

***METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON  
COUNTY***



***METROPOLITAN NASHVILLE  
AUDIT COMMITTEE***

***WORKBOOK***

**March 12, 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**  
**March 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 February 12, 2019 meeting (Brackney Reed – Committee Chairman)
- III. Unfinished Business
  - Discussion on the audit of the Register of Deeds issued January 24, 2019. (Mark Swann – Metropolitan Auditor)
  - Metropolitan Nashville Government Chief Compliance Officer update on Collier Engineering review/audit activity. (Judge Patricia Cottrell – Chief Compliance Officer)
  - 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 for audits to consider in the 2019 Annual Internal Audit Work Plan:
    - Council Member Tanaka Vercher for an audit of certain architecture and/or engineering firms which conduct significant levels of business with the Metropolitan Nashville Government. Discussion on potential audit objectives / agreed-upon procedures.
    - Council Member Anthony Davis for an audit of sidewalk construction costs and procurement measures to ensure high employee standards for contractors.
    - Council Member Sheri Weiner for an audit of the Metropolitan Nashville Public Works contracting processes.
    - Fire Chief William Swann for audits of Nashville Fire Department’s information technology processes and of the Fire Marshal’s Office.
    - Metropolitan Clerk Elizabeth Waites for an audit of lobbyist reporting.
  - Discussion and approval of the Office of Internal Audit Recommended 2019 Annual Work Plan (Mark Swann – Metropolitan Auditor)
- V. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
  - On-going projects
  - Recommendation implementation follow-up status

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

- 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)

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

February 12, 2019

On Tuesday, February 12, 2019, 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  
Scott Potter, Metro Water & Sewer  
Monique Odum, Parks & Recreation  
John Holmes, Parks & Recreation  
Mark Sterveuant, Public Works  
Sharon Waltstrom, Public Works  
Judge Blackburn, General Sessions Court  
Warren Hassel, General Sessions Court  
CJ Higgins, Kraft CPA  
Scott Nalley, Kraft CPA  
Gina Pruitt, Kraft CPA  
Nan Wen, Office of Internal Audit  
Mary Cole, Office of Internal Audit  
Seth Hatfield, Office of Internal Audit  
Lauren Riley, Office of Internal Audit

*Quorum present? Yes*

### **CALL MEETING TO ORDER**

Mr. Brackney Reed called the meeting to order.

### **APPROVAL OF MINUTES**

A **motion** to approve the December 11, 2018, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for February 12, 2019, was made, seconded, and carried.

### **Fraud, Waste and Abuse Hotline Activity**

Revised Investigation Report for Collier Engineering issued January 24, 2019.

Mark Swann stated that a revised report for the Collier Engineering investigation had been released. Mr. Swann then opened the floor for questions.

Council Member Mendes asserted concerns that, in the context of investigative reports, a standard higher than preponderance of evidence is being applied when basing conclusions on various allegations. Investigative reports explicitly state that the preponderance of evidence standard is what is being used when substantiating or unsubstantiating an allegation. Council Member Mendes believes, based on facts presented in the report, that some allegations should be substantiated but are being reported as unsubstantiated. Examples of this in the revised Collier Engineering report include:

- Allegation A asserting Collier Engineering received preferential treatment in exchange for certain Metropolitan employees being improperly entertained and receiving gifts.
- Allegation B alleging projects being awarded to Collier Engineering that was outside the scope of their contracts with the Metropolitan Nashville Government.
- Allegation C alleging invoices being submitted with little to no supporting documentation and being approved only by an employee who was improperly entertained by Collier Engineering. Council Member Mendes advised recent news stories contradicted this being unsubstantiated.
- Allegation H regarding the timeline to which Collier Engineering made mistakes and billed the Metropolitan Government of Nashville for the rework performed. Council Member Mendes advised the timeline shows that Collier Engineering chose to pay for the rework only after it was discovered during the investigation.

Council Member Mendes asserted that based on the facts presented in the report, these allegations should have been substantiated. Council Member Mendes then stated that the Committee should either vote not to accept the report or make individual motions to substantiate the above allegations.

Mark Swann advised the Office of Internal Audit investigated the allegations and came to the conclusion that the preponderance of evidence was not there. Mr. Swann advised that many professional organizations, such as the Association of Certified Fraud Examiners, promote not drawing conclusions on investigations but only to lay out the facts and let the readers of the report draw their own conclusion. Mr. Swann advised the Office of Internal Audit chooses to offer an opinion. Mr. Swann advised that based on his experience in talking to other groups that investigate, half will express opinions and half will not.

Mr. Swann asserted a review of applicable emails did not reveal any impropriety. Mr. Swann advised there had been a material increase in the capital spending on paving and sidewalks. Collier Engineering was one of the firms that had a contract in this area. Mr. Swann advised that before the inappropriate entertainment took place, the initial contract estimate for \$20 million had already been expended. There was a need to increase monies spent in this area. Mr. Swann advised these were indefinite delivery, indefinite quantity contracts. Mr. Swann advised when he first started; values were not even assigned to these contracts. Amounts spent were controlled by budgetary constraints. In this case, the available budgeted amounts were present.

Mr. Swann then discussed the scope of work related to the contract. Mr. Swann advised that the related services section, as well as the description of services requested in the Request for Quote, led him to believe that the work completed did relate to the contract. Mr. Swann also stated that two different professional Purchasing Agents approved the scope of work in the applicable purchase orders. The Director of Public Works also felt the work conformed to the scope. Mr. Swann advised Collier Engineering also did not create a new billing schedule on the new scope of work. Mr. Swann also advised that it was his understanding respondents proposals, request for quotes are incorporated as part of the body of the contract. Consequently, the intent was for Collier Engineering to be potentially completing sidewalk work or it would not have been mentioned in the request for quote.

Mr. Swann advised the reasons above were the basis for his view of the report.

Council Member Cooper advised that the standard used to determine substantiated or unsubstantiated was too high. The public trust required a lower standard. Moreover, the investigations should have included the billing cycle given the recent news reports. Council Member Cooper advised there were still a large number of questions related to Collier Engineering. Mark Swann advised there were no specific allegations related to billing at the time of the investigation other than there was insufficient documentation. A review of billings revealed a large amount of supporting documentation. A separate consulting engagement by an independent CPA firm stated that controls were in place at Collier Engineering and employees were being billed at the correct rate.

Ms. Talia Lomax-O'dneal discussed the various reviews going on surrounding Collier Engineering and what the next steps should be. Ms. Lomax-O'dneal advised the Mayor's Office has given her department a directive not to pay Collier Engineering for 30 days. All invoices in their queue have been downloaded and are being evaluated. Moreover, additional work may be requested by the Chief Compliance Officer.

Council Member Mendes advised the work of the Committee, and the work of the Chief Compliance Officer should coincide. Council Member Mendes also suggested having a meeting sooner than what would normally be scheduled to meet with the Chief Compliance Officer.

Mr. Fraizer talked about the allegation that was substantiated relating to the appearance of a conflict of interest. Mr. Fraizer advised that in the accounting/auditing world, there is really no distinction between appearance and outright conflict of interest in fact. Mr. Fraizer stated that the allegation being substantiated was significant and a serious matter. Mr. Fraizer suggested that it should be considered in reviewing the report.

A **motion** to not accept the investigative report at this time and to schedule a special meeting with the Chief Compliance Officer regarding the Collier Engineering investigation was made, seconded, and carried.

Metropolitan Nashville Public Schools Procurement Matters Investigation Report issued February 7, 2019.

Mark Swann advised an investigation report related to the Metropolitan Nashville Public Schools related to various procurement issues had been released and opened the floor for any questions.

Council Member Mendes advised given the 69-page length of the report and the fact that the report was issued a couple of business days ago, the report should not be accepted at this time until more time could be given to review it. Council Member Mendes suggested placing the report on the agenda for the next meeting.

Council Member Mendes did comment on allegations F, G and H. Specifically, the facts presented in each allegation support a conclusion of substantiated as opposed to unsubstantiated. Council Member Mendes went through each allegation stating that the facts state each allegation did occur and was only corrected when the wrongdoing was discovered by the audit. Council Member Mendes stated this seems to be a systemic, incorrect application of the preponderance of evidence standard.

A **motion** to not accept the investigative report at this time to give the Committee time to review the report was made, seconded, and carried.

### **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.

**Note:** Mr. Brackney Reed advised he had a conflict of interest with this agenda item. Accordingly, Mr. Reed recused himself from any discussion related to the topic. Mr. Reed turned the meeting over to Vice-Chairman Charles Fraizer.

Mr. Fraizer advised a request had been made by Council Member Vercher to take a look at architecture/engineering firms who do a significant amount of business with the Metropolitan Nashville Government.

Talia Lomax-O'dneal stated that there were other architecture/engineering firms not listed that should be added to the list. Ms. Lomax-O'dneal further advised that a scope of services should be determined. Ms. Lomax-O'dneal also suggested that the audit be completed by an outside entity. Council Member Mendes concurred.

Mr. Fraizer advised the request specifically ask for an audit. Mr. Fraizer advised the definition of an audit can be ambiguous and that this would be more like an Agreed-Upon Procedures. Ms. Talia Lomax-O'dneal concurred.

A **motion** for Ms. Talia Lomax-O'dneal to work with Mr. Swann to review Council Member Vercher's request and generate a potential scope of work before the next audit committee meeting was made, seconded, and carried.

Discussion on the draft Memorandum of Understanding between the Metropolitan Nashville Board of Public Education and the Metropolitan Nashville Audit Committee.

Mr. Mark Swann stated the Metropolitan Nashville Board of Public Education had discussed the possibility of adding two additional internal auditors to the Office of Internal Audit's staff. These auditors would be dedicated exclusively to the Metropolitan Nashville Public Schools and would be managed by the Office of Internal Audit. A memorandum of understanding was being reviewed by the Budget and Finance Committee of the Metropolitan Nashville Board of Public Education.

Mr. Brackney Reed asked when this would start. Mr. Swann advised potentially fiscal year 2020. Mr. Brackney Reed inquired if audits would still need to be approved by the Committee. Mr. Swann advised yes.

Mr. Fraizer clarified the cost would be approximately \$115,000 per auditor and inquired if this would be paid out of the Metropolitan Nashville Public Schools budget. Mr. Swann advised yes. Ms. Talia Lomax-O'dneal and Council Member Mendes inquired if there would be a point person from Metropolitan Nashville Public Schools or an audit committee of the Metropolitan Nashville Board of Public Education. Mr. Swann advised those are details that needed to be worked out.

Council Member Mendes asked if the Office of Internal Audit had adequate supervisory resources to manage two additional auditors and work. Mr. Swann advised potentially, yes.

Council Member Cooper asked what percentage of audit work had been dedicated to Metropolitan Nashville Schools in the past. Mr. Swann advised eight audits had been conducted over a ten year period including a comprehensive audit in 2015. Council Member Cooper inquired if the Office of Internal Audit would still be able to audit Metropolitan Nashville Public Schools in addition to the two additional auditors. Mr. Swann advised yes. Mr. Swann advised if the Committee viewed the risk significant enough. He could assign all ten auditors currently on staff to the Metropolitan Nashville Schools, in theory.

Discussion on the audit of the General Sessions Traffic Court issued January 28, 2019.

CJ Higgins with Kraft CPA summarized the scope, observations, and recommendations of the report.

Council Member Mendes inquired about the cooperation received from the General Sessions Court during the engagement. Mr. Higgins advised they were cooperative. Council Member Mendes acknowledged Judge Blackburn's request for the audit.

Council Member Cooper inquired how the fraud was discovered. Mr. Higgins advised that an employee within the General Session's Court discovered the fraud. Judge Blackburn stated that this employee noted a material decrease in receipts for the Traffic School. This employee then worked on her own time in determining that a potential fraud was committed at which point she contacted management.

Mr. Higgins advised the fraud scheme was a function of the manipulation of fee waivers signed by various Judges. Specifically, false waiver forms were being forged by the person committing the fraud. The audit revealed several control deficiencies that the General Session Court has subsequently addressed.

Council Member Cooper inquired if employees, such as the one who discovered the fraud, were rewarded to encourage such behavior. Judge Blackburn advised she was not aware of any. Judge Blackburn did state that the response from other employees towards the employee who discovered the fraud was astonishingly negative. Council Member Cooper advised that having a reward program should be considered.

Vice-Mayor Shulman asked how long the fraud had taken place. Judge Blackburn advised at least five years. A new computer system was put in place five years ago, and it was not possible to look at records prior to the implementation of the new system.

Discussion on the audit of the Follow-Up for the ITS Radio Communications issued January 24, 2019.

Mr. Swann advised a follow-up report has been issued for the ITS Radio Communications. Mr. Swann advised this is a confidential CJIS report. This report was submitted to Council Member Mendes who has CJIS clearance. Mr. Swann advised eighteen of the twenty recommendations had been implemented. The other two were delayed due to the Federal Government shutdown.

Discussion on the audit of Parks and Recreation Wave Country Operations issued December 28, 2018.

Seth Hatfield summarized the scope, observations, and recommendations of the report.

Discussion on the Follow-Up Audit of the Short Term Rental Permitting Process issued February 1, 2019.

Mr. Swann advised a follow-up report had been issued for the Short Term Rental Property audit. Mr. Swann advised 6 of the 12 audit recommendations had been implemented, 4 were outstanding, and 2 were no longer applicable.

Council Member Mendes inquired if the Codes and Building Safety Office appeared to be making progress. Mr. Bill Walker advised yes. Mr. Walker advised that the primary risk in the process that related to verification of owner-occupied status was still present. Host Compliance focuses on the identification of Short Term Rental locations operating without a permit but the ability to identify operators violating owner-occupied status is challenging. Codes and Building Safety does have some controls to help mitigate the risk and are looking for ways to improve those controls.

Discussion on the Register of Deeds audit issued January 24, 2019.

Nan Wen summarized the scope, objectives, and recommendations for this audit.

Council Member Mendes inquired about recommendations F1 and F2 which were rejected by management. A discussion ensued over “Net of Fees” offices and how they work. Mr. Swann advised the primary objective of the recommendation was for the Register of Deeds to become more transparent by using Metropolitan Nashville Government systems. The Register of Deeds interpretation of the Tennessee Code is that they are required to operate “Net of Fees” while the Office of Internal Audit’s interpretation was that it is optional.

Council Member Mendes suggested there be clarity on whether this is something the Register of Deeds chose not to do or is it something they are prohibited from doing.

**Action Item:** Mr. Swann advised he would follow up with the Department of Law to ascertain if the Register of Deeds is required to operate “Net of Fees” or is it discretionary.

Discussion on the Office of Internal Audit Recommendations 2019 Annual Work Plan.

Council Member Mendes needed to leave the meeting. It was requested to move the approval of the 2019 Annual Work Plan to the next meeting.

The next meeting is to be scheduled for March 12, 2019, at 4:00 p.m.

The public meeting adjourned after approximately 1 hour and 21 minutes.

The minutes for the February 12, 2019, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

Mark Swann  
Secretary, Metropolitan Nashville Audit Committee

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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
<b>Fees and Other Funding Sources</b>		
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>
<b>Expenditures</b>		
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



**Date:** October 26, 2018 (Revised March 8, 2019)  
**To:** Mark Swann, Metropolitan Auditor  
**From:** Seth Hatfield, Investigator  
**Subject:** Collier Engineering, Inc. Investigation

### **Source of Allegation**

The Mayor's Office received a complaint from an anonymous source. The complainant asserted that a vendor, Collier Engineering, Inc. had improperly entertained various officials within the Metropolitan Nashville Government. These Metropolitan Nashville Government officials were responsible for directing business to Collier Engineering, Inc. Several other complaints were also made related to Collier Engineering, Inc.'s working relationship with the Metropolitan Nashville Government. The complainant included documentation to support their assertions. On May 7, 2018, Mayor David Briley submitted a formal request for the Office of Internal Audit to conduct an independent investigation related to these allegations.

### **Investigators Assigned**

Seth Hatfield, CPA, CIA, CFE  
Laura Henry, CFE  
Bill Walker, CPA, CIA, CFE (Quality Assurance)

*This is an internal investigation report and should not be considered an audit report. Generally accepted government auditing standards were not used in the preparation of this report.*

We conduct investigations and create reports using the Standards of the Association of Certified Fraud Examiners as a guide.

### **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

- G. Terri Troup, Senior Procurement Officer, has a conflict of interest as she is a former employee of both Collier Engineering, Inc. and Public Works and is processing contract amendments for Collier Engineering, Inc.

#### Emergent Allegation

- H. Collier Engineering, Inc. made mistakes on Metropolitan Nashville Public School sidewalk projects that resulted in repair costs being absorbed by the Metropolitan Nashville Government.

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

- A. After a thorough review of the matters related to Collier Engineering, Inc. and various Metropolitan Nashville Government employees, it was determined that Metropolitan Nashville Government employees Donald Reid, Phillip Jones, Charles Boddie, Thomas Jones, Richard Taylor, and Ricky Swift were entertained in the Collier Engineering, Inc. suite at Bridgestone Arena. Collier Engineering, Inc. also indicated that Metropolitan Nashville Government employees Grant Anderson and Lindsay Taylor were entertained in their suite. No evidence showed that Collier Engineering, Inc. received a benefit from any of this entertainment.

The allegation that there is an *appearance* of preferential treatment being given to Collier Engineering, Inc. by Metropolitan Nashville Government employees in exchange for entertainment and gifts is **substantiated**.

The allegation that there is preferential treatment being given to Collier Engineering, Inc. by Metropolitan Nashville Government employees in exchange for entertainment and gifts is **unsubstantiated** because there is no evidence Collier Engineering, Inc. received a benefit in exchange for the entertainment.

- B. The allegation that projects are being given to Collier Engineering, Inc. outside the scope of current contracts and when vendors are on contract for the same services is **substantiated**.
- C. The allegation that Collier Engineering, Inc. is submitting invoices with little supporting documentation, invoices are only being reviewed by Donald Reid, and employees who question the invoices are being taken out of the review process is **unsubstantiated** because invoices were found to have sufficient documentation, controls around billing at Collier Engineering, Inc. were reviewed by an independent certified public accounting firm with no issues noted, and no evidence could be obtained to show that Donald Reid was removing employees from the review process within Public Works.
- D. The allegation that only inspectors that are on good terms with Donald Reid are allowed to inspect paving projects for Public Works is **unsubstantiated** because no evidence could be obtained that Donald Reid is selecting which inspectors are assigned by Collier Engineering, Inc. to Public Works paving projects.
- E. The allegation that Public Works required Google Fiber to work with Collier Engineering, Inc. in order to expedite permitting is **unsubstantiated** because no evidence was obtained that Public Works made it a requirement for Google Fiber to work with Collier Engineering, Inc. and no work was completed for Google Fiber by Collier Engineering, Inc.



- F. The allegation that Collier Engineering, Inc. is billing time for Marty Szeigis and Benny Word as project management, but they are not managing projects was **unsubstantiated** because work performed by Benny Word and Marty Szeigis can be classified as project management.
- G. The allegation that Terri Troup, Senior Procurement Officer, has a conflict of interest as she is a former employee of both Collier Engineering, Inc. and Public Works and is processing contract amendments for Collier Engineering, Inc. is **unsubstantiated** because prior employment with a contractor is not specified in the Metro Code of Law as a conflict of interest, and Terri Troup did not approve any of the purchase orders or contract amendments included with the allegations.

Emergent Allegation

- H. The allegation that Collier Engineering, Inc. made mistakes on Metropolitan Nashville Public School sidewalk projects that resulted in repair costs being absorbed by the Metropolitan Nashville Government is **unsubstantiated**. Although mistakes related to Americans with Disabilities standards were made by Collier Engineering, Inc., the square footage of rework represents a small percentage of the total installed square footage of sidewalks at Metropolitan Nashville Public Schools. Both Public Works and Collier Engineering, Inc. have agreed that Collier Engineering, Inc. will cover the costs of the rework.

**Recommendations**

- 1) The Metropolitan Nashville Governments' Director of Public Works, Director of Metro Water Services, and Director of Parks and Receptions should 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.
- 2) The Metropolitan Nashville Governments' Director of Public Works, Director of Metro Water Services, and Director of Parks and Receptions should 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.
- 3) Management of the Metropolitan Nashville Government Public Works Department should ensure that credit for all reworks for Metropolitan Nashville Public School Sidewalk Projects are received by Collier Engineering, Inc.
- 4) We concur with the Metropolitan Nashville Government Chief Compliance Officer's March 1, 2019, directive that the scope of work for current and future purchase orders released against contract 363266 should be limited to services related to the Department of Public Works Paving Program.

## 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

March 6, 2019

Dr. Shawn Joseph  
Metropolitan Nashville Public Schools  
Director

Dear Dr. Joseph,

### METROPOLITAN NASHVILLE PUBLIC SCHOOLS PROCUREMENT INVESTIGATION - REVISED

The attached revised report includes Metropolitan Nashville Public Schools' management responses, and corrective action plans to the February 7, 2019, investigation report recommendations. Also, the investigation report conclusions have been updated using the terminology "Did Find Evidence" or "Found No Evidence" in place of the previous report terminology "Substantiate" or "Unsubstantiated." We believe this will provide additional clarity for the conclusions related to specific allegation elements.

*This is an internal investigation report and should not be considered an audit report. Generally accepted government auditing standards were not used in the preparation of this report.*

We conduct investigations and create reports using the Standards of the Association of Certified Fraud Examiners as a guide.

### **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

March 6, 2019

METROPOLITAN NASHVILLE PUBLIC SCHOOLS PROCUREMENT INVESTIGATION - REVISED

Page 2

deficient internal controls would be forwarded to the management of the Metropolitan Nashville Government for corrective action.

The standard of “preponderance of the evidence” is used as a basis for an allegation conclusion. Key definitions used during investigations include:

- Preponderance of Evidence – A certain set of facts “more likely than not” occurred.
- Did Find Evidence – The evidence collected during the investigation indicates the allegation occurred.
- Found No Evidence - The evidence collected during the investigation indicates the evidence does not support the allegation or that the evidence obtained in the inquiry 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:

### **General Overall Allegation**

We **found no evidence** that the new Metropolitan Nashville Public Schools management team was intentionally circumventing purchasing procedures and sometimes federal regulations, and sometimes duplicating services that were already provided because they were receiving private gain from vendors.

### **Allegation A**

1. We **found no evidence** that consultant Bruce Taylor is not qualified and lacks credentials or qualifications.
2. Since federal funds were used, we did **find evidence** of non-compliance with Metropolitan Nashville Public Schools' Purchasing Policy FM 2.111, and Code of Federal Regulations, Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 200.320(b) as it relates to competitive solicitation for professional services. (See Recommendation 1.)

### **Allegation B**

We did **find evidence** that the Metropolitan Nashville Public Schools has paid Northwest Evaluation Association \$963,904, which exceeds the contract value of \$911,000.

### **Allegation C**

We **found no evidence** 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.

### **Allegation D**

We **found no evidence** 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.

### **Allegation E**

1. We **found no evidence** 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.

2. We did **find evidence** that the selection process for determining the “recognized competence and integrity” for the Sharon Fogler and Hemphill Educational Consultant was not documented. (See Recommendation 2.)

#### **Allegation F**

1. We **found no evidence** the Edgenuity no-bid contract award failed to be an emergency purchase.
2. We did **find evidence** of non-compliance with Metropolitan Nashville Public Schools’ Purchasing Policy FM 2.111 because a written determination of the basis for the emergency, and for the selection of the vendor was not available. (See Recommendation 2.)
3. We **found no evidence** that Edgenuity consultants duplicate work of existing Metropolitan Nashville Public Schools resources.

#### **Allegation G**

1. We **found no evidence** the no-bid (sole source) contract award to the Educational Research Development Institute partner company, Amplify, failed to meet the requirements for a no-bid (sole source contract).
2. We did **find evidence** of non-compliance with Metropolitan Nashville Public Schools’ Purchasing Policy FM 2.111 and Code of Federal Regulation 200.320(f)(4) because a written determination of the basis for the process of the selection of Amplify was not available. (See Recommendation 1.)

#### **Allegation H**

1. We **found no evidence** 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.
1. We did **find evidence** Dr. Monique Felder’s January 10, 2018, MNPS Disclosure of Interest form omitted Educational Research Development Institute as a source of income for the preceding year. Dr. Felder did an addendum to her MNPS Disclosure of Interest form for the calendar year 2017, on October 15, 2018, to include this source of income. Also, Dr. Felder disclosed Educational Research Development Institute as a source of income on her January 30, 2017, MNPS Disclosure of Interest form.

#### **Allegation I**

We **found no evidence** 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.

#### **Allegation J**

We **found no evidence** 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.

### **Allegation K**

We **found no evidence** 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."

### **Allegation L**

1. We **found no evidence** that Research for Better Teaching services are split between departments intentionally to circumvent Metropolitan Nashville Board of Public Education policy; 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 \$50,000, another for \$50,000 and another for \$12,000) to circumvent the \$100,000 board approval requirement.
2. We **did find evidence** that the amount paid to Research for Better Teaching 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. Purchase orders should have been used in advance. Given that the Unauthorized Purchase Requests were prepared, these Unauthorized Purchase Requests should have been denoted per scope of work to reduce confusion on the amount paid per scope of work. (See Recommendation 3.)

### **Allegation M**

1. We **found no evidence** that Metropolitan Nashville Public Schools paid extra inappropriate expenditures for Moreno Carrasco, a new employee when the new administration came in July 2016, for an extended period of time with federal funds, and for "trendy air b&b's" with high costs.
2. We **found no evidence** Metropolitan Nashville Public Schools paid extended temporary housing for other employees and used federal funds.

### **Allegation N**

1. We **found no evidence** 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.
2. We **did find evidence** that Metropolitan Nashville Public Schools in March 2017 was discussing a potential \$1 million amendment to the existing \$300,000 contract with Scholastic. However, the amendment did not move forward for consideration by the Metropolitan Nashville Board of Public Education.

### **Allegations O**

1. We **found no evidence** that the Performance Matters contract is for a duplicate data warehouse.
2. We **did find evidence** 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. However, 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.

3. We **did find evidence** the student assessment system, Unify, procured from Performance Matters using an Orange County, Florida contract solicitation does not comply with the requirement that cooperative purchases using other local government solicitations should be limited to Tennessee government units.

**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.

*Management Response: **Accept.*** We will work with the Federal Programs office to establish the procedures under Policy 2.805, Purchasing, to guide Federal Grant purchasing.

*Proposed Completion Date: 7/1/2019*

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."

*Management Response: **Accept.*** We will establish a Qualifications Based Selection practice for A&E firms, legal services, educational consultants, doctors, and other professional (state licensed) firms/individuals.

*Proposed Completion Date: 7/1/2019*

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.

*Management Response: **Accept.*** The Oracle R12 enterprise system has been presented as having this capability. However, it has only been lightly tested and is not placed into production until 7/1/2019. Therefore, we are indicating a proposed completion date based on this system expectation. However, if it has not proven reliable, we will need to explore a different approach to implement this recommendation.

*Proposed Completion Date: 7/1/2019, depending on reliability of new Oracle R12 enterprise system.*

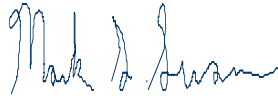
March 6, 2019

METROPOLITAN NASHVILLE PUBLIC SCHOOLS PROCUREMENT INVESTIGATION - REVISED

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark S. Swann". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

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

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## 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

## Swann, Mark (Internal Audit)

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**From:** Weiner, Sheri (Council Member)  
**Sent:** Tuesday, February 5, 2019 9:48 AM  
**To:** Swann, Mark (Internal Audit)  
**Subject:** RE: Metropolitan Nashville Office of Internal Audit 2019 Work Plan Suggestions

I'd like to go back to, and including, FY 13/14. As to which Engineering Firms...I'd like to know the data as it relates to each of the companies with whom we do business.

In light of the allegations against Collier and the repeated questions about costs to Metro from outside vendors (especially in Public Works) – and where we might reduce costs, I would like the following information shared as soon as reasonably possible:

<b>Engineering Firm</b>	<b>CSP Sidewalk Allocation</b>	<b>Linear Miles Built/Year</b>	<b>Billings Per Year</b>	<b>Cost per Linear Mile For Sidewalk &amp; Engineering CEI</b>

<b>Engineering Firm</b>	<b>CSP Street Paving Allocation</b>	<b>Linear Miles Built/Year</b>	<b>Billings Per Year</b>	<b>Cost per Linear Mile for Paving</b>

I want to start with these two studies so that we can see if there is reason to look elsewhere. I asked a friend what the industry standard is for engineering consulting, engineering and inspection fees (that's what CEI stands for) and she said that it's about 15 – 20% of the budget (in our case capital spending plan). I also think it's pertinent to see what the cost per linear mile for sidewalks and paving is to see if there is any discrepancy. From a policy standard, I don't understand the rationale behind allowing the same engineering firm to inspect its own work. Further, I'm curious as to whether bringing the inspection piece into Metro – is that a cost savings? Is that doable? What do other cities do?

I know this is a big ask but I believe that we must take a look at this. Thanks much.

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**From:** Swann, Mark (Internal Audit)  
**Sent:** Tuesday, February 5, 2019 9:11 AM  
**To:** Department Heads Only; Department Heads - Elected Officials; Council Members; Briley, David (Mayor); Jim Arnette (Jim.Arnette@cot.tn.gov); Henson, Chris (MNPS); Mark.North@mnps.org; GentryforDistrict1@outlook.com; jill.speering@mnps.org; anna.shepherd@mnps.org; cbugs@mnps.org; will@pinkstonforschools.com; amy.frogge@mnps.org; elrodforchools@gmail.com; franbush5@gmail.com; gini@giniforschools.com; Joseph, Dr. Shawn (MNPS Director of Schools); Adom, Fred (FIN OMB Monitoring Rpts & Acct); Neumaier, Tony (OMB - Finance); Departmental Budget Managers; Internal Audit; kim@capitolstrategy.net; ksimmmons@bassberry.com; gail.williams@vanderbilt.edu; Anderson, George; Planning Commissioners; mdhaexecutive@nashville-mdha.org; MAC Board of Commissioners; Rodriguez, Janice Snow (TFLI); loretta.bond@belmont.edu; howard.burley@tn.gov; bobbilee723@aol.com; afisher@fbtlaw.com; reggie.hill@lpnt.net; richardmanson@comcast.net; mic1981@aol.com; bonnie.slovis@vanderbilt.edu; jwfpf@comcast.net; frankdstevenson@gmail.com; Sullivan, Joel (Red Cross); herman.williams@rcchhealth.com; jwfpf@comcast.net; Historical Commission; Board of Health - Contact; frank@fedlogicgroup.com; Ned Horton; Jones, Edna (General Services); Convention Center Authority;

hantelkitchens@yahoo.com; bfarmer@fpwlegal.com; josiah.reid@nelsonmullins.com; Emily@EmilyNEvans.com; brian@downtownmusiccity.com; blakemcdaniel@me.com; marielena.ramos@newschannel5.com; mark@gardensofbabylon.com; ghausser@earthlink.net; Brack Reed - Nashville Area Chamber of Commerce; Charles Frasier - TSCPA Nashville Chapter; Cooper, John (Council Member); Lomax-O'dneal, Talia (Finance Director's Office); Mendes, Bob (Council Member); Shulman, Jim (Vice Mayor)

**Subject:** Metropolitan Nashville Office of Internal Audit 2019 Work Plan Suggestions

All,

The Metropolitan Nashville Office of Internal Audit is refreshing its annual audit work plan. As a part of this initiative, we would appreciate your help in identifying risks that could potentially distract the Metropolitan Nashville Government from achieving service delivery goals. If you are aware of a function, process, or area that an independent internal audit would help, please reply to this email, or contact the Office of Internal Audit, before February 8, 2019.

We are looking for meaningful ways to apply our service and look forward to any suggestions you may be able to provide.

Mark Swann

**Mark S. Swann – Metropolitan Auditor**

Metropolitan Nashville Office of Internal Audit  
Tel: 615 862-6158 | Mobile: 615 974-8700 | Fax: 615 862-6425

[Metro Nashville Fraud Waste or Abuse Hotline](#) or call 877-270-8334

## Swann, Mark (Internal Audit)

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**From:** Davis, Anthony (Council Member)  
**Sent:** Tuesday, February 5, 2019 8:20 PM  
**To:** Swann, Mark (Internal Audit)  
**Subject:** RE: Metropolitan Nashville Office of Internal Audit 2019 Work Plan Suggestions

Hey Mark,

I assume (based on what I have heard) we are already auditing Collier. I would like to audit why sidewalks seem to cost more than they should (may be the same thing).

I think we need to ensure procurement isn't hiring contractors that don't have high standards for workers. (not sure if anything really to audit there, just a statement) :)

My two cents, thanks as always for all the good work you do!

PS: I'll never forget requesting we do schools a few years back, and it led to the infamous, "charters are costing us more overhead, yes." Classic!

Anthony Davis  
Nashville Metro Council, District 7  
anthony.davis@nashville.gov  
615-775-8746

---

**From:** Swann, Mark (Internal Audit)  
**Sent:** Tuesday, February 05, 2019 9:11 AM  
**To:** Department Heads Only; Department Heads - Elected Officials; Council Members; Briley, David (Mayor); Jim Arnette (Jim.Arnette@cot.tn.gov); Henson, Chris (MNPS); Mark.North@mnps.org; GentryforDistrict1@outlook.com; jill.speering@mnps.org; anna.shepherd@mnps.org; cbuggs@mnps.org; will@pinkstonforschools.com; amy.frogge@mnps.org; elrodforchools@gmail.com; franbush5@gmail.com; gini@giniforschools.com; Joseph, Dr. Shawn (MNPS Director of Schools); Adom, Fred (FIN OMB Monitoring Rpts & Acct); Neumaier, Tony (OMB - Finance); Departmental Budget Managers; Internal Audit; kim@capitolstrategy.net; ksimmons@bassberry.com; gail.williams@vanderbilt.edu; Anderson, George; Planning Commissioners; mdhaexecutive@nashville-mdha.org; MAC Board of Commissioners; Rodriguez, Janice Snow (TFLI); loretta.bond@belmont.edu; howard.burley@tn.gov; bobbilee723@aol.com; afisher@fbtlaw.com; reggie.hill@lpnt.net; richardmanson@comcast.net; mic1981@aol.com; bonnie.slovis@vanderbilt.edu; jwfpf@comcast.net; frankdstevenson@gmail.com; Sullivan, Joel (Red Cross); herman.williams@rcchhealth.com; jwfpf@comcast.net; Historical Commission; Board of Health - Contact; frank@fedlogicgroup.com; Ned Horton; Jones, Edna (General Services); Convention Center Authority; hantelkitchens@yahoo.com; bfarmer@fpwlegal.com; josiah.reid@nelsonmullins.com; Emily@EmilyNEvans.com; brian@downtownmusiccity.com; blakemcdaniel@me.com; marielena.ramos@newschannel5.com; mark@gardensofbabylon.com; ghausser@earthlink.net; Brack Reed - Nashville Area Chamber of Commerce; Charles Frasier - TSCPA Nashville Chapter; Cooper, John (Council Member); Lomax-O'dneal, Talia (Finance Director's Office); Mendes, Bob (Council Member); Shulman, Jim (Vice Mayor)  
**Subject:** Metropolitan Nashville Office of Internal Audit 2019 Work Plan Suggestions

All,

The Metropolitan Nashville Office of Internal Audit is refreshing its annual audit work plan. As a part of this initiative, we would appreciate your help in identifying risks that could potentially distract the Metropolitan Nashville Government from achieving service delivery goals. If you are aware of a function, process, or area that an independent internal audit would help, please reply to this email, or contact the Office of Internal Audit, before February 8, 2019.

We are looking for meaningful ways to apply our service and look forward to any suggestions you may be able to provide.

Mark Swann

**Mark S. Swann – Metropolitan Auditor**

Metropolitan Nashville Office of Internal Audit  
Tel: 615 862-6158 | Mobile: 615 974-8700 | Fax: 615 862-6425

[Metro Nashville Fraud Waste or Abuse Hotline](#) or call 877-270-8334

**Summary of Architecture and Engineering Contractors**

		:-----Calendar Year Paid Amount-----:				:--7/1/2016 to 2/21/2019--:		
A&E Contractor	16	17	18	Grand Total	Transaction Amount	Transaction Count	Vercher Request	
1 CIVIC ENGINEERING & INFO TECHNOLO (ACH)	9,932,320	11,797,793	9,932,357	31,662,470	27,943,952	699	Yes	
2 COLLIER ENGINEERING CO INC (ACH)	8,517,364	10,171,407	10,044,341	28,733,112	26,145,410	1,279		
3 GRESHAM SMITH & PARTNERS (ACH) (P#)	7,265,097	7,363,173	5,906,472	20,534,741	16,761,863	184	Yes	
4 BROWN AND CALDWELL (ACH)	3,895,518	4,871,080	8,075,284	16,841,882	15,625,503	146		
5 CDM SMITH (ACH)	3,465,356	3,179,331	2,297,831	8,942,517	7,136,155	76	Yes	
6 HAZEN & SAWYER (ACH)	1,107,260	1,343,085	2,399,434	4,849,778	4,930,682	68		
7 HDR ENGINEERING INC (ACH)	561,595	2,085,334	2,303,326	4,950,255	4,799,794	97	Yes	
8 HEERY INTERNATIONAL INC (P#) (ACH)	1,957,657	1,191,149		3,148,806	4,279,449	444		
9 HASTINGS ARCHITECTURE ASSOC (ACH)	1,102,594	789,911	1,669,325	3,561,830	3,405,062	454		
10 IC THOMASSON ASSOCIATES INC (ACH)	1,156,977	1,423,778	1,518,461	4,099,216	3,393,954	77		
11 ORCHARD, HILTZ & MCCLIMENT INC	1,358,004	1,531,786	436,140	3,325,930	2,785,846	180		
12 KCI TECHNOLOGIES INC (ACH)		1,210,391	1,229,227	2,439,618	2,557,754	245	Yes	
13 NEEL SCHAFFER INC (ACH)	1,548,375	764,130	651,071	2,963,576	2,333,341	97		
14 GEOTEK ENGINEERING CO (ACH)	134,449	682,736	1,114,250	1,931,435	1,950,463	171		
15 BARGE CAUTHEN & ASSOC INC (ACH)	690,744	824,545	616,687	2,131,977	1,897,558	121	Yes	
16 GOBBELL HAYS PARTNERS INC (P#) (ACH)	1,699,256	744,317	594,656	3,038,229	1,834,262	443		
17 ADKISSON & ASSOC ARCHITECTS INC (ACH)	146,763	404,849	879,335	1,430,947	1,811,701	103		
18 WSP USA INC (ACH)	33,776	1,663,755	370,574	2,068,105	1,660,300	61		
19 BAUER ASKEW ARCHITECTURE PLLC (ACH)	958,815	952,781	119,345	2,030,941	1,498,785	55		
20 AMEC EARTH & ENVIRONMENTAL INC (ACH)	917,823	382,623		1,300,446	1,266,464	89	Yes	
21 TUCK HINTON ARCHITECTS	64,393	1,097,348	127,182	1,288,923	1,227,744	53		
<b>Potential Vendor Audit Coverage</b>	46,514,135	54,475,301	50,285,297	151,274,733	135,246,041	5,142		
<b>Percent of Total A&amp;E EBS transactions July 1, 2016 through February 21, 2019</b>					<b>92%</b>	<b>81%</b>		
22 ARCADIS US INC (ACH)	243,756	735,443	30,759	1,009,958	993,905	14		
23 THOMAS MILLER & PARTNERS LLC	1,207,676	143,879		1,351,555	922,643	23		
24 DBS & ASSOCIATES ENGINEERING INC (ACH)		350,646	520,457	871,103	896,032	22		
25 AECOM TECHNICAL SVCS (ACH)	238,901	60,099	396,056	695,056	760,226	19		
26 CBRE HEERY INC. (P#) (ACH)		1,106,175	1,878,972	2,985,147	750,040	63		
27 HAWKINS PARTNERS INC (ACH)	369,065	413,461	120,598	903,124	737,000	39		
28 TRIAD ENVIRONMENTAL CONSULTANTS INC	403,170	247,496	287,063	937,729	642,763	198		
29 BARGE WAGGONER SUMNER & CANNON INC (ACH)	330,402	204,695	232,831	767,928	519,805	89	Yes	

**Summary of Architecture and Engineering Contractors**

		:-----Calendar Year Paid Amount-----:				:--7/1/2016 to 2/21/2019--:		
	<b>A&amp;E Contractor</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>Grand Total</b>	<b>Transaction Amount</b>	<b>Transaction Count</b>	<b>Vercher Request</b>
30	STREET DIXON RICK ARCHITECTURE (ACH)	386,268	204,230	28,766	619,264	480,114	47	
31	MELVIN GILL & ASSOC ARCHITECTS (ACH)	129,222	230,110	218,772	578,103	479,320	16	
32	CENTRIC ARCHITECTURE	337,273	383,780	52,439	773,492	470,570	49	
33	WOOD ENVIRONMENT & INFRASTRUCTURE SOLUTI		408,261	569,692	977,953	468,100	30	Yes
34	KLINE SWINNEY ASSOCIATES	491,456	168,809	181,005	841,270	417,338	5	
35	ENSAFE INC (ACH)	119,574	212,264	79,094	410,932	410,934	19	
36	BEAVER ENGINEERING INC (ACH)	252,117	127,893	86,103	466,113	398,633	75	
37	PARSONS BRINKERHOFF INC (ACH)	150,028			150,028	396,248	15	
38	GRW ENGINEERS INC	624,920	54,736	80,546	760,203	361,436	41	
39	ALTA PLANNING + DESIGN INC (ACH)	317,374	182,529		499,903	350,998	12	
40	RAGAN-SMITH ASSOC INC (P#) (ACH)	87,878	114,697	142,738	345,312	312,035	49	Yes
41	HETHCOAT AND DAVIS INC (ACH)	291,310	211,824	5,493	508,626	310,064	42	
42	GOODWYN MILLS & CAWOOD INC (ACH)	188,078	87,434	20,864	296,376	293,940	26	
43	TM PARTNERS PLLC (ACH)		415,864	225,246	641,110	189,562	12	
44	HART FREELAND ROBERTS INC (ACH)	208,174	80,023	41,135	329,332	179,520	29	
45	KIMLEY HORN & ASSOC INC (TN/NC)		38,735	82,920	121,655	125,991	25	
46	TETRA TECH INC (ACH)		25,560	65,722	91,282	111,172	42	
47	LITTLEJOHN ENGINEERING ASSOCIATES INC	224,205	54,836		279,041	92,539	19	
48	JACK FREEMAN AND ASSOCIATES PC (ACH)	71,268	52,881		124,149	85,264	15	
49	PLANNING DESIGN & RESEARCH ENGINEERS (AC	19,995	41,245	37,880	99,120	77,975	49	
50	LOSE & ASSOC INC (ACH)	30,991	7,975		38,966	52,720	30	
51	GOULD TURNER GROUP PC	30,037	14,858	33,225	78,121	48,083	4	
52	GILBERT/MCLAUGHLIN ARCHITECTS PLC (ACH)	62,153		10,550	72,703	41,105	7	
53	PUCKETT ENGINEERING (ACH)		10,000	18,675	28,675	28,675	2	
54	URS CORP	25,693	1,085		26,778	19,971	4	
55	PROFESSIONAL SERVICE INDUSTRIES (ACH)	14,514	13,922	397	28,833	19,483	17	
56	ROSS BRYAN ASSOC INC	2,773	12,616	5,725	21,114	18,341	14	
57	TTL INC (ACH)			15,739	15,739	15,739	3	
58	EMC STRUCTURAL ENGINEERS PC	1,415	5,535	7,499	14,449	12,049	8	
59	GLE ASSOCIATES INC (ACH)			4,500	4,500	4,500	6	
60	DALE & ASSOCIATES (ACH)		3,500		3,500	3,500	1	

**Summary of Architecture and Engineering Contractors**

		:-----Calendar Year Paid Amount-----:				:--7/1/2016 to 2/21/2019--:		
	<b>A&amp;E Contractor</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>Grand Total</b>	<b>Transaction Amount</b>	<b>Transaction Count</b>	<b>Vercher Request</b>
61	PUCKETT ENGINEERING PLLC	2,807		2,388	5,195	2,388	1	
62	LOSE DESIGN (ACH)		16,765	20,058	36,823	2,213	2	
63	ASHWORTH ENVIRONMENTAL DESIGN		1,800		1,800	1,800	1	
64	PARSONS ENGINEERING INC (ACH)	675			675	675	1	
	<b>Grand Total</b>	<b>53,377,303</b>	<b>60,920,962</b>	<b>55,789,203</b>	<b>170,087,468</b>	<b>147,751,448</b>	<b>6,327</b>	
	<b>CPS Land (No Metro Transactions or Contracts)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>Yes</b>



## Metropolitan Nashville Government Vendor Audit Program

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### Audit Objectives

Audit procedures should be sufficient to enable the auditor to determine that:

- A. Selection of the Vendor chosen to provide goods and services was competitively bid in accordance with Metropolitan Nashville Government's Purchasing Code and Regulations.
  - Delivery order tasks agree with contract scope of work.
  - Pre-Award checks are performed for identified high risk service contracts in accordance with Department of Finance – Procurement Division Contract Risk Management policy.
- B. All charged by the Vendor are in accordance with applicable contracts, purchase agreements, or other terms.
  - Service was received and complete.
  - Compensation/rates agree with contract terms.
  - Classifications for staff billed on invoices are supported by professional license, experience, etc.
  - Work effort charged is reasonable for provided services or goods.
- C. There are no instances of non-compliance with the Metropolitan Nashville Government's employee ethics in purchasing, employee ethics, conflicts of interest, acceptance of gifts, or standards of conduct policies between Metropolitan Nashville Government employees and Vendor representatives.
  - Review Vendor entertainment records (marketing expense, season tickets, vacation homes, hunting leases, credit card, petty cash, expense reports, etc.)
  - Review Vendor payroll for potential conflict of interest.
- D. The Metropolitan Nashville Government has a contract monitoring plan that is active.
  - Monitoring activities are performed for identified high risk service contracts in accordance with Department of Finance – Procurement Division Contract Risk Management policy.

## Swann, Mark (Internal Audit)

---

**From:** Waites, Elizabeth (Metro Clerk)  
**Sent:** Tuesday, February 12, 2019 1:18 PM  
**To:** Swann, Mark (Internal Audit)  
**Cc:** Marsh, Justin (Legal)  
**Subject:** RE: Metropolitan Nashville Office of Internal Audit 2019 Work Plan Suggestions

Hi, Mr. Swann,

I would be interested in an audit to determine whether lobbyist reports that are filed annual with this office, which are required to itemize certain campaign donations, consistently match with campaign finance disclosures submitted by candidates to the Election Commission. Please let me know if I may be of assistance in any way.

Regards,  
Elizabeth Waites  
Metro Clerk

---

**From:** Swann, Mark (Internal Audit) <Mark.Swann@nashville.gov>  
**Sent:** Tuesday, February 05, 2019 9:11 AM  
**Subject:** Metropolitan Nashville Office of Internal Audit 2019 Work Plan Suggestions

All,

The Metropolitan Nashville Office of Internal Audit is refreshing its annual audit work plan. As a part of this initiative, we would appreciate your help in identifying risks that could potentially distract the Metropolitan Nashville Government from achieving service delivery goals. If you are aware of a function, process, or area that an independent internal audit would help, please reply to this email, or contact the Office of Internal Audit, before February 8, 2019.

We are looking for meaningful ways to apply our service and look forward to any suggestions you may be able to provide.

Mark Swann

**Mark S. Swann – Metropolitan Auditor**

Metropolitan Nashville Office of Internal Audit  
Tel: 615 862-6158 | Mobile: 615 974-8700 | Fax: 615 862-6425

[Metro Nashville Fraud Waste or Abuse Hotline](#) or call 877-270-8334

## Swann, Mark (Internal Audit)

---

**From:** Goins, Angie (NFD-ADM)  
**Sent:** Friday, February 8, 2019 8:58 AM  
**To:** Swann, Mark (Internal Audit)  
**Cc:** Swann, William (NFD); Thomas, Al (NFD); Lacy, Rusty (NFD-IT)  
**Subject:** Metropolitan Nashville Office of Internal Audit 2019 Work Plan Suggestions  
**Attachments:** NFD IT and FMO Audit Areas.docx

Mr. Swann,

Attached is the NFD's IT and FMO response to your request.  
If you have any questions, please email Director Chief Swann, Mr. Lacy or Mr. Thomas.

Kindest regards,

*Angie Goins*

*Office of the Director-Chief  
Nashville Fire Department  
63 Hermitage Avenue  
Nashville, TN 37201  
Direct: 615-862-5424*

---

**From:** Swann, Mark (Internal Audit)  
**Sent:** Tuesday, February 05, 2019 9:11 AM  
**To:** Department Heads Only; Department Heads - Elected Officials; Council Members; Briley, David (Mayor);  
**Subject:** Metropolitan Nashville Office of Internal Audit 2019 Work Plan Suggestions

All,

The Metropolitan Nashville Office of Internal Audit is refreshing its annual audit work plan. As a part of this initiative, we would appreciate your help in identifying risks that could potentially distract the Metropolitan Nashville Government from achieving service delivery goals. If you are aware of a function, process, or area that an independent internal audit would help, please reply to this email, or contact the Office of Internal Audit, before February 8, 2019.

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Mark Swann

**Mark S. Swann – Metropolitan Auditor**

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Tel: 615 862-6158 | Mobile: 615 974-8700 | Fax: 615 862-6425

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## NFD IT Audit Areas

1. Management of inventory NFD IT – NFD IT and Metro ITS seem to share responsibility for the inventory. For the past two years ITS has not performed an inventory of technology equipment that is maintained in their inventory management system. This has resulted in items showing on the inventory that have been turned in for disposal. Departments are charged for items on the inventory so there is the possibility of a department being overcharged by ITS.
2. Management of projects by NFD IT – Major projects, like the ImageTrend upgrade currently in process in the Fire Department, are very complex and require large amounts of time to implement. The result of not having a project manager for large projects will invariably result in delayed implementation. This delay is a drag on the time of department personnel who are involved, those who are waiting on the new product for their daily needs and results in the vendor not being able to quickly help resolve issues as their time is divided between NFD and other departments across the nation. For the Fire Department, it has resulted in delayed implementation of the Telestaff upgrade.
3. Implementation of ITS policies – NFD IT has a responsibility to review Metro ITS policies and implement as is or create a departmental OPG to further define the ITS policy. NFD IT has made some progress in this regard, but much needs to be done. An outside review of this piece of IT's responsibilities will help define those policies that are most critical/risky to ensure they are completed first.
4. ITS support of departments
  - a. Help desk – The ITS help desk is known for constant turnover of personnel which results in inconsistent responses to calls for help and in routing the resulting tickets to the right people or organization. It seems much excess energy is expended by the departments due to this disorganization.
  - b. Network/servers – ITS consolidated many functions over the years. Because of the consolidation most departments lost some or all of their access to servers that are exclusive to that department. This results in delayed response to server maintenance as the department has to wait, on occasion, for an ITS server technician to respond. Departments that have server technicians who can prove their competency should be allowed the necessary access to take care of the department's servers.
  - c. Inventory – Inventory was discussed above in some detail. ITS needs to establish an inventory policy and keep it updated.
  - d. Zone dispatch model – the zone dispatch model has resulted in long wait times for equipment being ordered or delivered after arrival. Personnel with computer or other technology issues wait for long periods of time and may go a week or more without any contact by the zone technician. It appears there is a gap in the service when the technician is absent and ITS does not monitor this closely.

### **NFD Fire Marshal's Office Audit areas**

1. Delivery of inspection services to the public, including new construction, occupancy change permits, and required life safety inspections of high-life hazard occupancies such as Multi-family residential, Public Assembly, Hotel/Motel, and Industrial.
2. Completeness of Life-safety Plans Review for new construction and occupancy change.

**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

March 12, 2019

*Execute a Focused Audit Plan*



## METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

March 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 address requested audits along with identifying the risk that matter and provide enterprise-wide audit coverage. Exhibit A below describes the allocation of 13,500 resource hours needed to complete 22 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	16	9,900
Prior Audit Follow-Up	1	250
<b>Total Audit Projects</b>	<b>23</b>	<b>11,600</b>
Metro Hotline Coordination		200
Investigation Request	4	1,300
Non-audit advisory services		400
<b>Total Report Deliverables</b>	<b>27</b>	<b>13,500</b>

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 goal will be to **complete 23 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>		
1-10	Architectural and Engineering Vendor Audits – Recommend Completion of 10 Vendor Audit estimated at 300 to 400 hours each.	4,000
11	Performance Audit of Public Works – Best Practices for Sidewalk, Paving, Traffic Engineering, Waste Management, Closed Landfill Monitoring, etc. (Outsource)	400
12	Nashville Fire Department Fire Marshall Office Inspection Service and Life Safety Plan Reviews	800
13	Lobbyist Annual Disclosure vs Campaign Finance Disclosures	600
14	Metro General Government Capital Project Construction Program (Need, Estimates, Approval, Contracting, Monitoring)	800
15	General Services - Downtown Detention Center and the Behavioral Care Center Construction Project	800
16	Election Commission Operations (See Information Technology Risk)	600
17	Nashville General Hospital – Pharmacy Management	800
18	Municipal Auditorium	400
19	Hotel Occupancy Tax Audits – 2019	800
<b>Information Technology Risk</b>		
20	Election Commission Information Systems	400
21	Health Department – Information Technology Security Management and Governance	600
<b>Audit Recommendation Follow-up</b>		
22	General Services Department - Fleet Management Audit Follow-Up	250
	<b>Total Audit Services</b>	<b>12,700</b>



### Attachment A – CY 2019 Audit Plan

<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	Hotel Occupancy Tax Audits – 2019	800
P	Police Department - Advance Records Management System Application Review	800
Q	Sold Property Tax Receivables Process	400
R	Employee Benefit Board Pension Investments	800
S	Nashville Fire Department Equipment Tracking Process (ITS Computers, Printers, and Other Tracked Equipment)	600
	<b>Total Other Potential Audit Engagements</b>	<b>13,400</b>
	<b>Total Recommended and Potential Audit Engagements</b>	<b>26,100</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
---	-------------------------------

#### 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
--	----------------------

### Mayor's Priority Objectives

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

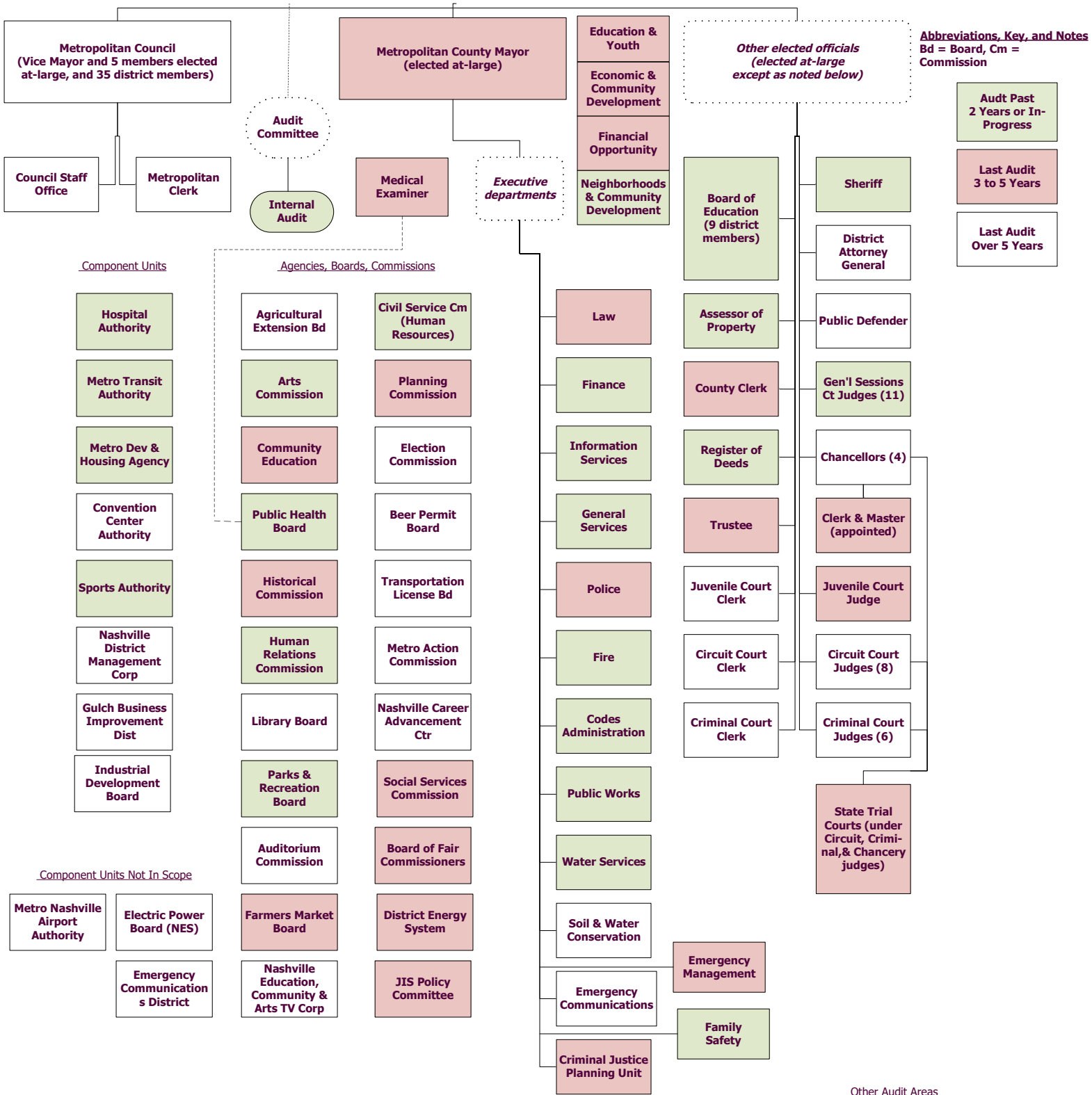
Entity	Plan	Risk Score	Last Audit	Months Overdue	Total Expenses	FTEs	Fees & Collections	Total Payroll	Payroll % Not Regular	Vendor Payments	Grants	Net Position
<b>Subtotal</b>					221,537,085		378,185,061					3,218,775,649
<b>Trust Funds</b>												
TF-Sold Property Tax Recv		1.55	1/1/2008	132	42,844,969	-	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**

Department Name	Internal Audit Reports Issued FY 2007 - 2019
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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**Summary of Open Audit Recommendations  
As of March 8, 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>
AU2014-026	Metropolitan Nashville Public Schools	2015	2	118	14	111	4	2	1	
AU2014-028	Assessor's Office	2014	06	14	1	10	0	1	3	
AU2015-007	Historic Zoning and Historical Commission Work Force	2015	1	7	3	6	0	0	1	
AU2015-024	ITS - Radio Communication Division	2015	11	34	7	32	0	0	2	
AU2015-031	Parks and Recreation Maintenance Operations		4	2.5	1.5	1.5	0	0	1	
AU2016-019	MNPS Performance Reporting Process	2016	12	11	0	9	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	
AU2017-008	Assessor of Property	2017	5	4	0	2	0	0	2	
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	17	0	0	28	
AU2017-022	Finance Department Procurement And Business Assistance Office	2018	8	13	0	2	0	0	11	<b>X</b>
AU2018-002	MDHA Development Incentives	2018	3	16	1	11	0	0	5	
AU2018-003	Metropolitan Transit Authority Revenue Collection Process	2018	3	4	1	2	0	0	2	
AU2018-004	ITS Software Asset Management	2018	5	4	0	1	0	0	3	
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	
AU2018-012	Metro Nashville Public Schools Financial Matters	2018	8	2	0	0	0	0	2	
AU2018-014	Metro Water Services Process Control System Security (CONFIDENTIAL)	2018	8	12	0	7	0	0	5	
AU2019-001	Register of Deeds	2019	1	8	2	3	0	0	5	



**Summary of Open Audit Recommendations  
As of March 8, 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	
AU2019-004	General Sessions Court - Traffic School	2019	1	10	10	2	0	0	8	
				434	42	289	4	4	137	

**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 March 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	\$ 652,595	\$ 485,705	
Other Expenses				
Professional & Purchased Services	248,000	61,994	186,006	
Building Rent Parkway Towers	55,500	37,279	18,221	\$4,580 per month
Other Expenses	71,900	27,873	44,027	
Internal Service Fees	50,000	50,000	-	Information Technology
*Budget Adjustment	(40,200)			
<b>TOTAL EXPENSES</b>	<b>\$ 1,523,500</b>	<b>829,741</b>	<b>\$ 693,759</b>	<b>54 percent utilization</b>

54%

<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 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 Audit Committee

Metropolitan Code of Laws Section 2.24.300  
Term-varied  
6 Members

	<u>Date of Appt.</u>	<u>Term Exp.</u>
<b>Mr. John Cooper</b> 3925 Woodlawn Drive Nashville, TN 37205- (615) 969-4444      CooperAtLarge@nashville.gov Representing: Metro Council	<b>10/3/2017</b>	<b>9/30/2019</b>
<b>Mr. Charles C. Frasier</b> <b>VChm</b> One University Park Drive Nashville, TN 37204- (615) 966-5738      charles.frasier@lipscomb.edu Representing: TSCPA, Nashville Chapter	<b>3/21/2017</b>	<b>3/20/2021</b>
<b>Ms. Talia Lomax-O'dneal</b> One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151      talia.lomaxodneal@nashville.gov Representing: Director of Finance	<b>10/1/2015</b>	
<b>Mr. Bob Mendes</b> One Public Square, Suite 204 Nashville, TN 37201- (615) 756-3533      bob.mendes@nashville.gov Representing: Metro Council	<b>10/3/2017</b>	<b>9/30/2019</b>
<b>Mr. Brack Reed</b> <b>Chm</b> 222 Second Avenue South #1400 Nashville, TN 37201- (615) 770-8100      brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce	<b>2/20/2015</b>	<b>3/20/2023</b>
<b>Vice Mayor Jim Shulman</b> One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357      jim.shulman@nashville.gov Representing: Vice Mayor	<b>9/6/2018</b>	<b>8/31/2019</b>

Printed 19-Feb-19

**Metropolitan Clerk's Office**

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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)