742
FF-Teachers' Retirement Plan		1.55	1/1/2008	132	31,107,228	-	39,773,747	-		-	-	98,114,754
FF-Closed City Plan		1.36	1/1/2008	132	5,466,337	-	5,466,337	-		-	-	-
FF-Employees' Pension and Insurance		1.36	7/29/2009	114	5,229,770	-	5,231,223	-		-	-	1,174,372
FF-Metro Employees' Flex Benefits		1.36	1/1/2008	132	3,923,707	-	3,872,271	-		-	-	1,835,010
FF-Teachers' Civil Services and Pension		1.36	1/1/2008	132	2,876,029	-	2,877,406	-		-	-	922,126
FF-Davidson County Employees' Retirement		1.27	1/1/2008	132	1,098,425	-	1,098,462	-		-	-	-
FF-Education Flex Benefits		1.00	1/1/2008	0	1,048,767	-	765,843	-		-	-	157,645

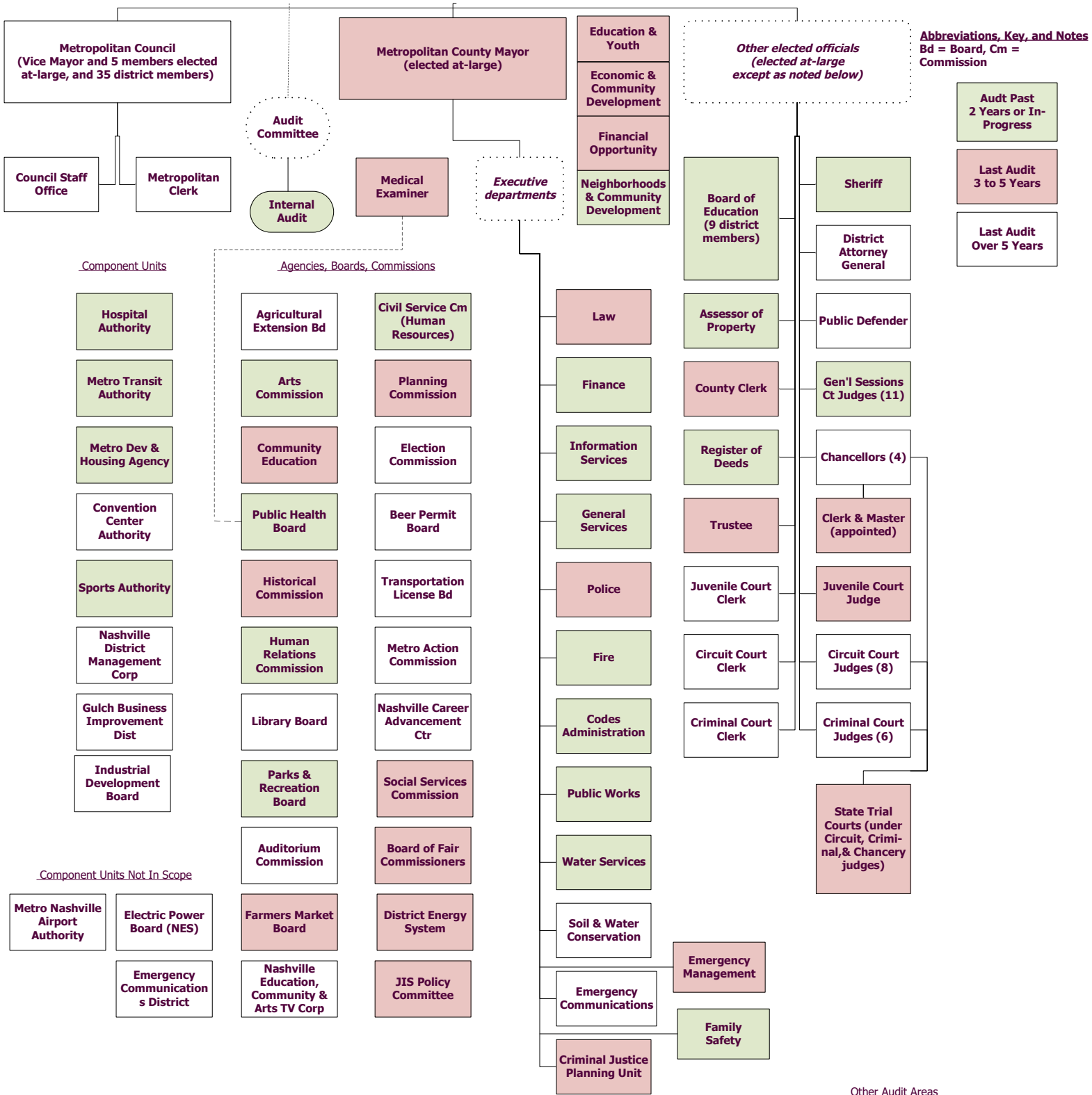
Attachment C - CY2019 Metrowide Inherent Risk Priorization Worksheet

Entity	Plan	Risk Score	Last Audit	Months Overdue	Total Expenses	FTEs	Fees & Collections	Total Payroll	Payroll % Not Regular	Vendor Payments	Grants	Net Position
<b>Subtotal</b>					221,537,085		378,185,061					3,218,775,649
<b>Trust Funds</b>												
TF-Sold Property Tax Recv		1.55	1/1/2008	132	42,844,969	-	45,701,392	-		-	-	4,182,990
TF-Circuit Court Clerk		1.46	9/3/2015	40	67,974,851	-	70,759,740	-		-	-	18,892,665
TF-Clerk and Master		1.46	3/18/2016	34	62,581,273	-	55,381,548	-		-	-	14,785,618
TF-Criminal Court Clerk		1.46	12/20/2011	85	10,226,848	-	10,365,015	-		-	-	12,255,033
TF-County Clerk		1.36	3/24/2015	0	113,149,303	-	112,953,390	-		-	-	569,311
TF-County Register (ROD)		1.36	4/17/2012	0	72,359,549	-	72,883,526	-		-	-	7,321,981
TF-Sheriff Work Release & Inmate Trust		1.36	6/12/2009	115	2,345,898	-	2,001,798	-		-	-	82,078
TF-Juvenile Court Clerk		1.18	8/9/2012	77	655,789	-	721,094	-		-	-	1,956,230
TF-Planning Performance Bonds		1.18	2/14/2014	59	204,439	-	475,417	-		-	-	1,658,670
TF-Funds Held In Trust		1.00		0	-	-	-	-		-	-	-
<b>Subtotal</b>					372,342,919		371,242,920					61,704,576
<b>Other Audit Areas</b>												
01-District Energy System (01101218)		1.64	4/24/2014	57	18,475,380	1	17,110,983	-		-	-	-
F30042-30046 Hotel Tax Funds	✓	1.55	4/29/2014	57	80,013,277	-	95,300,658	-		-	-	-
01-Community Support (Various BUs)		1.36	1/1/2008	132	15,698,500	-	-	-		-	-	-
01-Economic Development (Various BUs)		1.36	1/1/2008	132	23,283,600	-	-	-		-	-	-
01-Employee Benefits Plans (Various)	✓	1.36	9/23/2014	52	80,701,700	-	-	-		-	-	-
Forensic Medical Examiner(01101614)		1.36	4/14/2015	45	4,573,700	24	140,065	4,000,000		250,000	-	-
F30003 4% Reserve Fund (01101499)		1.36	1/1/2008	132	19,031,575	-	558,002	-		-	29,872,430	56,951,836
F30114-Barnes Fund for Affordable Housing	✓	1.36	1/1/2008	132	-	-	10,000,000	-		-	-	-
99-Capital Projects	✓✓	1.36	1/1/2008	132	481,213,227	-	-	-		-	-	-
01-Correctional Healthcare (01101613)		1.27	1/1/2008	132	13,072,100	-	-	-		-	-	-
F61200-Surplus Property Auction		1.27	1/1/2008	132	728,960	-	1,253,461	-		-	-	-
90-Debt Services		1.27	11/2/2016	26	272,753,274	-	-	-		-	-	-
01-Commuter Rail (01101237)		1.18	1/1/2008	132	1,500,000	-	-	-		-	-	-
01-Insurance Reserve (01101301)		1.18	9/9/2014	52	625,100	-	-	-		-	-	-
01-Judgement and Losses (01101308)		1.18	9/9/2014	52	1,760,100	-	-	-		-	-	-
01-Post Audit (01101412)		1.18	1/1/2008	132	1,161,000	-	-	-		-	-	-
01-Regional Transportation Authority Subsidy		1.18	1/1/2008	132	320,200	-	-	-		-	-	-

Attachment C - CY2019 Metrowide Inherent Risk Priorization Worksheet

Entity	Plan	Risk Score	Last Audit	Months Overdue	Total Expenses	FTEs	Fees & Collections	Total Payroll	Payroll % Not Regular	Vendor Payments	Grants	Net Position
Police Secondary Employment		1.18	7/8/2015	42	-	-	5,569,400	-		-	-	-
F30706 Regional Transportation Planning		1.18	1/1/2008	132	-	-	-	-		-	-	-
F34100- Public, Education, & Government Access		1.18	10/29/2013	63	-	-	-	-		-	-	-
F61200-Police Impound		1.18	12/18/2008	121	501,546	-	490,868	-		-	-	-
00-Health and Education Facilities Board		1.00	2/2/2018	11	-	-	-	-		-	-	-
<b>Subtotal</b>					1,015,413,239		130,423,437				29,872,430	
<b>Component Units</b>												
CU Metropolitan Nashville Hospital Authority	✓	1.82	8/28/2018	5	103,204,723	563	59,384,457	-		-	49,452,669	-
CU Emergency Communication District		1.64	1/1/2008	132	6,456,027	-	7,012,630	-		-	388,857	-
CU Metropolitan Transit Authority		1.46	5/31/2018	8	102,705,955	1	-	-		-	90,475,614	-
CU Nashville District Management Corp		1.46	10/13/2011	87	2,047,660	-	1,987,134	-		-	59,120	-
CU Sports Authority		1.46	4/24/2017	21	49,384,034	2	6,267,146	-		-	39,835,443	-
CU Industrial Development Board		1.36	12/16/2013	61	4,107,653	1	750	-		-	4,107,006	-
CU Gulch Business Improvement District		1.27	10/13/2011	87	381,481	1	404,191	-		-	-	-
<b>Subtotal</b>					268,287,533		75,056,308				184,318,709	
<b>In-Scope Grand Total</b>					4,880,629,619	18,341	2,222,115,454				756,858,555	
<b>Component Units Partial In-Scope or Out-of-Scope</b>												
CU Electric Power Board (NES)		2.27	1/1/2008	132	1,236,732,000	948	1,324,224,000	-		-	-	-
CU Metropolitan Nashville Airport Authority		2.18	1/1/2008	132	136,353,436	270	197,565,813	-		-	15,010,688	-
CU Nashville Convention Center Authority		2.00	4/30/2013	69	87,677,835	158	26,113,064	-		-	102,539,865	-
CU Metropolitan Development & Housing Agency		1.73	4/4/2018	9	122,039,177	300	34,524,715	-		-	-	-
<b>Subtotal</b>					1,582,802,448	1,676	1,582,427,592				117,550,553	

# Attachment D - Office of Internal Audit Coverage Map



**Funds Held In Trust**

Circuit Court Clerk	Clerk & Master	Criminal Court Clerk	Juvenile Court Clerk
Sold Property Tax Recv	Sheriff Work Release & Inmate	Planning Performance Bonds	

**Fiduciary Funds**

Davidson County Employees' Retirement	Metro Employees' Benefit Trust	Employees' Pension & Insurance	Metro Employees' Flex Benefits Plan
Teachers' Retirement Plan	Closed City Plan	Teachers' Civil Services and Pension	Education Flex Benefits Plan

**Other Audit Areas**

4% Reserve Fund	Hotel Tax Fund
Debt Services	Capital Projects
Regional Transportation Planning	Insurance Reserves
Correctional Health Care	Judgment & Losses

**Advisory/Appeal Boards**

Tourist Commission	Beautification Bureau	CATV Special Committee	Public Records Commission	Charter Revision Committee	Safety Advisory Board	Historic Zoning Commission
Board of Equalization	Fire & Building Codes Board	Plumbing Examiners Bd	Electrical Examiners Bd	Housing Code Appeals Board	Zoning Appeals Board	

**Internal Audit Reports Issued During the Period  
FY 2007 through FY 2019  
Key Departmental Audit Project History  
As of January 31, 2019**

<b>Department Name</b>	<b>Internal Audit Reports Issued FY 2007 - 2019</b>
Metropolitan Nashville Public Schools	FY2019/ Public Schools Financial Matters FY2019/ Public Schools Purchasing Cards FY2017/Public Schools Performance Reporting Process FY2015/Metropolitan Nashville Public School System FY2013/Public Schools Custodial Outsourcing FY2012/Public Schools Payroll Process FY2011/Public Schools Food Service Program FY2010/Public Schools Information Security Management
Police Department	FY2016/Police Department Secondary Employment FY2015/Police Department Active Directory Services FY2014/Police Department Firearms and Equipment Tracking FY2011/Police Department Crime Statistical Reporting Process FY2009/Police Department Vehicle Impound
Fire Department	FY2016/Fire Department Payroll Process FY2014/Fire Department Grant Administration FY2013/Fire Department Drug Inventory Management FY2008/Fire Department Emergency Medical Services
Public Works	FY2017/Public Works Traffic Signalization Project FY2015/Public Works Parking Management FY2013/Public Works Contract Monitoring FY2009/Public Works Traffic Operations FY2008/Public Works Solid Waste Management
Water Services	FY2019/ Metro Water Services Fire Hydrant Inspection and Maintenance Process FY2019/ Metro Water Services Process Control Systems Security FY2018/Metro Water Services Payroll FY2015/Metro Water Services Cash Collections FY2014/Metro Water Services Home Buyout Program FY2010/Metro Water and Sewer Billing and Collections FY2016/FY2015/FY2014/Metro Water Service Clean Water Nashville Overflow Abatement Program
General Services Department	FY2017/First Tennessee Ballpark Construction FY2016/Radio Services Communications Division FY2013/Fuel Management FY2010/Capital Projects Governance Process FY2009/Facility Security
Sheriff's Office	FY2018/Sheriff's Office Information Security Management FY2015/Sheriff's Office Firearms and Equipment Inventory FY2009/Sheriff's Office Revenue and Collections
Public Health Department	FY2016/Public Health Immunization Program FY2013/Public Health Drug Inventory Management FY2009/Public Health Department Food Protection Services

**Internal Audit Reports Issued During the Period  
 FY 2007 through FY 2019  
 Key Departmental Audit Project History  
 As of January 31, 2019**

	FY2007/Public Health Department Animal Control Facilities
Information Technology Services	FY2018/Information Technology Services Software Management FY2017/Information Technology Services Email Services FY2014/Information Technology Services Telecom Services FY2013/Information Technology Service Certificate Services FY2011/Information Technology Services Active Directory Services FY2009/Information Technology Services Security Management
Finance Department	FY2019/Finance Purchasing and Business Assistance Office FY2016/Finance OMB Revenue Forecasting FY2016/Finance General Reserve Funding Capital Asset Process FY2015/Unusual Financial Related Transactions FY2013/Finance Metro Investment Pool FY2011/Finance Accounts Payable Process

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**Metropolitan Nashville Office of Internal Audit**  
**Audit Project Status**  
**As of January 31, 2019**

Audit Plan Year February 2018 to January 2019	Report Phase					
	Projects	Planning	Fieldwork	Report	Draft	Final
1) Finance Department - Procurement Division				✓		Aug-18
2) MDHA Development Project Financing Process				✓		Mar-18
3) MTA Revenue Collection Process				✓		Mar-18
4) Office of Family Safety				✓		Apr-18
5) ITS Software Asset Management Process				✓		May-18
6) MNPS Procurement Cards				✓		Aug-18
7) Barnes Fund - Affordable Housing				✓	Feb-19	
8) Hospital Authority - Procurement to Pay Process				✓		Aug-18
9) Fire Hydrant Maintenance Process				✓		Nov-18
10) MNPS Expenditures and Budget Issues				✓		Aug-18
11) MWS Infrastructure Computer Systems Security				✓		Aug-18
12) Oracle Enterprise Business System R12 (Interim)			✓	✓		Aug-18
13) Register of Deeds				✓		Jan-19
15) Parks & Recreation Wave Country				✓		Dec-18
16) Metro General Government Benefits Administration			✓			
17) Developer Conditions and Infrastructure Incentives			✓			
18) Arts Commission				✓	Feb-19	
19) General Sessions Court - Traffic School				✓		Jan-19
20) Follow-Up Short-Term Rental				✓		Jan-19
21) Follow-Up ITS Radio Shop				✓		Jan-19
22) Follow-Up Metro Human Relations				✓		Dec-18
23) Hotel Occupancy Tax Two Year Summary				✓		Feb-19
24) Metro EEO-4 Reporting Process		✓				
25) Unusual Transactions		✓				
<b>Metro IntegrityLine Alerts - February 2018 to January 2019</b>				<b>Total</b>	<b>Closed</b>	<b>Pending</b>
Metro Hotline Alerts (Fraud, Waste & Abuse)				21	21	0
*- Mayor's Office and Security Detail Investigation						Aug-18
*- Contractor Collier						Oct-18
*- MNPS Other Alerts						Nov-18
*- MNPS Purchasing Alerts						Feb-19

**Note:** Goal to complete 24 audit projects for Plan Year 2018. Currently 17 audit projects are completed, and 2 audit projects are in the draft report phase.

**Metropolitan Nashville Office of Internal Audit  
2018 Approve Work Plan Status As Of January 31, 2019**

<b>*Co-source</b>	<b>CY 2017 Audits In Progress</b>	<b>Hours</b>	<b>Actual</b>
1	Hotel Occupancy Tax Audits – 2017	100	48
2	Metropolitan Development and Housing Agency – Development Incentive Process (Reporting Phase)	40	37
3	Finance – Purchasing Division (Reporting Phase)	60	122
4	Metropolitan Nashville Public Schools – Credit Card Purchases Review (Reporting Phase)	100	272
5	Office of Family Safety (Reporting Phase)	60	111
6	Metropolitan Transit Authority - Revenue Collection Process (Reporting Phase)	20	10
7	Information Technology Services - Software License/Subscription Monitoring (Reporting Phase)	120	114
8	Mayor's Office - Barnes Fund for Affordable Housing (Planning Phase)	800	1,099
9	Hospital Authority – General Hospital Purchase to Pay Process (Planning Phase)	800	1,014
<b>CY 2018 New Audit Areas</b>			
1	Hotel Occupancy Tax Audits – 2018 (Outsourced 7 Goodlettsville Hotels)	500	130
2	Mayor's Office / Nashville Career Advancement Center Opportunity Now Program	800	
3	Metropolitan Nashville Government Unusual Financial Transactions Review (payables, credit card, fuel card, time entry, top ten travel, etc.)	800	42
4	Register of Deeds (Collections, Credit Card, Payroll, Expenses, Application Security, etc.)	800	809
5	Metro Water Services and Fire Department - Fire Hydrant Inspection, Flow Testing, and Maintenance Process	800	1,006
6	Metropolitan Nashville Government Collaboration with Nonprofit Entities	800	
7	Planning Commission – Zoning Conditions Enforcement and Coordination with Public Works - Development Infrastructure Incentives	800	548
8	Metro Water Services - Storm Water Billing and Revenue Collection	800	
9	General Government Employee Benefits Management	800	391
10	Public Works Contract Monitoring – Collier Engineering (\$9.3 Million FY 2017)	400	
11	Arts Commission	600	738
12	Parks and Recreation Department - Wave Pool Operations	400	400
13*	Library – Building Security	400	

**Metropolitan Nashville Office of Internal Audit  
2018 Approve Work Plan Status As Of January 31, 2019**

14*	Sports Authority / General Services Department - MLS Soccer Stadium Construction Project	600	
15*	Metropolitan Nashville Public Schools - Capital Project Construction Program	600	
16	General Services Department – Construction Owner Representative Contractors (Capital Project Solutions, etc.)	400	
<b>Information Technology Risk</b>			
17	Oracle R12 E-Business Suite / Taleo Implementation Project	800	809
18	Police Department - Advance Records Management System Application Review	800	
19*	Metropolitan Nashville Public Schools - Information Technology Security Management	600	
20*	Health Department – Information Technology Security Management and Governance	600	
21*	Metro Water Services – Infrastructure Information Security Management	600	85
<b>Audit Recommendation Follow-up</b>			
22	Codes and Building Safety - Short Term Rental Permitting Process Audit Follow-Up	250	157
23	Information Technology Services - Radio Shop Audit Follow-Up	250	109
24	General Services Department - Fleet Management Audit Follow-Up	250	
25	Human Relations Commission Audit Follow-Up	250	69
		<b>16,800</b>	
<b>Revisions to the 2018 Approved Internal Audit Work Plan</b>			
26	MNPS Expenditure and Budget Matters	800	1,023
27	General Sessions Court – Traffic School (Contracted to Kraft CPA)	400	94
28	Metro General Government Diversity Regulatory Reporting	400	119
	<b>Total Audit Services Effort To Date</b>		<b>9,356</b>
<b>Summary</b>			
	Audit Services	11,900	9,356
	Investigation Services	1,200	4,132
	Special Projects	400	320
	<b>Total (102% of Budgeted Effort Used Toward Annual Plan)</b>	<b>13,500</b>	<b>13,808</b>

**Summary of Open Audit Recommendations  
As of January 31, 2019**

Project Number	Audit Department List	Year	Month	Accepted	Rejected	Implemented	Accepts Risks	No Longer Applicable	Open	No Updates
AU2011-007	ITS - Active Directory Services (CONFIDENTIAL)	2011	4	12	0	11	0	0	1	
AU2012-005	General Services Fuel Management	2012	10	25.5	1.5	21.5	0	1	3	
AU2013-005	Information Technology Services Telecom Services (CONFIDENTIAL)	2013	7	13	0	12	0	0	1	<b>X</b>
AU2013-022	Industrial Development Board	2013	12	6	0	2	0	0	4	<b>X</b>
AU2014-028	Assessor's Office	2014	06	14	1	10	0	1	3	
AU2015-001	Justice Integration Services Active Directory (CONFIDENTIAL)	2014	10	3	1	1	0	0	2	<b>X</b>
AU2015-007	Historic Zoning and Historical Commission Work Force	2015	1	7	3	6	0	0	1	
AU2014-026	Metropolitan Nashville Public Schools	2015	2	118	14	111	4	2	1	
AU2015-024	General Services Radio Communication Division	2015	11	34	7	32	0	0	2	
AU2016-019	MNPS Performance Reporting Process	2016	12	11	0	9	0	0	2	
AU2017-008	Assessor of Property	2017	5	4	0	2	0	0	2	
AU2016-020	Human Resources Department Talent Acquisition Function	2017	6	13	0	11	0	0	2	
AU2017-001	Codes Short Term Rental Property Permit Process	2017	8	12	0	8	0	0	4	
AU2017-017	General Government Occupational Safety Program	2017	10	24	0	1	0	0	23	
AU2017-020	DCSO Information Technology Security Practices (CONFIDENTIAL)	2017	10	45	0	0	0	0	45	<b>X</b>
AU2018-003	Metropolitan Transit Authority Revenue Collection Process	2018	3	4	1	2	0	0	2	
AU2018-002	MDHA Development Incentives	2018	3	16	1	11	0	0	5	
AU2018-004	ITS Software Asset Management	2018	5	4	0	1	0	0	3	
AU2017-022	Finance Department Procurement And Business Assistance Office	2018	8	13	0	2	0	0	11	<b>X</b>
AU2018-014	Metro Water Services Process Control System Security (CONFIDENTIAL)	2018	8	12	0	7	0	0	5	
AU2018-012	Metro Nashville Public Schools Financial Matters	2018	8	2	0	0	0	0	2	
AU2018-009	Nashville General Hospital Procurement-To-Pay	2018	8	11	0	0	0	0	11	<b>X</b>
AU2018-011	Metro Water Services Fire Hydrant Inspections	2018	11	10	0	6	0	0	4	

**Summary of Open Audit Recommendations  
As of January 31, 2019**

<b>Project Number</b>	<b>Audit Department List</b>	<b>Year</b>	<b>Month</b>	<b>Accepted</b>	<b>Rejected</b>	<b>Implemented</b>	<b>Accepts Risks</b>	<b>No Longer Applicable</b>	<b>Open</b>	<b>No Updates</b>
AU2019-002	Parks & Recreation - Wave Country	2018	12	3	0	0	0	0	3	
AU2019-001	Register of Deeds	2019	1	8	2	3	0	0	5	
AU2019-004	General Sessions Court - Traffic School	2019	1	10	10	2	0	0	8	
				434.5	41.5	271.5	4	4	155	

**Metro Nashville Red Flag  
Fraud, Waste, and Abuse Hotline**

**Call 877-270-8334**

**or**

**<https://www.redflagreporting.com/nashville>**







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**Office of Internal Audit Budget versus Actual**  
**GSD General Fund as of February 8, 2019**  
**FY 2019 Approved Budget**

		<b>FY 2019 Budget</b>	<b>Actual</b>	<b>Difference</b>	<b>Notes</b>
Total Salaries & Fringe		\$ 1,138,300	\$ 569,872	\$ 568,428	
Other Expenses					
Professional & Purchased Services		248,000	61,880	186,120	
Building Rent Parkway Towers		55,500	32,607	22,893	\$4,580 per month
Other Expenses		71,900	18,043	53,857	
Internal Service Fees		50,000	50,000	-	Information Technology
*Budget Adjustment		(40,200)			
<b>TOTAL EXPENSES</b>		<b>\$ 1,523,500</b>	<b>\$ 732,402</b>	<b>\$ 791,098</b>	<b>48 percent utilization</b>

<b>* Budget Adjustment</b>		\$ 40,200	\$ 47,279	(7,079)	Open positions and FMLA without pay
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30003 General Fund 4% Reserve	\$ 8,725	\$ -	\$ 8,725	\$8,074 Audit analytic software + \$651 furniture
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**Office of Internal Audit Budget History**

<b>For the year ending June 30,</b>	<b>Co-sourcing Audit Budget</b>	<b>Total Budget</b>	<b>Co-sourcing Percent of Budget</b>	<b>FTE</b>
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	1,563,700	16%	10

# Metropolitan Nashville Office of Internal Audit

## Executive Team

**Mark Swann**  
CPA, CIA, CISA, ACDA,  
CMFO  
Metropolitan Auditor  
X26158

## Project and Office Management Leadership

**Lauren Riley**  
Macc, CPA, CIA,  
ACDA  
Principal Auditor  
x26111

**William (Bill) Walker**  
CPA, CIA, CFE  
Principal Auditor  
x26714

Project Quality, Milestone/Project Budget Monitoring, Hotline Support, Training  
Plans, GA GAS Compliance, Office Support, etc

## Audit Talent Pool

**Seth Hatfield**  
Macc, CPA, CIA, CFE  
Senior Auditor  
x79672

**James Carson**  
MBA, CIA, CFE  
Senior Auditor  
X26430

**Mary Cole**  
Macc, CPA, CFE,  
CISA, CGFM  
Senior Auditor  
X26407

**Innocent Dargbey**  
MS-Finance, MBA,  
CPA, CMFO  
Senior Auditor  
x79671

**Laura Henry**  
Macc, CFE  
Auditor II  
x26456

**Nan Wen**  
MS-Info Sys, MS-  
Acctg, CPA  
Auditor II  
x26429

**Ted Ciuba**  
MS-Finance, MBA  
Auditor I  
x26286



## METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

February 12, 2019

Members of the Metropolitan Nashville Council  
Metropolitan Government of Nashville and Davidson County  
Metro Courthouse  
Nashville, Tennessee 37201

### Annual Report to Council

The Metropolitan Nashville Audit Committee is presenting its annual report to the Metropolitan Council highlighting some of the audit work completed between February 2018 and January 2019 as well the implementation status of previously completed internal audit projects.

For this period, the Metropolitan Nashville Audit Committee was comprised of then-Vice Mayor David Briley, Vice Mayor Jim Shulman, Council Members John Cooper, and Bob Mendes, Metropolitan Nashville Government Director of Finance Talia Lomax-O'dneal, Brackney Reed, who represents the Chamber of Commerce and Charles Frasier, who represents the Nashville Chapter of the Tennessee Society of CPAs.

Please feel free to contact any Metropolitan Nashville Audit Committee member about the contents of this report or about any audit matter.

### Crosslin PLLC External Audit

The Metropolitan Nashville Audit Committee reviewed and accepted the Metropolitan Government of Nashville and Davidson County Comprehensive Annual Financial Report for the year ended June 30, 2018, without any exceptions noted.

### Office of Internal Audit Projects Completed

The Office of Internal Audit issued 17 audit reports providing 109 recommendations for improving Metropolitan Nashville Government processes during this period. A summary of the audit reports begins on page seven of the enclosed report. All of these reports, along with other reports issued in previous years, can be found at the Office of Internal Audit's website at <http://www.nashville.gov/internal-audit>.

### Office of Internal Audit Accomplishments

- Conducted 17 audits that included 109 recommendations for improvement were identified with a 96 percent acceptance rate.
- Accommodated Metropolitan Nashville Council and management requests pertaining to:
  - Then-Mayor Barry's Travel and Security Detail Overtime Investigation
  - Metro Water Services Fire Hydrant Inspection, Flow Testing, and Maintenance
  - Collier Engineering Investigation
  - General Sessions Traffic Court
  - Metro Nashville Public Schools Financial and Budget Matters
  - Metro Equal Employment Opportunity EEO-4 Survey Process
  - Register of Deeds Office
  - Hotel Occupancy Tax
- Selected 7 hotels representing \$1.6 million in hotel occupancy taxes for audit. Determined from revenue and room night data that over \$27 thousand had been underpaid and was referred to the Metropolitan Treasurer for collection.
- Completed 3 requests for investigation of fraud, waste, and abuse issues.
- Processed duplicate payment reports on behalf of the Metropolitan Nashville Government Department of Finance.

### Summary of Office of Internal Audit Recommendations Implementation Status Audits Issued Between April 2007 and January 2019

Audit entities were asked to provide implementation status for accepted audit recommendations for 177 reports issued since March 2007. Out of the 1,469 accepted recommendations, 1,251 (85 percent) were reported as implemented.

I hope you find this report informative and that you will contact us with any questions or issues related to external or internal audit efforts within the Metropolitan Nashville Government.

Sincerely,

Brackney Reed

Enclosure

cc: Mayor David Briley  
Members of Metropolitan Nashville Audit Committee  
Mark Swann, Metropolitan Auditor

**METROPOLITAN NASHVILLE AUDIT COMMITTEE  
2019 MEETING PLAN**

<b>Meeting Date</b>	<b>Proposed Agenda Topics</b>
February 12, 2019 (Tuesday)	<ul style="list-style-type: none"> <li>• Office of Internal Audit Annual Performance Report</li> <li>• Internal Audit Annual Work Plan approval</li> <li>• Internal Audit issued report discussion</li> <li>• Open Audit Recommendations Status</li> </ul>
April 9, 2019 (Tuesday)	<ul style="list-style-type: none"> <li>• Election of Chairman and Vice Chairman</li> <li>• External Audit Single Audit and Management Letter presentation</li> <li>• Information Security Program Update</li> <li>• Internal Audit issued report discussion</li> </ul>
June 25, 2019 (Tuesday)	<ul style="list-style-type: none"> <li>• FY2018 External Audit plan and required communications</li> <li>• Internal Audit issued report discussion</li> <li>• Metropolitan Auditor performance review</li> </ul>
September 10, 2019 (Tuesday)	<ul style="list-style-type: none"> <li>• Metropolitan Audit Committee self-assessment</li> <li>• Bylaws annual review</li> <li>• Internal Audit issued report discussion</li> <li>• Open Audit Recommendations Status</li> <li>• External Audit Comprehensive Annual Financial Report Audit Progress Executive Session</li> </ul>
November 26, 2019 (Tuesday)	<ul style="list-style-type: none"> <li>• Internal Audit issued report discussion</li> <li>• External Audit Comprehensive Annual Financial Report Audit Progress Executive Session</li> </ul>
December 10, 2019 (Tuesday)	<ul style="list-style-type: none"> <li>• External Audit Comprehensive Annual Financial Report</li> <li>• Internal Audit issued report discussion</li> </ul>

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# Metropolitan Nashville Audit Committee

## Executive Session Checklist

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- 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

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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)