

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON
COUNTY**



**METROPOLITAN NASHVILLE
AUDIT COMMITTEE**

WORKBOOK

April 9, 2019

*"When our leaders accept the status quo, we run the risk of disaster."
– Max H. Bazerman –*

Executive Perspectives on Top Risks for 2019

Board members and C-suite executives view a somewhat riskier environment for business in 2019 compared to the prior two years, according to an annual survey from North Carolina State University's ERM Initiative and Protiviti. The results suggest that organizations worldwide share a number of critical concerns.

- Shifting cultural norms and expectations of accountability
- Disruptive business models and "born digital" competitors amid resistance to change
- Innovations triggered by emerging technologies
- Shifting customer preferences and demographics
- Record lows in unemployment and tightening labor markets
- Cyber breaches on a massive scale
- Big data analytics











1

Organizations have much greater concerns that their existing operations and legacy IT infrastructure may not be able to meet performance expectations as well as competitors that are "born digital."

The overall global business context is somewhat riskier in 2019 relative to the two prior years.

Other critical issues for boards and executives include succession and challenges, talent retention and the regulatory environment.

TOP 10 RISKS FOR 2019

RISK ISSUE	2019*	2018 (rank)*
 1. Existing operations meeting performance expectations, competing against "born digital" firms	6.35	5.67 (10)
 2. Succession challenges and ability to attract and retain top talent	6.34	5.88 (6)
 3. Regulatory changes and regulatory scrutiny	6.24	5.93 (4)
 4. Cyber threats	6.18	5.96 (3)
 5. Resistance to change operations	6.17	6.00 (2)
 6. Rapid speed of disruptive innovations and new technologies	6.13	6.10 (1)
 7. Privacy/identity management and information security	6.13	5.83 (7)
 8. Inability to utilize analytics and big data	6.07	5.71 (9)
 9. Organization's culture may not sufficiently encourage timely identification and escalation of risk issues	5.99	5.91 (5)
 10. Sustaining customer loyalty and retention	5.95	5.57 (12)

* Scores are based on a 10-point scale, with "10" representing that the risk issue will have an extensive impact on the organization.

The full survey report, *Executive Perspectives on Top Risks for 2019*, may be accessed at ern.ncsu.edu or protiviti.com/toprisks. It includes detailed breakdowns of the results by respondent role, organization size, industry, geography and other categories.

Protiviti is not licensed or registered as a public accounting firm and does not issue opinions on financial statements or offer attestations services.

© 2018 Protiviti Inc. An Equal Opportunity Employer M/F/D/Disability/Veterans.



protiviti[®]

Face the Future with Confidence

NC STATE | Poole College of Management
Enterprise Risk Management Initiative

[Page Intentionally Left Blank]

METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
April 9, 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 March 12, 2019 meeting (Brackney Reed – Committee Chairman)
- III. Annual election of Metropolitan Audit Committee Chairman and Vice Chairman (Brackney Reed – Committee Chairman)
- IV. New Business
 - Discussion on next steps to fill vacancy of the Metropolitan Auditor position. Position vacant beginning April 30, 2019. (Mark Swann – Metropolitan Auditor)
 - Presentation of the Metropolitan Nashville Government Fiscal Year 2018 Letter of Recommendations to Management. (Crosslin)
 - Presentation of the Metropolitan Nashville Government Fiscal Year 2018 Schedules of Expenditures of Federal and State Awards and Reports Required by the Single Audit Act as Amended and the Uniform Guidance. (Crosslin)
 - Discussion on departmental accountability for delayed implementation of audit report recommendations. Request for discussion by Council Member Mendes. (Mark Swann – Metropolitan Auditor)
 - Discussion to revisit and amend the 2019 Internal Audit Work Plan. (Mark Swann – Metropolitan Auditor)
 - Discussion on the interim audit of the Oracle E-Business Suite R12.2 Implementation issued April 2, 2019. (Nan Wen – Auditor)
 - Tentative discussion on the audit of EEOC Form 164, State and Local Government Information (EEO-4) Reporting. (James Carson – Senior Auditor)
- V. Unfinished Business
 - Discussion on the audit of the Register of Deeds issued January 24, 2019. (Mark Swann – Metropolitan Auditor)
 - Fraud, waste, and abuse hotline activity services update:
 - Revised Investigation Report Collier Engineering issued January 24, 2019. (Mark Swann – Metropolitan Auditor)
 - Metropolitan Nashville Public Schools Procurement Matters Investigation Report issued February 7, 2019. (Mark Swann – Metropolitan Auditor)
 - Discussion and timeline on the four architecture and engineering vendor audits to be performed by EY and BerryDunn. (Lauren Riley – Principal Auditor)

METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
April 9, 2019 4:00 p.m.

- VI. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
 - FY2019 budget status
- VII. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
 - On-going projects
 - Recommendation implementation follow-up status
- VIII. Consideration of Items for Future Meetings (Brackney Reed - Committee Chairman)
- IX. Adjournment of Public Meeting – Next Meeting Tuesday, June 25, 2019.
- X. Call for a motion to enter executive session (Brackney Reed - Committee Chairman)
- XI. Executive Session Agenda – (Brackney Reed - Committee Chairman)
 - If needed, 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. § 9-3-405¹):

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



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

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

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

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

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

[Page Intentionally Left Blank]

METROPOLITAN NASHVILLE AUDIT COMMITTEE MEETING MINUTES

DRAFT
March 12, 2019

On Tuesday, March 12, 2019, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 2. The following people attended the meeting:

Committee Members

Brackney Reed, Chamber of Commerce
Charles Frasier, Tennessee Society of CPAs
Jim 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
Karen Johnson, Register of Deeds
Tom Sealy, Register of Deeds
Lovie Grant, Register of Deeds
Patricia Cottrell, Chief Compliance Officer
Angie Henderson, Council Member
Scott Davis, Council Member
Lauren Riley, Principal Internal Auditor

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Reed called the meeting to order.

APPROVAL OF MINUTES

Vice-Mayor Shulman requested his name be corrected and that Council Member Henderson should be added to the list of attendees.

A **motion** was made to approve the February 12, 2019, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for March 12, 2019, with the corrections noted was seconded, and carried.

UNFINISHED BUSINESS

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

Mr. Swann explained the open questions from the February 12, 2019, meeting relating to the net of fee operations and transparency of Register of Deeds reporting. Mr. Swann stated that a request was made for a Department of Law opinion regarding state governance of the Constitutional Office's fee structure. Mr. Swann stated the opinion was not completed prior to the meeting.

Ms. Johnson provided a description of the fee structure within the Register of Deeds and its governance. Ms. Johnson asserted that the current fee structure allows the office to operate at the highest standard while maintaining flexibility and efficiency. Additionally, the structure works best for the audits they undergo from three separate entities.

Council Member Mendes restated the reason for inviting the Register of Deeds was related to the legality of the fee structure changes recommended. Mr. Swann clarified that the request to discuss included both the legality of changing the structure as well as to discuss the leveraging

of Metropolitan Nashville Government systems and centralized processing for transparency. Ms. Johnson and Mr. Sealy stated their current practices and fee structure are in line with all other Constitutional Offices within Tennessee. Council Member Mendes requested Ms. Johnson return for the next meeting when an opinion from the Department of Law is completed. Ms. Costonis stated the opinion would be provided well before the next meeting.

Mr. Reed stated the agenda item would **remain open**.

Metropolitan Nashville Government Chief Compliance Officer update on Collier Engineering review/audit activity.

Mark Swann stated the Committee requested Judge Cottrell come to the meeting to give an update on the work she has performed relating to Collier Engineering billings to the Metropolitan Nashville Government. Judge Cottrell stated she is performing a review of all contracts, but she began with the Collier Engineering contracts due to the investigation. She is currently working on recommendations to improve the contracting process within the Metropolitan Nashville Government.

Judge Cottrell addressed the Collier Engineering scope of work related to the contract used. She discussed the way the contract was being leveraged and her interpretation of what the contract encompassed. Judge Cottrell stated she spoke with three department heads using the contract for services outside of the contract scope and how to address any additional services they need for related work. Also, Judge Cottrell stated individuals within the Department of Finance are working to build a database from information provided from Collier Engineering billings. Ms. Lomax-O'dneal further discussed the work requested related to billings in the current queue. Ms. Lomax-O'dneal clarified the work being performed is not an audit and is not comprehensive of the conduct that transpired.

Vice-Mayor Shulman requested clarification on whether the documentation was provided or if there is an issue in finding the necessary documentation. Judge Cottrell and Ms. Lomax-O'dneal clarified that the files are in scanned PDF versions, which is causing time to pull the data from each invoice. Council Member Mendes, Judge Cottrell, and Ms. Lomax-O'dneal discussed requiring invoices be provided in a specified format going forward. Council Member Mendes asked if there was a plan to review hours billed for credibility. Judge Cottrell stated there is a plan to review this.

Council Member Mendes asked about the overlap between the various entities reviewing this contract. Judge Cottrell stated she shared her scope of work with Mr. Swann. Mr. Swann stated no active work is being performed by the Office of Internal Audit; work is suspended until Judge Cottrell's work is completed. Mr. Swann stated he is monitoring the work being done at the request of the State Comptroller's Office.

Vice-Mayor Shulman asked who to contact for any questions that arise related to the work being performed. Judge Cottrell stated she would be the designated contact for any questions. Vice-Mayor Shulman clarified the need for one central person to ensure communication is consistent and clear.

Council Member Cooper inquired about any analytics around determining if the contracts entered into are a good deal for the Metropolitan Nashville Government. Judge Cottrell stated this information is not currently in her plan of work. Mr. Reed stated performance reviews use to be completed to look at best practices. Mr. Swann noted some of the proposed annual audit

plan engagements addresses this concern. A discussion ensued around determining comparable cities, units of measure, and the complexities of obtaining the information. Council Member Cooper reiterated his concerns about ensuring the Metropolitan Nashville Government receives the best deal for work performed.

Mr. Frasier inquired about the accounting for the 20 percent sidewalk requirements.

Mr. Frasier, Judge Cottrell, and Mr. Swann had a discussion about the invoices and bookkeeping regarding contract payments.

Revised Investigation Report Collier Engineering issued January 24, 2019.

Council Member Mendes asserted his remaining concerns around the findings within the Collier Engineering Investigation report.

- Allegation A - Council Member Mendes stated he believes entertainment was provided for a reason, and the behavior would demonstrate a preponderance of evidence.
- Allegation H - Council Member Mendes stated the timeline of events shows the audit was the reason issues were fixed.
- Responses - Council Member Mendes stated Public Works might want to change their responses based on the discussions around the report and any changes made.

Council Member Cooper inquired if there would be any changes to the conflict of interest disclosures based on the findings. Judge Cottrell stated this would be addressed. Judge Cottrell explained that there are currently inconsistent rules on disclosures and conduct.

Vice-Mayor Shulman questioned why Allegation F states that no instances of Marty Szeigis billing time as Senior Project Manager were found. However, the report later states Marty Szeigis asserted he bills his time as a Senior Project Manager. Vice-Mayor Shulman stated this sounds inconsistent and unclear.

Council Member Mendes requested that future versions of the Collier Engineering investigation report be submitted with track changes for easier determination of differences from the original.

Mr. Reed stated this agenda item would remain open.

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

Mr. Swann stated a revised report was issued to address the individual elements within the previous findings. Mr. Swann stated the new report breaks out the procedural and policy related findings as well as the intent findings in order to be clearer for the reader. Council Member Mendes clarified past disagreements with reports due to the assumption that intent was necessary to substantiate a finding. Council Member Mendes stated the report now clearly shows that policies were not followed.

Ms. Lomax-O'dneal inquired about how intent is established. Mr. Swann stated that through the work performed, no documents or interviews uncovered clear, intentional acts to circumvent policies.

Vice-Mayor Shulman raised questions about contract overages and the conflict of interest policy related to Allegations B, D, E, and H. Ms. Lomax-O'dneal inquired if there was a different conflict of interest policy for Metro Nashville Public Schools. Mr. Swann stated there is a separate policy.

Action Item: Mr. Swann stated he would look into Vice-Mayor Shulman's policy questions and have them for the next meeting.

Council Member Mendes asked if the adjustment to the reporting format and the additional questions raised may cause changes to the report recommendations and the applicable corrective action plans. Mr. Swann stated that he believes the current recommendations encompass the additional concerns raised by Vice-Mayor Shulman. A discussion ensued about the recommendations and how they address the issues within the report.

Action Item: Mr. Swann stated he would look into the recommendations again to ensure they are inclusive of all concerns.

Council Member Cooper inquired about Metropolitan Nashville Public Schools lack of contract tracking and how iProcurement and Oracle R12.2 will address the issue. Ms. Lomax-O'dneal stated that the Metropolitan Nashville Government has been using iProcurement for many years and is confident in its abilities. A discussion was had about the utilization of iProcurement and Metropolitan Nashville Public Schools current lack of expenditure tracking for contracts.

Council Member Cooper inquired about piggybacking on contracts and the Metropolitan Nashville Government's use of these contracts. Ms. Lomax-O'dneal stated the Metropolitan Nashville Government currently has a strict review of piggybacking contracts to ensure the contract is a good deal and fit for the Metropolitan Nashville Government. Mr. Swann stated the competitive bid process helps demonstrate the Metropolitan Nashville Government is getting the best deal possible even if the process was performed by another entity.

Mr. Swann confirmed there were nine violations of Metropolitan Nashville Public Schools procedures. Mr. Swann stated the Office of Internal Audit did not find evidence of intentional violations, but it could not be said with certainty one way or the other about intent.

Vice-Mayor Shulman requested a Metropolitan Nashville Public Schools representative come to the next meeting.

Mr. Reed stated the agenda item would **remain open**.

NEW BUSINESS

Discussion on requests received for audits to consider in the 2019 Internal Audit Work Plan.

Mr. Swann explained there were requests made for audits from various individuals within the Metropolitan Nashville Government. Mr. Swann stated these requests were provided in the workbook and the requests related to architectural and engineering or public work matters were included in the recommended 2019 Internal Audit Work Plan.

Mr. Reed recused himself for the discussion and turned the meeting over to the Vice Chair, Mr. Frasier.

Discussion and approval of the Recommended 2019 Internal Audit Work Plan

Mr. Swann stated the recommended work plan is based on discussions from the previous Committee meeting. Mr. Swann gave an overview of the audits included in the recommended 2019 Internal Audit Work Plan and how they address the previous discussions and concerns. Mr. Swann presented the results of researching all architectural and engineering contracts and payments.

Mr. Frasier inquired if the vendor audits would be financial audits or agreed upon procedures. Mr. Swann stated they would be agreed upon procedures, and preliminary objectives and a vendor audit plan have been developed. A discussion ensued about the architectural and engineering vendor audits and outsourcing the work to established Office of Internal Audit contractors.

Council Member Cooper inquired if it were possible to make the Office of Internal Audit an internal service fee department. A discussion was had about how this would be achieved if found to be beneficial.

Council Member Mendes recommended a sample of the architectural and engineering contractors be used to determine if more should occur. A discussion was had around how many vendor audits to start the process. A decision to perform vendor audits of the top four architectural and engineering firms, including Collier Engineering, was made.

Council Member Mendes inquired about the scope and purpose of the Metropolitan Clerk's request for an audit of lobbyist activity. Mr. Swann stated this was not known and would not be established until audit work began. A discussion concerning the hours and work to be performed for this audit ensued. A decision to leave the audit on the work plan was made.

Mr. Frasier requested clarification on the potential vendor audit objectives and program. Ms. Lomax-O'dneal and Mr. Swann stated additional details of the procedures to be performed and confirmed this will be an attestation engagement.

Ms. Lomax-O'dneal requested a timetable for the vendor audit engagements at the next Audit Committee meeting in April. The Committee agreed to wait until initial results are available to determine if they will expand the scope of vendor audits.

Action Item: Mr. Swann stated he would provide a timetable for the vendor audit engagement the April Committee meeting.

A **motion** was made to approve the recommended 2019 Internal Audit Work Plan with the number of architectural and engineering vendor audits limited to the top four in annual expenditures was seconded, and carried.

Additional discussion was had around the audits included within the approved plan. Mr. Swann stated that the plan could be amended throughout the year.

Internal Audit Recommendation Implementation Status Update

Mr. Swann stated there were 141 open audit recommendations, and the high-risk recommendations had been highlighted for the Audit Committee's review. Council Member

Mendes recommended there be further discussion at the April meeting about having department chairs attend future meetings to state why they had not implemented the recommendations.

A **motion** was made to adjourn, was seconded, and carried.

The next meeting is to be scheduled for April 9, 2019, at 4:00 p.m.

The public meeting adjourned after approximately 1 hour and 45 minutes.

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

Mark Swann
Secretary, Metropolitan Nashville Audit Committee

[Page Intentionally Left Blank]

Mark S. Swann
Metropolitan Auditor



OFFICE OF INTERNAL AUDIT
404 James Robertson Parkway, Suite 190
NASHVILLE, TENNESSEE 37219
615-862-6158

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

March 27, 2019

Mr. Brackney Reed
Chairman
Metropolitan Nashville Audit Committee
222 Second Avenue South #1400
Nashville, Tennessee 37201

Chairman Reed and Metropolitan Nashville Audit Committee Members:

NOTICE OF RESIGNATION OF METROPOLITAN AUDITOR POSITION

I have spent weeks in prayer asking where Melinda and I could best serve Him for the next few years with continued employment and service. This week I have been bountifully blessed with an opportunity to serve as the City Auditor for the City of Dallas, Texas. This is an exciting opportunity to have a positive impact on the Dallas community and to return to Texas to be closer to our children and grandsons.

As such, I hereby tender my resignation as Metropolitan Auditor effective April 30, 2019. My last date of work in the office will be April 18, 2019, with the remaining days taken as vacation through April 30, 2019.

I have mixed feelings while accepting this new assignment. This is because of the many friends and staff that I will be leaving behind and future goals unmet. I will always be grateful for the opportunity to serve the initial and second term, as Metropolitan Auditor for the Metropolitan Nashville Government. I am humbled by the confidence and responsibility entrusted in me to direct the important task of independent audit assurance services for the Metropolitan Nashville Government.

Best wishes and keep up the good work.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark S. Swann".

Mark S. Swann

cc: Metropolitan Nashville Office of Internal Audit Staff

2.24.300 - Division of metropolitan audit.

- A. There shall be, as an independent agency of the metropolitan government, a division of metropolitan audit, the director of which is designated as the metropolitan auditor. The metropolitan auditor shall be a person:
 - 1. With a well founded reputation in government or public finance and the audit function as may be exhibited by a record of exceptional performance for at least five years as a financial officer of a government or business;
 - 2. Who has, through education and experience as an accountant, auditor, CFO, controller or principal accounting officer of a governmental entity or private business an understanding of Generally Accepted Accounting Principles, Governmental Auditing Standards Board standards, financial statements, internal controls and procedures for financial reporting, and the audit functions of a governmental entity.
- B. The metropolitan auditor shall be appointed by a majority vote of the council from a list of three persons recommended by the audit committee whom the audit committee deems best qualified and available to fill the position. If the council deems that the persons recommended by the audit committee to serve as metropolitan auditor are not suitable and/or qualified, the council shall reject the names submitted and the audit committee shall recommend three additional persons deemed qualified and available to fill the position. The metropolitan auditor shall serve a term of eight years but shall be subject to removal for cause during the term by a vote of four members of the audit committee. The first term of the metropolitan auditor will end on June 30, 2014, regardless of whether the full eight years has been served. A vacancy occurring during a term shall be filled temporarily with a qualified acting metropolitan auditor by the majority vote of the audit committee. The filling of the vacancy for the remainder of a term and for any new term shall be filled by a majority vote of the council through the process provided in this section. The compensation for the metropolitan auditor shall be established as part of the general pay plan provided by Section 12.10 of the Metropolitan Charter.
- C. The metropolitan auditor shall conduct, or cause to be conducted financial, performance and other audit services following Government Auditing Standards established by the United States Government Accountability Office, and the metropolitan auditor shall follow the independent and other professional standards established and published under Government Auditing Standards.
- D. The metropolitan auditor shall appoint and remove, subject to the civil service provisions of article 12 of this Charter, all officers and employees of the division.
- E. There shall be a metropolitan audit committee which shall be composed of six members, as follows: The vice-mayor and the director of finance shall be members by virtue of their official positions. Two members of the metropolitan county council shall be selected by that body from its membership to serve a two-year term. One member shall be selected by the Nashville Area Chamber of Commerce to serve a four-year term. One member shall be selected by the Nashville Chapter of the Tennessee Society of Certified Public Accountants to serve a four-year term except that the member first selected shall serve a two year term. Members shall be eligible to succeed themselves. The General Provisions of Article 11, Chapter 1, of this Charter shall be applicable to the audit committee unless otherwise specified in this section.
- F. The audit committee will oversee the annual audit plan, fix the compensation of the metropolitan auditor, and review and evaluate at least annually the performance of the metropolitan auditor.
- G. All audit reports issued by the metropolitan auditor are public documents and shall at all times, during business hours, be open for personal inspection by any citizen of Tennessee.

(Ord. BL2007-1318 § 2, 2007)

H. Access to Records and Personnel.

To the extent permitted by the Metropolitan Charter the Division of Metropolitan Audit, with strict accountability for confidential and safeguarding records and information, shall have access to all

Metropolitan Government's records, agreements, information systems, physical properties, and personnel. Such authority shall include but is not limited to, the ability to review, research, and conduct interviews, along with the ability to have access to any and all necessary documentation as described in this subsection. To the extent permitted by the Metropolitan Charter, all Metropolitan Government departments, boards, commissions, officers, agencies, or offices, along with all entities contracting with the Metropolitan Government shall co-operate fully with the Metropolitan Auditor during any such review or request to the fullest extent of applicable law. Any failure to cooperate with the Metropolitan Auditor shall be reported to the Audit Committee, Finance Director, Director of Law, and the Metropolitan Council.

I. Other Audit Services.

1. In addition to financial or performance services, the Division of Metropolitan Audit shall establish a process by which suspected illegal, improper, wasteful, or fraudulent activity could be reported. The Metropolitan Auditor shall investigate, or cause to be investigated, all activity reported by this process. The disposition of all reports shall be communicated to the Metropolitan Nashville Audit Committee, Metropolitan Mayor, and Department of Law.

2. No employees of the Metropolitan Government or its agencies shall suffer any retaliatory action for reporting to or cooperating with the Division of Metropolitan Audit or the Audit Committee as contemplated in TCA 9-3-406 and TCA 50-1-304.

3. It shall be the duty of employees of the Metropolitan Government or its agencies to report any known act of intentional illegal, intentional fraudulent, or intentional improper use of government funds.

J. Notice of Instance of Fraud, Waste, and Abuse.

All reports of unlawful conduct completed in accordance with the State of Tennessee Local Government Instances of Fraud Reporting Act involving Metropolitan Government departments, boards, commissions, officers, or agencies shall be communicated in a timely manner to the Metropolitan Auditor. Such reports shall also be communicated to the office of the Comptroller of the Treasury if so required by state law.

K. Notice of Audit Activities.

The engagement plans and final reports for all financial, performance, and other audit activities conducted on behalf of Metropolitan Government departments, boards, commissions, officers, agencies, or offices shall be communicated in a timely manner to the Metropolitan Auditor.

L. Scope of Services.

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

**THE METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY, TENNESSEE**

Letter of Recommendations to Management

June 30, 2018

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

**SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS AND REPORTS
REQUIRED BY THE SINGLE AUDIT ACT
AS AMENDED AND THE UNIFORM GUIDANCE**

YEAR ENDED JUNE 30, 2018

**Metropolitan Nashville Office of Internal Audit
2019 Approved Work Plan**

*Co-source	CY 2018 Audits In Progress	Hours
1	Planning Commission – Zoning Conditions Enforcement and Coordination with Public Works – Development Infrastructure Incentives (Reporting Phase)	200
2	General Government Employee Benefits Management (Fieldwork Phase)	550
3	Arts Commission (Reporting Phase)	200
4	Oracle R12 E-Business Suite / Taleo Implementation Project (Issued Report)	300
5	Metro General Government EEO-4 Diversity Regulatory Reporting (Reporting Phase)	100
6	Mayor’s Office – Barnes Fund for Affordable Housing (Reporting Phase)	100
CY 2019 New Audit Areas		
1-4*	Architectural and Engineering Vendor Audits – Four Vendor Audits	1600
5	Performance Audit of Public Works – Best Practices for Sidewalk, Paving, Traffic Engineering, Waste Management, Closed Landfill Monitoring, etc.	400
6	Nashville Fire Department Fire Marshal Office Inspection Service and Life Safety Plan Reviews	800
7	Lobbyist Annual Disclosure vs. Campaign Finance Disclosures	600
8	Metro General Government Capital Project Construction Program (Need, Estimates, Approval, Contracting, Monitoring)	800
9	General Services – Downtown Detention Center and the Behavioral Care Center Construction Project	800
10	Election Commission Operations (See Information Technology Risk)	600
11	Nashville General Hospital – Pharmacy Management	800
12	Municipal Auditorium	400
13	Hotel Occupancy Tax Audits – 2019	800
Information Technology Risk		
14	Election Commission Information Systems	400
15	Health Department – Information Technology Security Management and Governance	600
Audit Recommendation Follow-up		
16	General Services Department - Fleet Management Audit Follow-Up	250
		10,300
		<i>Total Audit Services Budget</i>

**Metropolitan Nashville Office of Internal Audit
Recommended 2019 Amended Work Plan**

*Co-source	CY 2018 Audits In Progress	Hours
1	Planning Commission – Zoning Conditions Enforcement and Coordination with Public Works – Development Infrastructure Incentives (Reporting Phase)	200
2	General Government Employee Benefits Management (Fieldwork Phase)	550
3	Arts Commission (Reporting Phase)	200
4	Oracle R12 E-Business Suite / Taleo Implementation Project (Issued Report)	300
5	Metro General Government EEO-4 Diversity Regulatory Reporting (Reporting Phase)	100
6	Mayor’s Office – Barnes Fund for Affordable Housing (Reporting Phase)	100
CY 2019 New Audit Areas		
1-4*	Architectural and Engineering Vendor Audits – Four Vendor Audits	1600
5	Performance Audit of Public Works – Best Practices for Sidewalk, Paving, Traffic Engineering, Waste Management, Closed Landfill Monitoring, etc.	400
6	Nashville Fire Department Fire Marshal Office Inspection Service and Life Safety Plan Reviews	800
7	Lobbyist Annual Disclosure vs. Campaign Finance Disclosures	600
8	Metro General Government Capital Project Construction Program (Need, Estimates, Approval, Contracting, Monitoring)	800
9	General Services – Downtown Detention Center and the Behavioral Care Center Construction Project	800
10	Election Commission Operations (See Information Technology Risk)	600
11	Nashville General Hospital – Pharmacy Management	800
12	Municipal Auditorium	400
13	Hotel Occupancy Tax Audits – 2019	800
14	Metropolitan Nashville Government Unusual Fuel Card Transactions Review	400
15	Metropolitan Nashville Government Collaboration with Nonprofit Entities	800
16	Treasury Department – Collections Office	800
17	Cooperative Purchases Best Practices	400
Information Technology Risk		
14	Election Commission Information Systems	400
15	Health Department – Information Technology Security Management and Governance	600
Audit Recommendation Follow-up		
16	General Services Department - Fleet Management Audit Follow-Up	250
	Total Audit Services Budget	12,700

Other Potential Audit Engagements		Hours
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 Agreements Process	800
E	Sports Authority / General Services Department – MLS Soccer Stadium Construction Project	800
F	Metro Water Services – Storm Water Billing and Revenue Collection	800
G	Police Department – Fiscal Management	800
H	Library – Building Security	400
I	Let's Move Nashville Transit Referendum Total Expense	400
J	Metropolitan Nashville Public Schools – Information Technology Security Management	800
K	Hotel Occupancy Tax Audits – 2019	800
L	Police Department – Advance Records Management System Application Review	800
M	Sold Property Tax Receivables Process	400
N	Employee Benefit Board Pension Investments	800
O	Nashville Fire Department Equipment Tracking Process (ITS Computers, Printers, and Other Tracked Equipment)	600
	<i>Total Other Potential Audit Engagements</i>	10,600
	<i>Total Recommended and Potential Audit Engagements</i>	23,300

EXECUTIVE SUMMARY

April 2, 2019



Why We Did This Audit

The Oracle E-Business Suite R12.2 implementation will affect Metropolitan Nashville Government's financial reporting and daily business practices.

What We Recommend

There are no recommendations at this time.

Audit of Oracle E-Business Suite R12.2 Implementation

BACKGROUND

The Oracle E-Business Suite R12.2 capital project is a two-year implementation project with a capital spending need of approximately \$23 million and involves about 34,200 hours of work effort. The Metropolitan Nashville Council has appropriated \$23 million for this project to date.

The implementation project started in July 2017 with an estimated go-live of May 2019. After significant implementation completion, the project team finalized go-live dates as:

- July 1, 2019, for Oracle E-Business Suite R12.2.
- Mid-July 2019 for Oracle Human Capital Management Talent Management Cloud.
- October 2019 for Metro Nashville Public Schools' Taleo Recruiting and Onboarding.

OBJECTIVES AND SCOPE

The audit objective is to determine whether controls exist so the implementation of the Oracle E-Business Suite R12.2 will satisfy business requirements, ensure data security, and include segregation of duties.

The interim audit report covers the onset of the project up to February 28, 2019. The Accounts Payable module was selected for overall comprehension of the implementation process and review of application controls.

WHAT WE FOUND

Oracle E-Business Suite R12.2 has standard controls built into the system which need to be configured or customized by developers to satisfy Metropolitan Nashville Government's specific needs. The design phase of the Accounts Payable module is still ongoing in parallel to the building and testing phase of other modules.

GOVERNANCE

The Metropolitan Nashville Government Department of Finance, Human Resources Department, Information Technology Services, and Metro Nashville Public Schools formed a steering committee in 2016 to oversee the migration from JD Edwards to Oracle E-Business Suite R12.2. The project team comprises members from Metropolitan Nashville Government's Information Technology Services and CSS International. The project management also contains representatives from Information Technology Services and CSS International.

The Metropolitan Nashville Government created a core team for each functional area affected by the project to assist in documentation, configuration, and to be trained as internal consultants for the new system. Subject matter experts in each functional area have been designated to provide insights, so business requirements are accurately collected, communicated, and implemented. The project team holds a weekly status meeting and monthly steering committee meeting to report on project status.

PROJECT STATUS

The Metropolitan Nashville Council has appropriated \$23 million in Capital Spending Plans for the Oracle E-Business Suite R12.2. The project's incurred expenditures compared to the approved budget are shown in Exhibit A.

Exhibit A - Project Budget versus Expenditures as of March 11, 2019

Capital Spending Plan	Budget	Total Expensed	Expense Percentage
FY 2017 - 2018	\$12,000,000	\$11,785,728	98
FY 2018 - 2019	11,000,000	8,398,313	76
Grand Total	\$23,000,000	\$20,184,041	88

Source: Metro JD Edwards Three Year Budget/Actual Report

The project team runs several implementation phases (design, build, and validate) concurrently for different modules to achieve resource efficiency. The majority of the design phase for several functional areas is completed. Developing reports, interfaces, conversions, enhancements (RICE) and conduct system testing are major activities during the design stage. As of March 7, 2019, out of 808 RICE objects, 184 objects (23 percent) are still in design phase, primarily reports, including 12 RICE objects (16 percent) of the 77 objects for the Accounts Payable module. The status of the RICE project deliverables is available in Appendix A.

The Accounts Payable module has 18 identified risks along with 27 corresponding controls to address those risks. The design and configuration of 16 available controls are completed; 5 user access controls are in process; and 6 project management controls are established and ongoing. Details of the Accounts Payable risk and control implementation status are available in Appendix B.

Two rounds of integrated system testing (IST) were completed in October 2018 and February 2019 respectively. These tests covered configuration and conversion of the staging instance and user acceptance for six business functions. The results of the integrated testing are shown in Exhibit B.

Exhibit B – Integrated System Testing Passing Results as of March 11, 2019

IST Round	Total Test Scripts	Total Passed	Pass Percentage
IST1	278	263	95
IST2	207	204	99
Grand Total	485	467	96

Source: CSS Project Development Platform Website

User Acceptance Testing is on schedule and in preparation. Testing is scheduled to start on March 25, 2019, and conclude in May 2019. This is the final user testing performed in a real-world scenario to validate the software against the business requirements.

OBJECTIVES AND CONCLUSIONS

Do controls exist so that the implementation of the Oracle E-Business Suite R12.2 Accounts Payable module will satisfy business requirements, ensure data security, and segregation of duties?

Generally Yes. The Oracle E-Business Suites R12.2 system has standard control mechanisms to meet the overall resource management needs of users. The Accounts Payable module was selected for assessment of whether available controls are configured to meet business requirements specific to the Metropolitan Nashville Government. All identified available controls within the Accounts Payable module are either established or in the process to be established based on the current version of design documents to meet business requirements, ensure data security, and segregation of duties.

[Page Intentionally Left Blank]

[Page Intentionally Left Blank]

EXECUTIVE SUMMARY

January 24, 2019



Why We Did This Audit

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

What We Recommend

The Register of Deeds should:

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

Audit of the Register of Deed

BACKGROUND

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

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

OBJECTIVES AND SCOPE

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

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

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

WHAT WE FOUND

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

GOVERNANCE

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

FINANCIAL HIGHLIGHTS

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

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

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

Accounts	2018	2017
<u>Fees and Other Funding Sources</u>		
Recording Fee	\$3,269,222	\$3,561,877
Fee for Collecting State Taxes	1,189,042	1,056,643
Other Service Fees	556,730	737,027
Metro Nashville Government Appropriation	266,000	259,100
Total Funding	<u>\$5,543,702</u>	<u>\$5,614,647</u>
<u>Expenditures</u>		
Payroll	\$2,708,019	\$2,653,016
Internal Service Fee	108,300	103,400
Rent, Building & Land	122,956	121,238
All Other Expenditures	70,540	84,795
Total Expenditures	<u>\$3,009,815</u>	<u>\$2,962,449</u>
Excess of Fees and Other Funding Sources over Expenditures	\$2,271,179	\$2,652,198
Distribution to Metro Nashville Government	<u>2,000,000</u>	<u>2,600,000</u>
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>		
A.1 Ensure all expenditures are related to a public purpose, are well documented, excludes sales tax, and documentation is maintained for the minimum retention requirements.	Accept.	Implemented
B.1 Review the user rights in Business Information System to ensure that access privileges will be assigned based on employee business need.	Accept.	February 1, 2019
B.2 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.	Accept - These duties are now being done by two separate employees whose duties do not cross.	Implemented
C.1 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.	Accept - Will take more resources than what is available at this time, but will look at implementing this at a future date.	December 31, 2020
C.2 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.	Accept - This is a reasonable request, and will be implemented.	In process
D.1 Perform periodically reconciliation between the subscriber's detail reports to the ACH payments received in the bank.	Accept - This is currently being done and has been implemented by the new accountant.	Implemented
E.1 Ensure each employee is paid within the agreed salary range outlined within the Letter of Agreement.	Accept - Any employee out of range for the previous administration will be corrected in the 2019 Letter of Agreement.	August 31, 2019
E.2 Obtain an independent, formal compensation study in order to ensure pay rates and salaries are commensurate with job functions and industry norms.	Accept - 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
F.1 Use Metropolitan Nashville Government services and applications to record all financial and payroll activities.	Reject - Pursuant to State statute, we are a fee-based office and we will continue to operate under our fee based structure.	Not applicable
F.2 Work with the Metropolitan Nashville Council to change from an excess fee-based system to an appropriation based system for funding of all expenditures.	Reject - 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 Recreations 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 Recreations 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>A.1 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>Reject Due to:</p> <ul style="list-style-type: none"> • 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. • 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. • 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. 	<p>N/A</p>
<p>A.2 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>Accept: 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>A.3 Ensure that credit for all reworks for Metropolitan Nashville Public School Sidewalk Projects are received by Collier Engineering, Inc.</p>	<p>Accept: 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.1 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>Accept: 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.2 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>Accept: 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>C.1 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>Partially Accept: 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

<p>C.2 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>Accept: 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>
---	---	-------------------------------



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.

March 6, 2019

METROPOLITAN NASHVILLE PUBLIC SCHOOLS PROCUREMENT INVESTIGATION - REVISED

Page 4

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.

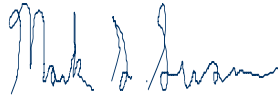
March 6, 2019

METROPOLITAN NASHVILLE PUBLIC SCHOOLS PROCUREMENT INVESTIGATION - REVISED

Page 7

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

Metropolitan Nashville Government Vendor Audit Program

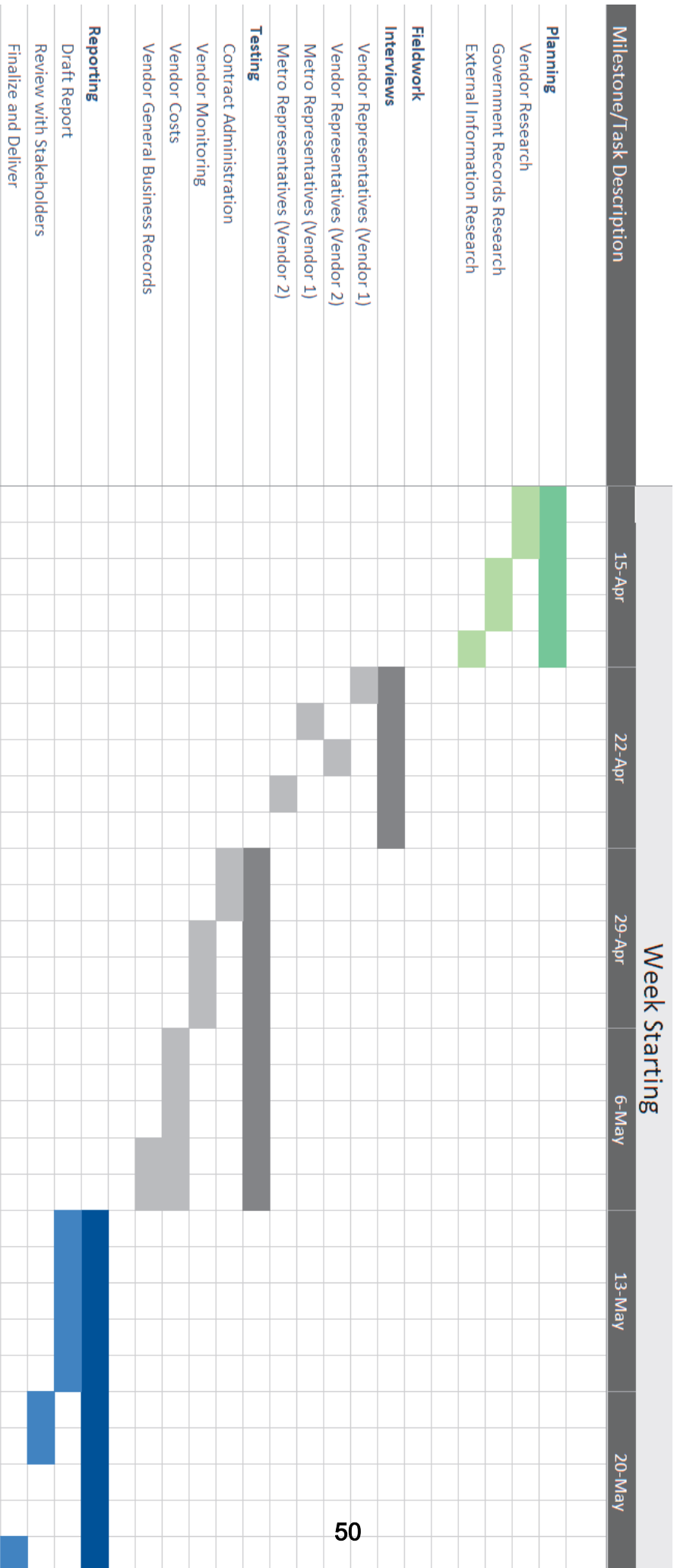
Audit Objectives

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 charges 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.

Timeline

We have designed our procedures to execute audits of both vendors simultaneously and to perform the work over a six week period.



Hours and Fees

Our audit is designed to utilize a leverage model typical of similar audits.

Phase	Engagement Executive	Project Lead	Auditors	Total
Planning	4	16	56	76
Fieldwork	12	48	168	228
Reporting	8	16	56	80
Total	24	80	280	384
Leverage	6%	21%	73%	100%
Rate per hour	\$375	\$195	\$145	
Cost	\$9,000	\$15,600	\$40,600	\$65,200

PROJECT SCHEDULE

BerryDunn strives to be flexible when it comes to development and execution of an effective project plan. We understand that no two projects are exactly alike and believe that one of the reasons we have been successful with similar projects is our willingness to be flexible in adapting to our clients' unique needs.

The proposed project schedule assumes a start date of April 8, 2019 and a completion date of June 30, 2019.

Week of	8-Apr	15-Apr	22-Apr	29-Apr	6-May	13-May	20-May	27-May	3-Jun	10-Jun	17-Jun
Planning call with OIA	■										
Audit preparation		■	■	■	■						
Field work (interviews and testing)						■	■	■	■		
Report writing									■	■	■

PROPOSED PRICING

The cost schedule below is inclusive of expenses and is per audit. Should the scope change, we reserve the right to work with the OIA to modify the proposed budget.

Item Description	Estimated Hours	Cost
Deliverable 1: Audit Preparation	38	\$7,625
Deliverable 2: Field Work	119	\$23,680
Deliverable 3: Report Preparation	93	\$21,866
Total – per audit	250	\$53,171

Any on-site trips will be coordinated based on the OIA's project schedule and available resources. We will submit invoices based on work completed by deliverable. BerryDunn does not charge for time spent traveling, so these costs are reflective only of the time BerryDunn team members will spend working on the OIA's project.

[Page Intentionally Left Blank]

[Page Intentionally Left Blank]

Office of Internal Audit Budget versus Actual
 GSD General Fund as of April 3, 2019
 FY 2019 Approved Budget

	FY 2019 Budget	Actual	Difference	Notes
Total Salaries & Fringe	\$ 1,140,700	\$ 735,166	\$ 405,534	
Other Expenses				
Professional & Purchased Services	248,000	62,109	185,891	
Building Rent Parkway Towers	55,500	41,950	13,550	\$4,580 per month
Other Expenses	71,900	28,080	43,820	
Internal Service Fees	50,000	50,000	-	Information Technology
*Budget Adjustment	(40,200)			
TOTAL EXPENSES	\$ 1,525,900	917,305	\$ 608,595	60 percent utilization

60%

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

Office of Internal Audit Budget History

For the year ending June 30,	Co-sourcing		FTE
	Audit Budget	Total Budget	
2008	\$ 500,000	\$ 1,477,000	10
2009	231,000	1,481,600	13
2010	112,000	1,262,000	12
2011	234,000	1,359,800	11
2012	165,000	1,265,400	10
2013	156,200	1,277,900	10
2014	60,200	1,179,300	10
2015	45,100	1,214,900	10
2016	75,100	1,290,400	10
2017	125,100	1,382,900	10
2018	248,000	1,545,700	10
2019	248,000	1,563,700	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

[Page Intentionally Left Blank]

**Metropolitan Nashville Office of Internal Audit
2019 Approved Work Plan Status As Of April 5, 2019**

*Co-source	CY 2018 Audits In Progress	Hours	Actual
1	Planning Commission – Zoning Conditions Enforcement and Coordination with Public Works – Development Infrastructure Incentives (Reporting Phase)	200	314
2	General Government Employee Benefits Management (Fieldwork Phase)	550	327
3	Arts Commission (Reporting Phase)	200	358
4	Oracle R12 E-Business Suite / Taleo Implementation Project (Issued Report)	300	225
5	Metro General Government EEO-4 Diversity Regulatory Reporting (Reporting Phase)	100	275
6	Mayor’s Office – Barnes Fund for Affordable Housing (Reporting Phase)	100	122
CY 2019 New Audit Areas			
1-4*	Architectural and Engineering Vendor Audits – Four Vendor Audits	1600	
5	Performance Audit of Public Works – Best Practices for Sidewalk, Paving, Traffic Engineering, Waste Management, Closed Landfill Monitoring, etc.	400	
6	Nashville Fire Department Fire Marshal Office Inspection Service and Life Safety Plan Reviews	800	
7	Lobbyist Annual Disclosure vs. Campaign Finance Disclosures	600	
8	Metro General Government Capital Project Construction Program (Need, Estimates, Approval, Contracting, Monitoring)	800	
9	General Services – Downtown Detention Center and the Behavioral Care Center Construction Project	800	
10	Election Commission Operations (See Information Technology Risk)	600	
11	Nashville General Hospital – Pharmacy Management	800	
12	Municipal Auditorium	400	
13	Hotel Occupancy Tax Audits – 2019	800	
Information Technology Risk			
14	Election Commission Information Systems	400	
15	Health Department – Information Technology Security Management and Governance	600	
Audit Recommendation Follow-up			
16	General Services Department - Fleet Management Audit Follow-Up	250	25
Total Audit Services Budget		10,300	
Total Audit Services Effort To Date			1,646
Summary			
	Audit Services	10,300	1,646
	Investigation Services	1,500	139
	Special Projects	400	
	Total (15% of Budgeted Effort Used Toward Annual Plan)	12,200	1,785

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 Information Technology Services Telecom Services (CONFIDENTIAL)	2012	10	25.5	1.5	21.5	0	1	3	
AU2013-005	Industrial Development Board	2013	7	13	0	12	0	0	1	X
AU2013-022	Metropolitan Nashville Public Schools	2013	12	6	0	2	0	0	4	X
AU2014-026	Assessor's Office	2014	06	118	14	111	4	2	1	
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	X
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	X
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**

Project Number	Audit Department List	Year	Month	Accepted	Rejected	Implemented	Accepts Risks	No Longer Applicable	Open	No Updates
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>



**METROPOLITAN NASHVILLE AUDIT COMMITTEE
2019 MEETING PLAN**

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

[Page Intentionally Left Blank]

Metropolitan Audit Committee

Metropolitan Code of Laws Section 2.24.300
 Term-varied
 6 Members

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

Printed 19-Feb-19

Metropolitan Clerk's Office

[Page Intentionally Left Blank]

[Page Intentionally Left Blank]

Metropolitan Nashville Audit Committee

Executive Session Checklist

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

Permissible Executive Session Subject Matter

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