

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



***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

April 22, 2020

*“On matters of style, swim with the current;
on matters of principle, stand like a rock.”
– Thomas Jefferson –*

METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
April 22, 2020, 4:00 p.m.

This meeting will take place via teleconference and will be broadcast through the Metro Nashville Network, (MNN), on Nashville's Comcast Channel 3, AT&T U-Verse Channel 99 and on the MNN Live Stream @stream.nashville.gov

- I. Call Meeting to Order (Brackney Reed – Committee Chairman)
- II. Approval of Minutes (Brackney Reed – Committee Chairman)
 - Approval of Minutes for February 11, 2020, meeting.
 - Approval of Minutes for February 27, 2020, meeting.
 - Approval of Minutes for April 14, 2020, meeting.
- III. Annual election of Metropolitan Audit Committee Chairman and Vice Chairman (Brackney Reed – Committee Chairman)
- IV. Unfinished Business
 - Discussion of Metropolitan Auditor position progress and next steps. (Bill Walker – Interim Metropolitan Auditor)
- V. New Business
 - Presentation of the Metropolitan Nashville Government Fiscal Year 2019 Schedule of Expenditures of Federal and State Awards and Reports Required by the Single Audit Act as Amended and the Uniform Guidance. (Crosslin)
 - Discussion on the Architectural and Engineering Vendor Audits issued February 19, 2020. (Lauren Riley – Principal Auditor)
 - Discussion on the Audit of the Drug Court of Metropolitan Nashville and Davidson County issued February 20, 2020. (Lauren Riley – Principal Auditor)
 - Discussion of the East Magnet Concessions Investigation issued March 5, 2020. (Bill Walker – Interim Metropolitan Auditor)
 - Discussion of the Metropolitan Nashville Public Schools Conflict of Interest Investigation issued April 6, 2020. (Bill Walker – Interim Metropolitan Auditor)
- VI. Internal Audit Project Status (Bill Walker – Interim Metropolitan Auditor)
 - On-going projects
 - Recommendation implementation follow-up status
- VII. Other Administrative Matters
 - FY2020 budget status (Bill Walker – Interim Metropolitan Auditor)
- VIII. Consideration of Items for Future Meetings (Brackney Reed – Committee Chairman)
- IX. Adjournment of Public Meeting – Next Regular Meeting Tuesday, June 23, 2020.

METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
April 22, 2020, 4:00 p.m.

- 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. (Bill Walker – Interim 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 Lauren Riley at (615)862-6111.

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

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

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

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

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
AUDIT COMMITTEE MEETING MINUTES
February 11, 2020**

On Tuesday, February 11, 2020, 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

Charles Frasier, Tennessee Society of CPAs
Jim Shulman, Vice-Mayor
Kevin Crumbo, Director of Finance
Zulfat Suara, Council Member
Thom Druffel, Council Member

Others

Gina Pruitt, Interim Metropolitan Auditor
Theresa Costonis, Department of Law
Phil Carr, Chief Accountant
Marc Overlock, Nashville General Hospital
Mark Brown, Nashville General Hospital
Julie Groves, Nashville General Hospital
Evelyn Henson, Nashville General Hospital
Lauren Riley, Office of Internal Audit
Bill Walker, Office of Internal Audit
Seth Hatfield, Office of Internal Audit

Committee Member Absent

Brackney Reed, Chamber of Commerce

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Frasier called the meeting to order.

APPROVAL OF MINUTES

A **motion** to approve the December 10, 2019, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for February 11, 2020, was made, seconded, and carried.

Interim Metropolitan Auditor Position

Mr. Frasier advised that Ms. Pruitt would be stepping down as the Interim Metropolitan Auditor. Ms. Pruitt's heavy work schedule with KraftCPAs coupled with her mother's illness facilitated this move. Mr. Frasier thanked Ms. Pruitt for her work recognizing that she was fulfilling the Interim Metropolitan Auditor role in conjunction with her responsibilities as a partner with KraftCPAs. The Audit Committee collectively thanked Ms. Pruitt for her service. Bill Walker with the Office of Internal Audit is to serve as the Interim Metropolitan Auditor until the Audit Committee is able to hire a permanent replacement.

A **motion** to name Bill Walker as the Interim Metropolitan Auditor was made, seconded, and carried.

Old Business

Discussion of potential candidates for the Metropolitan Auditor and next steps

Ms. Pruitt gave an update on the recruitment process for the Metropolitan Auditor position. Specifically, eleven candidates had been selected by the Audit Committee to interview. Three

had dropped out leaving eight potential candidates. Five of the candidates had been interviewed by the prior Audit Committee during the first round of hiring. Councilman Druffel inquired if interview notes could be reviewed on those five candidates. Ms. Pruitt advised the interviews had been taped but one tape was corrupted.

Vice-Mayor Shulman asked for the names of the eight candidates. Ms. Pruitt advised:

- Lauren Riley
- Kimberly Phegley
- John Cashmon
- Brenda Roberts
- Deborah Jenkins
- John Valtierra
- Michael Hill
- Paul Morris

Ms. Pruitt advised the three new candidates were Lauren Riley, Kimberly Phegley, and Paul Morris. Ms. Pruitt advised Wanda Hadley in Human Resources would be sending out potential interview times. Mr. Frasier, Ms. Pruitt, and Mr. Crumbo emphasized the importance of being responsive to polling on interview dates and getting the position filled. Ms. Pruitt discussed some of the inherent challenges of conducting interviews for the Metropolitan Auditor position.

Acceptance of the Metropolitan Nashville Government Fiscal Year 2018 Letter of Recommendations to Management from Crosslin discussed in the April 9, 2019, Committee meeting and the Fiscal Year 2018 Schedules of Expenditures of Federal and State Awards and Reports as required by the Single Audit Act discussed in the April 9, 2019, Committee meeting.

Mr. Frasier discussed the need to approve the Fiscal Year 2018 Letter of Recommendations to Management and Single Audit issued by Crosslin. Council lady Suara inquired if the recommendations from this report had been resolved. Ms. Pruitt advised the Management Letter for fiscal year 2019 would be discussed in the April meeting where the status of the recommendations would be discussed. Council lady Suara inquired about what happens to money that is refunded in the Customer Refund Account. Mr. Carr advised the money is included in a list that goes to the State of Tennessee.

Kevin Crumbo asked Mr. Carr to comment on the Single Audit report. Mr. Carr advised the Single Audit report has been completed by Crosslin and did not have any findings. This will be discussed in the April meeting. The Letter of Recommendations to Management from Crosslin is being finalized. Mr. Crumbo praised Mr. Carr and his team for their quality work noting the numerous awards in financial reporting Mr. Carr's office has received over the years.

A **motion** to approve the Fiscal Year 2018 Letter of Recommendations to Management from Crosslin discussed in the April 9, 2019, Committee meeting and the Fiscal Year 2018 Schedules of Expenditures of Federal and State Awards and Reports as required by the Single Audit Act was made, seconded and carried.

New Business

Discussion of the request received from Interim Director of Schools, Dr. Adrienne Battle for the audit/investigation of the involvement of Tony Majors in the nonprofit and programs related to Nashville RBI and potential conflicts of interest, violation of policies and procedures, law, or other related issues.

Ms. Pruitt advised a request for an investigation had been received from Interim Nashville Public Schools Director Dr. Adrienne Battle. Ms. Pruitt advised ongoing investigations could only be discussed in Executive Session. Mr. Crumbo requested an Executive Session be conducted once the regular meeting concluded.

Discussion on the Audit of Nashville General Hospital Pharmacy Operations issued December 20, 2019.

Ms. Riley summarized the scope, observations, and recommendations of the report. Councilman Druffel asked if the recommendations with January 31, 2020, implementation dates had been completed. Ms. Groves advised all but three had been implemented, and the three outstanding were in progress.

Council lady Suara asked if Nashville General Hospital has an internal audit department outside of its Compliance Division. Ms. Groves advised no but the Compliance Division does submit an annual work plan which was approved by the Nashville General Hospital Board. Council lady Suara asked if the Compliance Division would make sure the recommendations in this report were completed. Ms. Groves advised yes.

Mr. Crumbo asked if the recommendations in this report would be applicable to the new clinic that recently opened. Ms. Groves advised there was not a pharmacy at the new clinic. Mr. Frasier asked about the cost associated with the pharmacy and if the audit looked at the associated revenue to determine efficiency. Ms. Riley advised that revenues had been scoped out due to a previous audit addressing that area.

Discussion on the Architecture and Vendor Audits

Ms. Riley gave an update on the status of the four vendor audits of Architecture and Engineering firms. Ms. Riley gave a broad overview of the history of this engagement. The audits were not conducted by the Office of Internal Audit but by two outside firms. Mr. Frasier advised that this had been an outstanding item for some time. Ms. Riley stated that the two firms who conducted the engagement met with the previous audit committee back in August to discuss their findings. It has taken time to get the reports out. The report is tentatively scheduled to be released in the next couple of weeks. When the report is released, the Office of Internal Audit can obtain questions from the Audit Committee to relay back to the firms who conducted the audit. Council lady Suara inquired if Davis-Bacon was included in the scope of work. Ms. Riley advised no. Council lady Suara advised this is an important area that should be looked at in future audits.

Discussion of the Office of Internal Audit Recommended 2020 Annual Work Plan

Mr. Walker gave an overview of the methodology and process the Office of Internal Audit goes through in generating an annual audit plan. Councilman Druffel stated that an important area to audit would be capital projects, specifically as it relates to capturing all relevant costs. Councilman Druffel noted there were two such audits on the plan.

A discussion ensued about the various projects on the audit plan and the methodology. It was noted that an error was made whereby the audit plan has Davidson County Sheriff's Office instead of the Metropolitan Nashville Police Department scheduled to be audited.

A **motion** to accept the Office of Internal Audit Plan for the upcoming year, with a correction made to include the Metropolitan Nashville Police Department in the place of the Davidson County Sheriff's Department was made, seconded, and carried.

Discussion of the Office of Internal Audit Recommendation Follow Up

Ms. Pruitt gave a summary of the current status of the follow up process on recommendations made in previous audit reports. She recommended that follow up be directed towards high risk observations. Moreover, every time an audit is completed, the audit committee should communicate to the Office of Internal Audit which recommendations it wanted to see followed up on. A discussion ensued regarding the outstanding recommendations and the methodology used to assign risk categories. The Audit Committee's strong consensus was that audit recommendations need to be followed up on. Ms. Pruitt recommended having the Metropolitan Auditor send a letter to departments who have not responded stating the Audit Committee is requesting the reasons why a recommendation has not been implemented. Vice-Mayor Shulman advised bringing non-responsive departments before the audit committee. Mr. Crumbo advised in extreme cases the Finance Department could refuse funding. Mr. Crumbo also advised his office was in the process of utilizing information generated to see how they could contribute to the process. Councilman Druffel advised a staged approach whereby funding would be withheld after a department had met with the Audit Committee and still not addressed the issues.

A **motion** for the Office of Internal Audit to submit a letter to departments who have outstanding recommendations to advise that implementation status must be communicated to the Office of Internal Audit by June 30, 2020, was made, seconded, and carried.

OTHER ADMINISTRATIVE MATTERS

Ms. Pruitt went over the current status of various projects being worked on by the Office of Internal Audit. Mr. Walker discussed the 2021 budget for the Office of Internal Audit. Specifically, the office has been asked to cut the budget by \$40,200. This amount will be taken from the Management and Consulting account. Ms. Pruitt provided a copy of the 2019 Office of Internal Audit Annual Report.

The next regularly scheduled meeting is April 22, 2020, at 4:00 p.m.

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

A **motion** was made for the Metropolitan Audit Committee to go into Executive Session, was seconded, and carried.

The minutes for the February 11, 2020, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

Bill Walker, Interim Metropolitan Nashville Auditor
Secretary, Metropolitan Nashville Audit Committee

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
AUDIT COMMITTEE MEETING MINUTES**

February 27, 2020

On Thursday, February 27, 2020, at 12:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 1. The following people attended the meeting:

Committee Members

Brackney Reed, Chamber of Commerce
Charles Frasier, Tennessee Society of CPAs
Jim Shulman, Vice-Mayor
Thom Druffel, Council Member
Kevin Crumbo, Director of Finance

Others

Theresa Costonis, Department of Law
Wanda Hadley, Human Resources
Bill Walker, Interim Metropolitan Auditor

Committee Member Absent

Zulfat Suara, Council Member

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Reed called the meeting to order.

Discussion of Candidate Interview Process

Ms. Hadley provided a brief overview of the interview process. Ms. Hadley described the desired outcomes of the day. Ms. Costonis stated the Committee must present three qualified candidates in ranked order to the Metropolitan Council for approval. Ms. Hadley presented interview questions. Ms. Hadley advised two candidates would be interviewed in person with the third, Brenda Roberts, being interviewed via video conference. Ms. Roberts had been interviewed by the committee in person during the first round of recruiting back in the Fall 2019. A discussion ensued around which Committee member would ask which question, and interview questions were assigned to each Committee member. Ms. Hadley provided an overview on how follow-up questions may be asked.

Candidate Interviews

The Audit Committee interviewed the candidates in the following order at the respective times:

- Paul Morris (in person) – 12:20 p.m.
- Lauren Riley (in person) – 1:15 p.m.
- Brenda Roberts – 2:05 a.m.

Each interview lasted approximately 45 minutes. Interview slots were scheduled by Human Resources. Seven standard questions were asked to all candidates with additional follow-up questions occurring afterwards. Human Resources provided the seven questions asked.

Vice-Mayor Shulman **left the meeting** at approximately 1:25 p.m. and **returned** at approximately 2:35 p.m.

Next Steps – Consensus Discussion

Ms. Hadley reiterated the desired outcome of the consensus discussion – a three-person list in ranked order to be submitted to the Metropolitan Council for approval. A preliminary discussion ensued regarding the three candidates interviewed. The four remaining candidates are to be interviewed on March 3, 2020.

A discussion ensued over the need for Audit Committee members to have Criminal Justice Information Services (CJIS) clearance. The purpose of this clearance is to allow committee members to review reports that contain sensitive information that can only be reviewed by someone with CJIS clearance.

Action Item: The Audit Committee requested that the necessary paperwork be completed so that members could obtain CJIS clearance.

Action Item: Vice-Mayor Shulman had to leave the meeting for a portion of the interview process. Mr. Shulman requested he obtain a copy of the video so that he could see the interviews in their entirety.

The public meeting adjourned after approximately 3 hours and 15 minutes.

The minutes for the February 27, 2020, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

Bill Walker, Interim Metropolitan Nashville Auditor
Secretary, Metropolitan Nashville Audit Committee

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
AUDIT COMMITTEE MEETING MINUTES**

April 14, 2020

On Thursday, April 14, 2020, at 12:00 p.m., the Metropolitan Nashville Audit Committee conducted a meeting via conference call. The following people attended the meeting:

Committee Members

Brackney Reed, Chamber of Commerce
Charles Frasier, Tennessee Society of CPAs
Zulfat Suara, Council Member
Thom Druffel, Council Member
Kevin Crumbo, Director of Finance

Others

Theresa Costonis, Department of Law
Wanda Hadley, Human Resources
Bill Walker, Interim Metropolitan Auditor

Committee Member Absent

Jim Shulman, Vice Mayor

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Reed called the meeting to order.

A **roll call** was conducted by Mr. Walker. The following members were in attendance:

- Brackney Reed
- Charles Frasier
- Zulfat Suara
- Thom Druffel
- Kevin Crumbo

A **motion** to conduct the meeting using a conference call format because it was necessary to protect the safety and welfare of Tennessean's due to the COVID 19 pandemic and to conform to Governor Bill Lee's Executive Order Number 6 was made, seconded and carried. Specifically, a roll call was conducted with the following votes:

- Brackney Reed - Yes
- Charles Frasier - Yes
- Zulfat Suara - Yes
- Thom Druffel - Yes
- Kevin Crumbo - Yes

Discussion of Candidate Interview Process

Mr. Reed discussed the interview process. Interview questions were assigned to each Committee member.

Candidate Interviews

The Audit Committee interviewed the candidates in the following order at the approximate respective times:

- Michael Hill – 12:15 p.m.
- John Valtierra – 12:55 p.m.
- Deborah Jenkins – 1:50 p.m.
- John Cashman: 2:40 p.m.

Each interview lasted approximately 45 minutes. Interview slots were scheduled by Human Resources. Seven standard questions were asked to all candidates with additional follow-up questions occurring afterwards. Human Resources provided the seven questions asked.

Consensus Discussion

A discussion ensued over the remaining steps in the process. Ms. Costonis advised the Metropolitan Charter states the Metropolitan Nashville Audit Committee is required to present three candidates to the Metropolitan Council. Mr. Reed advised that, historically, the Metropolitan Nashville Audit Committee lists the top three candidates in a ranking order. This listing is presented to the Metropolitan Council with a recommendation to vote for the Metropolitan Nashville Audit Committee's number one ranked candidate.

A discussion ensued over the seven candidates. A decision was made on the top three candidates ranked one to three which is as follows.

1. Lauren Riley
2. Paul Morris
3. John Valtierra

A **motion** was made to present Lauren Riley to the Metropolitan Council as the **number one** ranked candidate for the Metropolitan Auditor position was made, seconded and carried. Specifically, a roll call was conducted with the following votes:

- Brackney Reed - Yes
- Charles Frasier - Yes
- Zulfat Suara - Yes
- Thom Druffel - Yes
- Kevin Crumbo - Yes

A **motion** was made to present Paul Morris to the Metropolitan Council as the **number two** ranked candidate for the Metropolitan Auditor position was made, seconded and carried. Specifically, a roll call was conducted with the following votes:

- Brackney Reed - Yes
- Charles Frasier - Yes
- Zulfat Suara - Yes
- Thom Druffel - Yes
- Kevin Crumbo - Yes

A **motion** was made to present John Valtierra to the Metropolitan Council as the **number three** ranked candidate for the Metropolitan Auditor position was made, seconded and carried. Specifically, a roll call was conducted with the following votes:

- Brackney Reed - Yes
- Charles Frasier - Yes
- Zulfat Suara - Yes
- Thom Druffel - Yes
- Kevin Crumbo - Yes

A discussion ensued on how the top candidates are presented to the Metropolitan Council. Simply put, the Metropolitan Audit Committee will present the top three candidates to the Metropolitan Council with the recommendation to name the candidate ranked as number one as the Metropolitan Auditor. Wanda Hadley stated the candidates will be presented at either the May 5, 2020, or May 19, 2020, Metropolitan Council Meetings. Mr. Crumbo inquired if a late filing may be submitted and this be presented to the Metropolitan Council at the next Council meeting. Council Lady Suara stated she would make inquiries to Mr. Cooper with the Metropolitan Nashville Council Office and get back to the Audit Committee.

Next Audit Committee Date

Mr. Reed discussed the next Audit Committee meeting date. The next scheduled meeting is April 22, 2020, however a quorum had not been reached. The Committee discussed the desire to proceed with the meeting on April 22, 2020. Ms. Costonis advised that given the COVID-19 pandemic, meetings by other Metropolitan Nashville entities have been conducted by video conference or audio. Ms. Costonis advised it is important that these meetings be streamed live on the Metropolitan Nashville Network since the public cannot physically attend the meetings. Consequently, the Metropolitan Nashville ITS Department has been receiving a large number of requests as a consequence. The April 22, 2020, may not be feasible.

Action Item: Mr. Walker will contact the Metropolitan ITS Department to discuss setting up a date and time to conduct the next meeting. Mr. Walker will report back to the Audit Committee once he is aware of the potential dates.

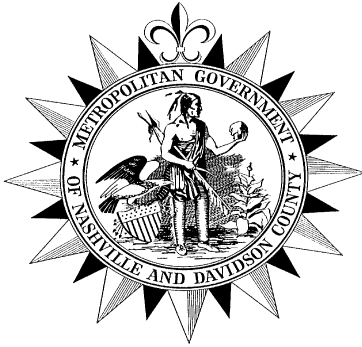
The public meeting adjourned after approximately 3 hours and 45 minutes.

The minutes for the April 14, 2020, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

Bill Walker, Interim Metropolitan Nashville Auditor
Secretary, Metropolitan Nashville Audit Committee

EXECUTIVE SUMMARY

February 19, 2020



Why We Did This Work

In 2018, an investigation of Collier Engineering Company, Inc. raised questions about the procurement and monitoring of architectural and engineering services. Metropolitan Nashville Council Member Tanaka Vercher requested vendor audits of specific architectural and engineering vendors be performed. The Metropolitan Nashville Audit Committee chose to perform vendor audits of the top four vendors.

What We Recommend

- Implement electronic approvals through one system.
- Formalize policies and procedures around the invoicing process to increase consistency.
- Ensure all documents are uploaded into iProcurement going forward.
- Update the Metropolitan Nashville Procurement Code to reflect opportunities identified.

ARCHITECTURAL AND ENGINEERING VENDOR AUDITS

BACKGROUND

The Metropolitan Government of Nashville and Davidson County enters into contracts with architectural and engineering vendors for various services such as roadway paving, sidewalk construction, traffic studies, and water treatment process improvements. In calendar years 2017, 2018, and 2019, the Metropolitan Nashville Government spent approximately \$55.7 million, \$63.5 million, and \$58.9 million respectively on architectural and engineering services. The top four architectural and engineering vendors used between January 1, 2016, and June 30, 2019, were Civic Engineering and Information Technologies, Inc., Collier Engineering Company, Inc., Gresham Smith and Partners, and Brown and Caldwell.

OBJECTIVES AND SCOPE

BerryDunn was retained to perform agreed upon procedures using a provided vendor audit program for Gresham Smith and Partners and Collier Engineering Company, Inc. Other independently contracted employees were retained to perform the same vendor audit program steps for Civic Engineering and Information Technologies, Inc. and Brown and Caldwell. The period reviewed was from July 1, 2016, through February 28, 2019. Areas of emphasis included, but were not limited to:

- Procurement of contracts
- Accuracy of invoices
- Appropriateness of invoices
- Vendor monitoring procedures
- Compliance with Metropolitan Nashville Government's policies and procedures

WHAT WE FOUND

The independent contractors identified similar observations across all four architectural and engineering vendors. These areas of improvement fell primarily within Metropolitan Nashville Government's procurement processes.

Observations were noted pertaining to invoice approval, invoice submission, and documentation retention. Observations for each vendor are noted within their individual reports within **Appendices A-D**. Combined recommendations for all reports are in **Appendix E**.

METHODOLOGY

To accomplish our objectives, we performed the following steps:

- BerryDunn and independently contracted employees were hired to assist with this engagement.
- The detailed objectives and audit program employed by BerryDunn can be found within reports at **Appendix A** and **Appendix B**.
- The independently contracted employees' objectives and procedures can be found within reports at **Appendix C** and **Appendix D**.

AUDIT TEAM

BerryDunn

Bill Brown, CPA, MAFF, CFE, Engagement Principal

Yoko McCarthy, MBA, CISA, CFE, CGFM, Audit Manager

Vanessa Cayer, MBA, CFE, PMP, Senior Auditor

Colin Buttarazi, CAPM, Senior Auditor

Zeb Letourneau, CAPM, Auditor

Independently Contracted Employees

The Office of Internal Audit independently contracted employees to perform specified audit procedures. The employees contracted held CPA certifications and had several years of audit experience.

Metropolitan Nashville Office of Internal Audit

Bill Walker, CPA, CIA, CFE, Interim Metropolitan Auditor

Lauren Riley, CPA, CIA, ACDA, CMFO, Project Facilitator

APPENDIX E – MANAGEMENT ACCEPTANCE AND CORRECTIVE ACTION PLAN

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

| Recommendations | Concurrence and Corrective Action Plan | Proposed Completion Date |
|---|--|--|
| <i>Recommendations for management of the Metropolitan Finance Department to:</i> | | |
| <p>A.1 We recommend that management revisit responses to the 2018 internal audit, review management responses, and develop a timeline to implement the responses to audit findings.</p> | <p>Accept – A timeline for the implementation of the Internal Audit recommendations is in place and has been shared with the Audit Committee. Implementation of the recommendations is ongoing and consistent with the established implementation timeline reported to Internal Audit</p> | <p>Outlined in <i>Finance Department Procurement Division Audit Report</i></p> |
| <p>B.1 We recommend the all procurement records should be stored within iProcurement on a go-forward basis.</p> | <p>Accept – Effective July 2017, the Purchasing Division began to include all procurement documents in the iProcurement System.</p> | <p>Completed</p> |
| <p>B.2 We recommend, in accordance with Metropolitan Nashville Government Procurement Regulation 4.12.200 – Retention of Procurement records, only sole source and emergency records are required to be retained by the Purchasing Agent for a three-year period. We recommend expanding the policy to include all procurement records for a period deemed appropriate by Metro Nashville. Having a formalized policy in place will encourage appropriate procurement record retention and organization.</p> | <p>Accept – Contracts include language that records would be maintained for three years after final payment, however all procurement documentation is maintained for seven years consistent with the current records retention and destruction policy of Metro.</p> | <p>Completed</p> |
| <p>B.3 We recommend the Purchasing Division should consider creating departmental procedures for periodic audits to confirm all procurement records are stored in iProcurement for a sample of contracts.</p> | <p>Accept – The Purchasing Division in July 2017 established procedures to ensure that all procurement documents are included in the iProcurement System. The Purchasing Division developed a Divisional Self-Assessment process which includes, among other items, ensuring that all solicitation supporting documentation is consistently stored in the iProcurement System. An auditor was hired in November 2019 that would be dedicated to auditing procurement processes and processes and compliance with the rules and regulations.</p> | <p>Completed</p> |

APPENDIX E – MANAGEMENT ACCEPTANCE AND CORRECTIVE ACTION PLAN

| Recommendations | Concurrence and Corrective Action Plan | Proposed Completion Date |
|---|---|--------------------------|
| <p>C.1 We recommend Metro Water Services should consider reducing the number of reviewers on an invoice by having the invoices reviewed by key project stakeholders and one MWS Finance Officer. Thresholds could be set to establish dollar amounts that require further approvals. All approvals should be documented electronically with the use of the approval workflow within EBS. Metro Payment Services can be removed from the process by having MWS Finance Department staff scan the invoice into EBS. One system should be established as the sole source for all invoicing processing and payment procedures.</p> | <p>Accept - Each review of invoices is purposeful and serves a different purpose checking previous work. The project managers are reviewing for contract task completion and general compliance, while the finance officers will provide quality assurance, reviewing rates, escalation, and other such allowable items. It is MWS' opinion that this creates less likelihood for error and/or noncompliance.</p> <p>Invoices are entered into two systems. The Unifer System tracks invoices at the project level, allows for cash flow assessment, and assists in our budget management. Presently, EBS does not have that capability. The tracking between the two systems is linked via PO and invoice number so that errors can easily be identified.</p> <p>MWS welcomes the ability to scan documents into EBS. This would reduce much effort and room for error on the part of both departments. To our knowledge, Metro Payment Services has traditionally housed all invoice processing for all Metro Departments.</p> <p>Finance Comment: All scanned documents load to the same system; Metro Finance supports MWS' offer to scan directly to the "Scanned Docs".</p> | 12/31/2019 |
| <p>C.2 We recommend all Metro Nashville Departments should record all approvals electronically, from both project managers and finance, in one system.</p> | <p>Partially Accept - As noted in the audit observation, all Metro invoices are entered into a central financial management system for final approval and payment. Note that Metro has recently implemented a new financial management system (R12) in September 2019. The final approvals in R12 includes the appropriate departmental representatives.</p> | 12/31/2019 |
| <p>C.3 We recommend document formalized policies and procedures on an efficient and consistent invoicing process. Policies should detail appropriate approvers, a system for all invoice data entry, and the use of Metro Payment Services in the invoicing process. Procedures should establish a step-by-step process on how to review invoices, enter the invoices in a designated system, and submit the invoice for approval and payment.</p> | <p>Accept - As noted above, the system of record is EBS (soon to be upgraded to R12) and that is the only system through which Metro can make payments. All departmental personnel responsible for processing and approving invoices are trained by Finance.</p> | 12/31/2019 |

APPENDIX E – MANAGEMENT ACCEPTANCE AND CORRECTIVE ACTION PLAN

| Recommendations | Concurrence and Corrective Action Plan | Proposed Completion Date |
|--|---|--------------------------|
| <p>C.4 We recommend Metro include language in each contract that specifies a reasonable time frame for vendor billing to avoid payment for labor hours that occurred a long time ago and are thus unverifiable.</p> | <p>Accept: Current Metro contracts includes language that states the specific timeframe for vendor invoicing.</p> <p>Department Specific Responses: General Services: General Services has made a request to our Vendors to use a template provided by us to submit their invoices for payment. Information in the template is included based on our approved SOW/PO. Also included are rates and budget category from contract so Vendor can only list the date of work, task completed, and number of hours. The sheet populates automatically based on the formula provided. Once the invoice is submitted for payment, our contract specialist reviews for compliance with contract terms and rates. If it is not correct, it is returned to the Vendor for correction. If it is correct, our contract specialist signs attached template and submits to project manager to confirm work has been completed as described in invoice. Once approval has been received from project manager, invoice is submitted to payment services for processing and payment.</p> <p>Parks: I support the recommendation.</p> <p>Public Works: Public Works Management agrees with this recommendation and will begin a process of periodic random reviews.</p> <p>Water: Water Services Management agrees that timesheets should be checked for accuracy and consistency with work performed. MWS presently requires project managers to review invoices and verify accuracy of work performed and then send it to business and finance where the invoice is reviewed for contract compliance and general accuracy. Vendors also complete the prescribed Excel worksheet so that time is crosschecked with timesheets coming from Vendor systems.</p> | <p>12/31/2019</p> |

APPENDIX E – MANAGEMENT ACCEPTANCE AND CORRECTIVE ACTION PLAN

| Recommendations | Concurrence and Corrective Action Plan | Proposed Completion Date |
|---|--|--------------------------|
| <p>C.5 We recommend Metro implement a process where invoices and their corresponding vendor timesheets are spot checked occasionally for accuracy. This will help ensure that hours billed on invoices are accurate based on what was actually performed by the vendor. We recommend that a random sample is pulled periodically and timesheets are requested from the vendor so a complete analysis can be performed.</p> | <p>Partially Accept: Currently there is review by engineers and other technical staff that manage the various projects to check the accuracy of the billing at the department level prior to the invoices being sent to Metro Payment Services. Metro has hired a Procurement Accountability auditor that will periodically sample and test A&E invoices randomly.</p> | <p>12/31/2019</p> |
| <p>D.1 We recommend Metro Nashville Purchasing and Contract should perform a review of the Metro Nashville Procurement Code to identify sections of the code that are out of date and develop updates to the code.</p> | <p>Accept - At its last regularly scheduled meeting on May 30, 2019, the Procurement Standards Board approved staff action to present a modification to R4.08.080.01.B specific to the selection process outlined for Architects and Engineers. The recommended action was to modify the Regulations to mirror current practice. The proposed change to the Procurement Regulations will be presented for consideration and adoption at the next regularly scheduled meeting of the Procurement Standards Board, currently scheduled for February 2020.</p> | <p>2/29/2020</p> |
| <p>D.2 We recommend Metro Nashville Purchasing and Contract should document criteria and selection methodology of the Evaluation Committee.</p> | <p>Accept - At its last regularly scheduled meeting on May 30, 2019, the Procurement Standards Board approved staff action to present a modification to R4.08.080.01.B specific to the selection process outlined for Architects and Engineers. The recommended action was to modify the Regulations to mirror current practice. The proposed change to the Procurement Regulations will be presented for consideration and adoption at the next regularly scheduled meeting of the Procurement Standards Board, currently scheduled for February 2020.</p> | <p>2/29/2020</p> |

Audit of the Drug Court of Metropolitan Nashville and Davidson County

EXECUTIVE SUMMARY

February 20, 2020



Why We Did This Audit

Incoming Criminal Court, Division IV, Judge Jennifer Smith, who is also the Presiding Judge of the Drug Court, requested this transition audit to review the finances and operations of the Drug Court.

What We Recommend

- Reevaluate and enforce the policies and procedures in the client record management process.
- Establish controls around offender program fees, wood working revenue collections, and fuel card purchases.
- Tighten controls over local sales tax exemptions and records retention.
- Leverage technology in leave time management and payroll processing.

BACKGROUND

The mission of the Drug Court of Metropolitan Nashville and Davidson County ("Drug Court") is to provide a quality treatment program that will enable positive changes in criminal and addictive behaviors with the purpose of successfully reintegrating offenders into society. The Drug Court program is a diversionary program that provides for the supervision of non-violent offenders with substance abuse problems combined with intensive treatment and other integrated services. The program offers comprehensive treatment services such as an inpatient long-term treatment, an intensive outpatient program, a mental health dual-diagnosis program, and many more. The Drug Court program is a voluntary program, but the Drug Court will not accept an individual unless the District Attorney General or sentencing Judge in the county of conviction agree to the placement.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Drug court offender cases are monitored, tracked, and managed to ensure the mission of the Drug Court program is achieved.
- Fiscal resources are properly accounted for and managed. This includes:
 - court fees and offender program fees,
 - resident spending money and petty cash,
 - expenditures and credit card purchases,
 - payroll and leave time.

The scope of this audit included all activity from July 1, 2016, to June 30, 2019.

WHAT WE FOUND

The Drug Court has controls in place to ensure most fiscal resources are recorded and managed appropriately. There are policies and procedures in place to ensure resident cases are managed and status is tracked.

However, some case management files lacked required signatures. Additionally, wood shop revenues were deposited into the petty cash fund for internal use on items disallowed by the Metropolitan Nashville Procurement Code. Fuel purchases were not being monitored regularly, and money orders were not being deposited timely. Payroll and leave balances were manually maintained, which resulted in leave time and payroll payment errors.

GOVERNANCE

The Drug Court of Metropolitan Nashville and Davidson County (“Drug Court”) was created in 1997. At that time, the operations were fully funded through grants. However, the ‘Drug Court Treatment Act of 2003’ enacted by Tennessee Code Annotated, Title 16, Chapter 22, established additional non-grant, long term, funding sources for the Drug Court.

The Drug Court falls under the purview of the State Trial Courts, with a Presiding Judge appointed to oversee the court operations. A program director oversees the operation of the Drug Court’s treatment program and is under the direct supervision of the Drug Court’s Presiding Judge.

BACKGROUND INFORMATION

The Drug Court was created in 1997 to combat the lack of treatment for chemically dependent offenders. It is a multi-structure complex with an onsite residential treatment facility, administrative area, and community service building. The structure houses a total of about 90 residents. At the time of the audit, there were approximately 26 female residents and 42 male residents onsite, with 35 program participants living offsite as part of the aftercare phase.

Drug Court Treatment Program

Program participants are referred to the program by the Public Defender’s Office, a private defense attorney, or upon successful completion of an in-jail treatment program. All eligible referrals are assessed by the Drug Court Assessment Team to determine the appropriateness of the Drug Court program. If placement is deemed appropriate, a recommendation is made to the court to admit the offender into the appointed program.

The Drug Court program has several phases. Phase I, Assessment and Orientation, has residents in the facility at all times. A treatment plan is developed, and residents are drug tested on a random basis. During Phase II, Stabilization and Rehabilitation, residents have a work treatment plan bundled with a wide range of services. In Phase III, Re-entry and Employment, residents develop an initial aftercare plan with the counselor, begin employment or vocational training, and maintain educational pursuits. Phases I, II, and III are all a minimum of 12 weeks. Upon successful completion of the three-phase program, residents graduate to Aftercare. Aftercare is the transition period for residents re-integrated into the community. The last phase, Intensive Outpatient Treatment, lasts for 12 months. During this phase, residents are required to report for group treatment two to four days per week and maintain full-time employment.

Drug Court Program Funding and Expenses

The Drug Court program is primarily grant funded. Additionally, the Drug Court Treatment Act of 2003 requires the clerks of all general sessions, circuit, and criminal courts, as well as municipal courts exercising the jurisdiction of courts of general sessions, to collect a \$75 fee per person on any offense under *Tennessee Code Annotated, Title 39, Chapter 17, Part 4, the Tennessee Drug Control Act*. This fee is for the explicit purpose of funding part of the Drug Court operations. The fee amount is collected by the Criminal Court Clerk and placed in the Drug Court’s account.

The Drug Court also collects a total of 66% of Phase III resident’s net paycheck when they work outside the program. The collected funds are divided three ways, (a) 33% to reimburse the Drug Court for part of the cost incurred during the program, (b) 22% to cover court fees, and (c) 11% to reimburse the

Nashville Drug Court Support Foundation for services provided. Exhibit A lists the Drug Court’s funding sources for fiscal years 2017, 2018, and 2019.

Exhibit A – Drug Court Funding Sources for the Audit Period

| Funding Source | FY 2019 | FY 2018 | FY 2017 |
|-----------------------------------|--------------|--------------|--------------|
| TN Dept of Corrections Grant | \$ 927,384 | \$ 951,316 | \$ 968,628 |
| TN Dept of Mental Health Grant | 409,667 | 449,710 | 435,117 |
| Governor’s Highway Safety Grant | 56,677 | 56,807 | 55,754 |
| Fines, Forfeitures, Offender Fees | 310,968 | 365,827 | 355,497 |
| Total | \$ 1,704,697 | \$ 1,823,660 | \$ 1,814,996 |

Source: Enterprise One Financial System

The Drug Court residential treatment program’s facility does not close. The Drug Court utilizes vendor invoicing, credit card purchases, and petty cash to acquire necessary supplies and services to run the facility. The majority of expenses were for food and supplies for the residents. Exhibit B shows the top ten vendors paid during the audit period, and Exhibit C shows the top ten vendors used for credit card purchases during the audit period.

Exhibit B – Top Ten Vendors Paid in Audit Period

| Vendor Name | Amount |
|--------------------------------------|------------|
| NASHVILLE DRUG CT SUPPORT FOUNDATION | \$ 401,400 |
| INSTITUTIONAL WHOLESALE CO INC | 121,254 |
| BARGER FOODS LLC | 115,583 |
| SAMS CLUB DIRECT (ATLANTA GA) | 87,431 |
| AMERICAN PAPER & TWINE CO | 74,119 |
| REDWOOD TOXICOLOGY LABORATORY | 55,348 |
| A Z OFFICE RESOURCE INC | 32,470 |
| BOB BARKER CO INC | 18,852 |
| ECOLAB FOOD SAFETY SPECIALTIES | 14,608 |
| RICOH USA INC | 14,192 |

Source: Enterprise One Financial System

Exhibit C – Top Ten Vendors on Credit Card Purchases in Audit Period

| Vendor Name | Amount |
|---|----------|
| NATIONAL ASSOCIATION OF DRUG COURT PROFESSIONALS | \$ 4,010 |
| EMBASSY SUITES | 3,167 |
| MID TN ASSOCIATION FOR ALCOHOL & DRUG ABUSE COUNSESLORS | 2,280 |
| WALMART.COM | 2,038 |
| EZREGISTER | 1,500 |
| AMERICAN AIRLINES | 1,364 |
| ETS HISET REGISTRATION | 1,360 |
| LOWES | 1,341 |
| HOLIDAY INNS | 1,338 |
| STAYBRIDGE SUITES | 1,183 |

Source: Fifth Third Bank

The residents in the Drug Court program participate in various activities such as community service, daily chores, gardening, and wood working as an important part of their rehabilitation process. To assist in purchasing the items necessary for these activities, the Drug Court program maintained a petty cash fund consisting of the cash collected from selling fire wood and wood crafts to patrons. The top ten petty cash purchases for the audit period by vendor name and by category are illustrated in Exhibits D and E respectively.

Exhibit D– Top Ten Petty Cash Vendors

| Vendor Name | Amount |
|----------------|----------|
| Walmart | \$ 9,164 |
| Sam’s Club | 2,072 |
| Grainger | 1,400 |
| Home Depot | 1,305 |
| Hody’s Florist | 1,111 |
| Lowe’s | 1,110 |
| PetSmart | 925 |
| Hobby Lobby | 854 |
| USPS | 829 |
| State Farm | 659 |

Exhibit E – Top Ten Petty Cash Categories

| Category | Amount |
|--------------------------|----------|
| Walmart Gift Card | \$ 5,400 |
| Pet Supplies | 3,504 |
| Tools & Parts | 3,121 |
| Wood Supplies | 2,301 |
| Other Supplies | 2,264 |
| Restaurants & Food | 2,205 |
| Mattresses for Residents | 1,400 |
| Other Gift Cards | 1,382 |
| Food Items | 1,351 |
| Insurance Payment | 1,338 |

Source: Drug Court Petty Cash Logs

Nashville Drug Court Support Foundation

The Nashville Drug Court Support Foundation (“the Foundation”) was incorporated as a 501(c)(3) organization in 1996 to solicit support for the Drug Court program. The Foundation provided services, funding, and other support to the Drug Court at no cost from 2004 to 2012. In 2012, the Foundation’s federal funding was exhausted. To enable the Foundation to keep providing the services Drug Court needed and to clearly define the relationship between the two, a renewable contract between the Drug Court and the Foundation was established. The contract defined the services the Foundation would provide and the related cost per hour. The Drug Court paid a total of \$401,400 to the Foundation during the audit period. Exhibit F shows the services the Foundation provided in terms of hours billed and associated cost during the audit period.

Exhibit F – Hours of Service and Cost Provided by the Foundation during Audit Period

| Category of Services | Hours | Cost |
|---|-------|-----------|
| Data & Reporting | 2,747 | \$206,025 |
| Program Sustainability & Succession Planning & Research | 466 | 34,950 |
| Drug Court Related Research | 394 | 29,550 |
| Cost Savings Research & Reporting | 306 | 22,950 |
| Drug Court Long Term Residential Treatment Research | 278 | 20,850 |
| Grant Research, Reporting & Writing | 234 | 17,550 |
| DC4 Model Research, Education & Advocacy | 174 | 13,050 |
| Quality Assurance | 168 | 12,600 |
| State Funding Research | 166 | 12,450 |

| | | |
|---|-------|-------------|
| Strategic Planning Research & Evaluation Planning | 158 | 11,850 |
| Process Outcome Data Research & Evaluation | 146 | 10,950 |
| TARCP Research & Coordination | 110 | 8,250 |
| Administrative Office of the Courts Research | 12 | 900 |
| Total | 5,359 | *\$ 401,925 |

* Total cost represents the hours invoiced multiplied by the agreed upon rate of \$75 per hour. Actual billed amount for the period was \$401,400.

Source: Enterprise One Financial System Invoices

According to established terms between the Drug Court and the Foundation, Phase III residents must remit 11% of net pay to the Foundation. The Drug Court collected and forwarded residents' net salaries totaling \$29,177, \$21,734, and \$19,492 for fiscal years 2019, 2018, and 2017 respectively. These funds were in addition to the billings for services related to the contract.

The Foundation provides additional free goods and services to the Drug Court. These goods and services include partially funding salaries for three Drug Court employees, funding other resident activities and outings, providing food items, addressing clothing needs, and giving educational resources. Exhibit G shows the estimated value of the benefits that the Foundation has provided to the Drug Court during the audit period.

Exhibit G – Estimated Unbilled Benefits from the Foundation for Audit Period

| Services & Goods Provided | Amount |
|--|-------------------|
| Psychiatric Nurse Practitioner | \$ 64,800 |
| Trauma/Grief Services | 36,000 |
| Referral & Screening Services | 25,200 |
| Enhanced Treatment Services | 22,400 |
| Medical Consultant | 18,000 |
| Drug Testing | 16,688 |
| 2 nd Harvest Food Bank & Other Food Items | 12,786 |
| Drug Education & Books | 7,350 |
| Hygiene & Clothing | 6,269 |
| Transportation for Residents | 6,000 |
| Medicines & Services | 4,992 |
| Independent Evaluator Services | 2,922 |
| Resident Incentives | 705 |
| Transitional Assistance | 640 |
| TADCP Membership Dues & Booth Rental | 310 |
| Total | <u>\$ 225,062</u> |

Source: Nashville Drug Court Support Foundation

OBJECTIVES AND CONCLUSIONS

1. *Are Drug Court offender cases monitored, tracked, and managed to ensure the mission of the Drug Court is achieved?*

Generally, yes. The Drug Court had established policies and controls in place to identify, create, monitor, track, and secure case files. Processes were put in place to ensure that resident movement was tracked and changes in status were approved, documented, and recorded. However, instances of non-compliance were noted during testing. Enforcement of client record and case processing procedures could be improved. (See Observation H.)

2. *Are fiscal resources properly accounted for and managed?*

Generally, yes. Controls were in place to ensure court fees, credit card purchases, resident spending, and payroll were accurate and complete. However, additional controls are necessary to ensure proper use of fuel cards, petty cash, and offender fees collected.

Supporting Objectives and Conclusions

- a. *Are court fees collected from Phase III residents recorded and accounted for accurately?*

Yes. The Drug Court had controls in place around the collection of Phase III residents' court fees. A sample of five offenders' Metropolitan Nashville Government court fee payment histories and a sample of five non-Davidson County offenders' court fee payment histories were reviewed, independently confirmed, and reconciled. No discrepancies between the payments applied and the payments forwarded were noted.

- b. *Are the Drug Court program offender fees collected from Phase III residents recorded, reconciled, and accounted for accurately?*

Unable to determine. Lack of controls around the Drug Court program offender fee collection process made the identification of deposited amounts and verification of the completeness of the collections impossible. Policies and procedures for receiving, depositing, and recording of Drug Court offender fees need to be revisited and rewritten. (See Observation A.)

- c. *Are invoiced purchases and credit card purchases approved and in support of the Drug Court program's mission?*

Generally, yes. Strong controls were over credit card purchases and invoiced payments to ensure compliance with the Metropolitan Nashville Government's Procurement Code. Opportunities exist to strengthen controls on local sales tax exemptions and supporting documentation retention. (See Observation D.)

- d. *Are fuel card purchases monitored and tracked?*

No. The use of a fuel card to refill Metropolitan Nashville Government issued vehicles was not monitored. There were no policies and procedures in place to review and track the usage of fuel card activities. (See Observation E.)

- e. *Are resident spending money and petty cash purchases recorded, reconciled, and accounted for accurately?*

Generally, yes. All money deposited into residents' spending accounts was recorded accurately on internal spreadsheets. The balance of each account was reconciled periodically. A review of all resident spending money accounts in the Drug Court safe indicated that the internally maintained balance matched the cash balance in the safe. However, receipt books used for spending money deposits were not prenumbered, logged, or tracked. (See Observation B.)

A review of petty cash revealed a lack of controls around resident wood work collections and petty cash purchases. Cash from wood work sales was used as petty cash instead of being deposited into the Metropolitan Nashville Government bank account. This left revenue untracked in the Metropolitan Nashville Government financial reporting system, and it created a petty cash fund that was not monitored and replenished by the Metropolitan Nashville Government Treasury. Petty cash was often used to purchase gift cards and other items in violation of the Metropolitan Nashville Government's Procurement Code. (See Observations B and C.)

- f. *Are payroll records accurate and complete?*

Generally, yes. There were controls in place to ensure employees were paid for time worked. Timesheets and timecards were reviewed and approved by supervisors prior to payroll. However, controls need to be strengthened around the part time employee timecard review process as discrepancies in adjustment approvals were noted. (See Observation F.)

- g. *Are leave time requests approved, recorded, and tracked?*

Generally, yes. Policies and procedures were in place to ensure employees' leave requests were approved and leave time was tracked. However, some discrepancies in leave balances were noted. Technology could be utilized to increase efficiency and minimize human error in the payroll and Human Resources process. (See Observation G.)

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A – Resident Program Fee Collections

In order to remit 66% of each paycheck as required, Phase III residents obtain a money order for each required payee. The money orders are then placed in an administrative mailbox within the Drug Court for recording and delivery to each area. One employee opened the locked mailbox periodically and stored the money orders in the safe. There was no log of date and amount of money orders received in the mail. The same employee recorded the money order payments into individual resident accounts on a spreadsheet. The same employee then deposited the money order made to the Drug Court program (33% of net pay) into the Metropolitan Nashville Government's bank account. The deposit slips only showed the total amount of what was deposited into the bank for the whole period. No other supporting documents with individual items listed were attached with the deposit slip. It could not be determined if all the money orders received in the mail made it to the bank.

Additionally, the employee set aside the money orders made out to the Nashville Drug Court Support Foundation (11% of net pay) for a staff from the Foundation to pick them up. When staff from the Foundation came to the Drug Court to pick up the money orders, there was no sign off to acknowledge the transfer of custody of the asset. The Foundation was unable to provide a total amount of money orders received from the Drug Court during the audit period. Therefore, whether the Foundation received the correct amount of money orders was undeterminable.

Lack of controls over cash collections increases the risk of misappropriation of funds. Without the establishment of chain of custody, separating liability is almost impossible. Establishing procedures in the revenue collection and asset transfer process helps to minimize those risks.

Criteria:

- Metropolitan Nashville Treasury Policy #9 – Cash Deposits
- *COSO*, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Assessed Risk Rating:

High

Recommendations for Management of the Drug Court to:

1. Deposit the money orders received within one business day and remove the Metropolitan Nashville Government's bank account number from the endorsement.
2. Rewrite the Client Management Fee part of the Administrative Policies and Procedures to require that two employees open the mail and log the money orders received.
3. Add a sign-off requirement for the transfer of assets within the resident program fee collection process and other applicable processes.

Observation B – Receipts, Wood Work Revenues, and Inventory

Receipts were routinely issued for two monetary events in the Drug Court program. One was when residents' family members deposited spending money into resident spending accounts. The other was when wood works made by the residents were purchased by patrons. In both occasions, the receipt books were not logged or tracked. The receipt books used for resident spending money deposits were not prenumbered. Not tracking receipts makes it difficult to reconcile between the money received and the transaction records. It also increases the risk of fund misplacement.

Additionally, there was no inventory taken of the wood works made by the residents. An employee working in the community service building received money from patrons buying the wood works and then issued a receipt. No reconciliation ever took place between the wood works money collected and the transactions recorded into the petty cash log. Lack of oversight in both inventory and revenue generated from it increases the risk of misappropriation of assets.

Keeping track of receipts issued and wood work inventory help to ensure funds received from various sources are accounted for correctly. Tracking of wood work projects would also help to plan for wood materials and supplies purchases.

Assessed Risk Rating:

High

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Drug Court to:

1. Ensure prenumbered receipt books are used, tracked, and reviewed in the cash collections process.
2. Establish a wood works inventory system to ensure the costs and revenues are tracked.

Observation C – Petty Cash Purchases and Wood Works Fund

Instead of depositing the wood works revenues collected into the Metropolitan Nashville Government bank account, the Drug Court used the money for program related purchases. A petty cash log recorded the transferred amounts of wood works money to the Drug Court's petty cash fund.

Funds were used to purchase gift cards, supplies for residents, food items, insurance, and other items. Purchases more than the \$75 petty cash threshold were made from this fund on a frequent basis. A total of \$5,400 in Walmart gift cards were bought during the audit period.

Excluding part of income and expense from the financial reporting system increases the risk of financial fraud and mismanagement. Complete and accurate financial information helps management decision making and decreases this risk.

Assessed Risk Rating:

High

Criteria:

- Metropolitan Nashville Treasury Policy #9 – Cash Deposits
- Metropolitan Nashville Treasury Policy #16 – Establishing Petty Cash Funds
- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Drug Court to:

1. Establish policies and procedures for wood works revenue collections, deposits into the Metropolitan Nashville Government’s bank account, and recording transactions in the Metropolitan Nashville Government’s financial system.
2. Utilize Metropolitan Nashville Government credit cards for goods and services unavailable from authorized vendors.
3. Work with the Metropolitan Nashville Government’s Treasurer and Chief Accountant to establish a petty cash fund based on the unique situation of the Drug Court.

Observation D – Local Sales Tax Exemption and Record Retention

Local sales tax was not always excluded for both credit card purchases and invoiced payments to vendors. Additionally, not all supporting purchasing documents were retained in the audit period. Out of a review of 35 credit card transactions, 2 transactions (6 percent) did not have a receipt, 2 transactions (6 percent) did not have an itemized receipt, and 4 transactions (11 percent) paid local sales tax totaling \$35.83.

A sample of 25 payments to Metropolitan Nashville Government vendors were also selected and reviewed. Of the payments selected, 2 payments (8 percent) included local sales tax totaling \$10.77. One invoice containing sales tax also did not have a detailed breakdown of charges. Lack of oversight on detailed receipt requirements increases the risk of inappropriate spending and unnecessary waste of government funds.

Assessed Risk Rating:

Medium

Criteria:

- Metropolitan Nashville Treasury Policy #19 – Credit Card
- Metropolitan Nashville General Record Schedule
- COSO, Control Activities — Principle 10 — The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Drug Court to:

1. Establish a retention schedule and maintain supporting purchasing documentation for the required period.
2. Ensure employees provide the local sales tax exemption and are instructed not to pay local sales tax on purchases.

Observation E – Fuel Card Monitoring

The Office of Fleet Management’s Comprehensive Administrative Order No. 03-09 requires departments to review and determine appropriateness of fuel card transactions on a regular basis. The Drug Court performed no periodical review of fuel card activities for the use of Metropolitan Nashville Government issued vehicles. Neither management nor the employee who uses the fuel card has set up access to enable monitoring of fuel card purchases. An employee in the State Trial Court administration that is responsible for fuel card activities also did not have access to review the purchases.

Unmonitored fuel card activities increase the risk of inappropriate usage on unauthorized vehicles. Additionally, fraudulent charges made by third parties may not be detected quickly. Periodical review of the fuel card transactions decreases those risks.

Assessed Risk Rating:

Medium

Criteria:

- Office of Fleet Management – Comprehensive Administrative Order No. 03-09 Revision No. 01, Section 9: Monitoring
- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Drug Court to:

1. Establish policies and procedures for a designated Agency Fleet Coordinator to be responsible for randomly monitoring fuel key and fuel card usage through the FuelMaster System.
2. Ensure the Fleet Coordinator and applicable employees obtain FuelMaster account access for monitoring fuel card activities.

Observation F – Part Time Employee Timecard Approval

Changes made to timecards were not always signed or initialed by the employee’s supervisor. Some part time employees’ timecards could not be located for the payroll period reviewed. Out of 8 pay periods and 118 timecards reviewed, changes were made on 27 timecards. Of the altered timecards, 12 of those changes (44 percent) were without a supervisor’s signature or initials, 6 timecards (5 percent) could not be located, and 3 pay periods had calculation errors resulting in a total under payment of \$117.57 to 21 employees. The calculation error was due to the incorrect conversion from time to decimal. Lack of supervisor review of time cards increases the risk of inadvertent or intentional time reporting errors.

Assessed Risk Rating:

Medium

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Drug Court to:

1. Ensure any timecard changes are reviewed and signed by a supervisor before being processed for payroll.
2. Refine procedures in the Administrative Guide to add detailed instructions on payroll processing for both part-time and full-time employees.

Observation G – Leave Time Tracking

Employee leave time requests, compensatory time accruals, and leave time balances per internal spreadsheets did not always agree to the employee’s hard-copy file. A sample of three employees had their vacation balances, sick balances, and compensatory time balances reviewed. Of the three sampled employees, two employees (67 percent) had vacation balance discrepancies, one employee (33 percent) had a sick balance discrepancy, and two employees (67 percent) had compensatory time balance discrepancies.

Manually keeping track of leave time increases the risk of human error. Additionally, maintaining a separate employee file for the same purpose duplicates the workload. Leveraging technology in payroll and leave time processing increases efficiency and minimizes human error.

Assessed Risk Rating:

Medium

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendation for management of the Drug Court to:

Explore the possibility of leveraging technology in payroll and leave time management.

Observation H – Client Records Management Procedures

The Davidson County Drug Court Program Administrative Guide established procedures to maintain and supervise client records. Hard copies and electronic records are to be created for each client status - admission, treatment received, during treatment, and discharge.

A sample of 25 case files were reviewed. Of the 25 case files, 2 files (8 percent) did not have the assessment result, 1 file (4 percent) did not have the signed copy of the treatment plan and the requirement of completion for each phase, and 2 files (8 percent) did not have the Drug Court Agreement signed by both the applicant and the judge.

Missing or misplaced client records increases the risk of client mismanagement and increases the Drug Court’s potential liability. Enforcing the policies and procedures in the client record management process decreases this risk.

Criteria:

- Davidson County Drug Court Program Administrative Policies and Procedures 3.0, “Client Record – General Policies”

- Metropolitan Nashville Record Disposition Authorization Page 136: State Trial Court – Case Management Files – RDA#765
- COSO, Control Activities–Principle 12–The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Assessed Risk Rating:

Medium

Recommendation for management of the Drug Court to:

Reevaluate client record procedures and communicate to case managers the client record requirements to ensure the policy is enforced.

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

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

| | Recommendations | Concurrence and Action Plan | Proposed Completion Date |
|---|--|--|--------------------------|
| <i>Recommendations for management of the Drug Court to:</i> | | | |
| H | A.1 Deposit the money orders received within one business day and remove the Metropolitan Nashville Government's bank account number from the endorsement. | Accept - Deposits will be made within 24 hours of receipt, and we will no longer place the Metropolitan Nashville Government's bank account number on the deposited money orders. | 10/01/2019 |
| H | A.2 Rewrite the Client Management Fee part of the Administrative Policies and Procedures to require that two employees open the mail and log the money orders received. | Accept - The client management fee policy will be revised to reflect that two employees shall open the mail and verifying all funds upon receipt. | 10/01/2019 |
| H | A.3 Add a sign-off requirement for the transfer of assets within the resident program fee collection process and other applicable processes. | Accept - A detailed ledger of all monies exchanged will be signed by both parties at the time of the transfer. | 10/01/2019 |
| H | B.1 Ensure prenumbered receipt books are used, tracked, and reviewed in the cash collections process. | Accept - Unnumbered receipt books will no longer be used. A receipt book ledger has been created which documents the receipt books' numbers, owners, and dates distributed/returned. | 10/01/2019 |
| H | B.2 Establish a wood works inventory system to ensure the costs and revenues are tracked. | Accept - An inventory system of all woodworks will be tracked to ensure cost and revenues are accurately recorded. | 11/14/2019 |
| H | C.1 Establish policies and procedures for wood works revenue collections, deposits into the Metropolitan Nashville Government's bank account, and recording transactions in the Metropolitan Nashville Government's financial system. | Accept - Policies and procedures will be established for monies accumulated by the sale of woodwork or other vocational activities and transactions will be recorded and deposited in the Metropolitan Nashville Government's financial system. | 11/21/2019 |
| H | C.2 Utilize Metropolitan Nashville Government credit cards for goods and services unavailable from authorized vendors. | Accept - Metro credit card will be used when goods and services are unavailable from other authorized vendors. | 07/01/2019 |
| H | C.3 Work with the Metropolitan Nashville Government's Treasurer and Chief Accountant to establish a petty cash fund based on the unique situation of the Drug Court. | Accept - Discussions have been made to reinstate a petty cash fund under Metro guidelines. | 01/31/2020 |

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

| | Recommendations | Concurrence and Action Plan | Proposed Completion Date |
|---|--|--|--------------------------|
| <i>Recommendations for management of the Drug Court to:</i> | | | |
| M | D.1 Establish a retention schedule and maintain supporting purchasing documentation for the required period. | Accept - The State Trial Court Drug Court will follow Metro Records Management's policy on purchasing documentation retention period. | 10/25/2019 |
| M | D.2 Ensure employees provide the local sales tax exemption and are instructed not to pay local sales tax on purchases. | Accept - Tax exemption forms will be given to designated staff and distributed to vendors as required. Tax exemption cards for non-vendors will be obtained. | 09/25/2019 |
| M | E.1 Establish policies and procedures for a designated Agency Fleet Coordinator to be responsible for randomly monitoring fuel key and fuel card usage through the FuelMaster System. | Accept - We now have access to WEX to monitor all vehicles' mileage and fuel purchases. Mileage forms in vehicles have been amended to include refueling (eff. 12/01/2019). | 12/05/2019 |
| M | E.2 Ensure the Fleet Coordinator and applicable employees obtain FuelMaster account access for monitoring fuel card activities. | Accept - We now have access to WEX, vehicle mileage and fuel purchases will be monitored. | 12/05/2019 |
| M | F.1 Ensure any timecard changes are reviewed and signed by a supervisor before being processed for payroll. | Accept - Supervisors will sign all timecards for part-time employees. | 08/09/2019 |
| M | F.2 Refine procedures in the Administrative Guide to add detailed instructions on payroll processing for both part-time and full-time employees. | Accept - Revisions to policies and procedures will be made by designated staff regarding instructions for payroll processing for all employees. | 01/31/2020 |
| M | G.1 Explore the possibility of leveraging technology in payroll and leave time management. | Accept - We will research affordable software in the area of payroll and leave time management. | 01/01/2020 |
| M | H.1 Reevaluate client record procedures and communicate to case managers the client record requirements to ensure the policy is enforced. | Accept - Records management procedures for retention will be followed. Files will be internally audited for accuracy and completion. | 10/25/2019 |

Office of Internal Audit
Metropolitan Government of
Nashville and Davidson County



404 James Robertson Parkway Suite 190
Post Office Box 196300
Nashville, Tennessee 37219
615-862-6110

Date: March 5, 2020

To: Bill Walker, Interim Metropolitan Auditor

From: Seth Hatfield, CFE - Investigator

Regarding: East Nashville Magnet High School - Sporting Event Concessions Matter

Source of Allegations

The Metropolitan Nashville Office of Internal Audit received a complaint on the Metropolitan Nashville Fraud, Waste, and Abuse Hotline on December 7, 2019. The allegation was in regards to concessions at East Nashville Magnet High School sporting events. Specifically, it was alleged that East Nashville Magnet High School Executive Principal, Jamie Jenkins, and Assistant Principals, Danette Warren and Michael Pratt, were bringing in vendors, who are personal friends, to sell concessions at East Nashville Magnet High School Sporting Events.

Investigator Assigned

Seth Hatfield, CPA, CIA, CFE

Bill Walker, CPA, CIA, CFE (Principal Auditor)

Purpose of Investigation

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

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

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

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

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

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

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

Work Performed

Our office met with Metropolitan Nashville Public Schools Audit Director, Taronda Frierson, on January 11, 2020 to discuss the allegation and gain an understanding of the process for handling concessions at school sporting events. The Metropolitan Nashville Board of Education Fundraising Activities policy requires that proposed fundraising activities be submitted in writing to the Director of Schools or his/her designee at least 30 days in advance of the fundraising activity. In practice, this process includes the school submitting a "School Fundraiser Authorization Request" form to the Metropolitan Nashville Public School Audit Department for review and approval.

Ms. Frierson provided our office with the School Fundraiser Authorization Request forms submitted by East Nashville Magnet High School for fiscal years 2019 and 2020. The forms show that the school itself was approved to sell concessions at sporting events and that no student support organizations or vendors should have been onsite selling concessions.

Testimonial evidence provided by Athletic Director, Lois Donaldson, on January 29, 2020, noted that a vendor was selling concessions at a recent basketball game. She was not notified prior to the basketball game and did not know the details around how the vendor was invited to the game. As Athletic Director, Ms. Donaldson will attend most, if not all, of the home sporting events and stated there was only one occurrence where an outside vendor was at an East Nashville Magnet High School home game.

Ms. Donaldson later provided the investigator with the exact date and name of the vendor. The date of the basketball game was December 3, 2019 and the name of the business selling concessions was 3 Friends Flavor.

Testimonial evidence provided by Bookkeeper, Sherrie Reid, noted that she witnessed an outside vendor selling concessions at a basketball game, but was unaware of the exact date. She stated that she notified the school administration the day after the game that vendors could not be used without approval. She stated that the administration was responsive and told her that vendors would not be at any future games.

E-mails for Dr. Jenkins, Ms. Warren, Mr. Pratt, Ms. Donaldson, and Ms. Reid were reviewed in connection with concessions at East Nashville Magnet High School. The only e-mail located in connection to this allegation was an e-mail from Ms. Reid to Dr. Jenkins on December 4, 2019

questioning the vendor at the previous night's basketball game. No e-mails were located between any administrators at East Nashville Magnet High School and representatives of 3 Friends Flavor.

A review was conducted to determine if Executive Principal, Jamie Jenkins, or Assistant Principals, Danette Warren and Michael Pratt, were connected to the owners of 3 Friends Flavors, Charles and Dot Kirk, on social media platforms. The review found that Dr. Jenkins was connected to co-owner Dot Kirk on Facebook. No other social media connections were identified.

Testimonial evidence provided by Executive Principal, Jamie Jenkins, on February 24, 2020, confirmed that a vendor was at a home basketball game. Dr. Jenkins stated that he was not aware that a vendor was being used beforehand and that the arrangement was made by Assistant Principal, Michael Pratt. Dr. Jenkins did not believe a written agreement was in place between the school and vendor. However, a donation was made by the vendor to the school, although he did not know the amount of the donation. Dr. Jenkins also stated that he spoke with his staff to ensure fundraising approval procedures are followed for concession fundraisers moving forward. Dr. Jenkins denied having a personal relationship with the Charles or Dot Kirk, owners of 3 Friends Flavor. After being questioned about the Facebook connection to owner, Dot Kirk, he stated that he did not recognize her name and accepts most friend requests on Facebook.

Testimonial evidence provided by Assistant Principal, Danette Warren, on February 24, 2020 noted that Ms. Warren did see an outside vendor at the December 3, 2019 East Nashville Magnet High School basketball game. Ms. Warren stated that she is not involved with concessions and was not involved with bringing in the outside vendor to the basketball game. She denied having any personal relationships with Charles or Dot Kirk, owners of 3 Friends Flavor.

Testimonial evidence provided Assistant Principal, Michael Pratt, on February 24, 2020 noted that Mr. Pratt was responsible for inviting 3 Friends Flavor to the December 3, 2019 basketball game. Mr. Pratt stated that the purpose of having the vendor at the game was to offer a better variety of food options after getting complaints regarding the concession variety at East Nashville Magnet High School sporting events compared to other schools in the district. He stated that 3 Friends Flavor made a donation to the school in the range of \$200-\$300. He denied having a personal relationship with Charles and Dot Kirk, owners of 3 Friends Flavor and stated that the vendor was recommended to him by a parent of a student.

On February 25, 2020, inquiry was made to Bookkeeper, Sherrie Reid, regarding the donation made by 3 Friends Flavor to East Nashville Magnet High School. 3 Friends Flavor made a \$200.00 donation to the East Nashville Magnet High School athletics program on January 21, 2020.

On February 27, 2020, the investigator spoke with Charles Kirk, owner of 3 Friends Flavor. Mr. Kirk confirmed that he was invited to the December 3, 2019 basketball game by Assistant Principal, Michael Pratt. He stated that 3 Friends Flavor was only at one game and that he was notified by the school that he could not sell concessions at any future games. Mr. Kirk denied that he nor his wife, Dot Kirk, had personal relationships with any administrators of East Nashville Magnet High School prior to the December 3, 2019 basketball game. The investigator made inquiry into the connection between Dr.

Jenkins and Dot Kirk. Mr. Kirk stated that Dot Kirk did not know Dr. Jenkins personally, but may be connected to his wife.

Discussion and Analysis

Testimonial evidence provided by Dr. Jenkins, Ms. Warren, Mr. Pratt, Ms. Donaldson, Ms. Reid, and Mr. Kirk of 3 Friends Flavor, confirm that 3 Friends Flavors was onsite at East Nashville Magnet High School selling concessions at a December 3, 2019 basketball game. The Metro Nashville Board of Education policy related to fundraising activities was not followed and no approval was obtained prior to the basketball game.

Evidence obtained does not suggest that 3 Friends Flavor was given the opportunity to sell concessions at the December 3, 2019 basketball game due to personal relationships between the vendor and school administrators. Although Dr. Jenkins was connected to Dot Kirk, co-owner of 3 Friends Flavor on social media, he was not directly involved with arranging the vendor to do business at the basketball game. Mr. Pratt accepted responsibility for arranging 3 Friends Flavor to be at the December 3, 2019 basketball game. No evidence of Mr. Pratt having a personal relationship with Charles or Dot Kirk, owners of 3 Friends Flavor, was obtained.

Conclusion

The Metropolitan Office of Internal Audit concluded that the allegation that administrators of East Nashville Magnet High School brought in an outside vendor to sell concessions at a sporting event is **substantiated**. However, the outside vendor selling concessions at an East Nashville Magnet High School basketball game appears to be an isolated incident, only one administrator brought in the vendor, and evidence indicates that personal relationships did not play a role in 3 Friend Flavor selling concessions at the December 3, 2019 basketball game.

Recommendation

The Metropolitan Office of Internal Audit recommends that management of Metro Nashville Public Schools reiterate the Metropolitan Nashville Board of Education Fundraising Activities policy to school administrators to help ensure that established policies and procedures related to fundraising activities for concessions are followed moving forward.

If you have any questions or concerns, please feel free to contact me.

END OF REPORT



Date: April 6, 2020
To: Bill Walker, Interim Metropolitan Auditor
From: Laura Henry, Investigator
Subject: Dr. Tony Majors Conflict of Interest Investigation

Source of Allegation

A series of News Channel 5 stories were released relating to Metropolitan Nashville Public Schools administrator Dr. Tony Majors. Specifically, media reports asserted that a conflict of interest existed involving Dr. Majors's role as director of the Nashville RBI program and his position with the Metropolitan Nashville Public Schools. Director of Schools, Dr. Adrienne Battle, sent a formal letter to the Office of Internal Audit requesting an investigation into the potential conflict of interest and any related violations of laws, policies, and procedures.

Investigators Assigned

Laura Henry, CFE
Bill Walker, CPA, CIA, CFE (Principal Auditor)

Purpose of Investigation

The Metropolitan Nashville Office of Internal Audit conducts internal investigations of potential violations 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 from tips received from the Metropolitan Nashville Government fraud, waste, and abuse hotline.

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

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

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

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

Background

Media reports released in January 2020 raised concerns about a conflict of interest involving Dr. Tony Majors with the Metropolitan Nashville Public Schools and his relationship with a local nonprofit group, Nashville RBI. Dr. Majors served as a high ranking administrator for the Metropolitan Nashville Public Schools while also serving as the Director of the Nashville RBI program. Specifically, the media reported that Nashville RBI received unfair benefit as a result of its relationship with Dr. Majors.

Nashville RBI is a program of the Boys & Girls Clubs of Middle Tennessee that helps disadvantaged youth become involved in baseball and softball. Nashville RBI has its own operational management and Advisory Board, but the program is owned and the finances are managed by the Boys & Girls Clubs of Middle Tennessee.

Dr. Majors has served Metropolitan Nashville Public Schools for 27 years. Dr. Majors began his career as a teacher. Dr. Majors was promoted to administrative roles serving as an Assistant Principal and then as a Principal. Dr. Majors eventually transitioned into the Central Office as the Assistant Superintendent of Student Services. In 2019, he became the Interim Chief Human Resources Officer, with the intention of going back to Student Services when a permanent Chief Human Resources Officer was named.

In his role in Student Services, Dr. Majors was responsible for program development and finding extracurricular and out-of-school programs for students. Dr. Majors worked by creating partnerships with various nonprofits to assist Metropolitan Nashville Public Schools students. Nashville RBI was such a partnership. Dr. Majors became the director of the Nashville RBI program in 2017.

Dr. Adrienne Battle, Director of Metropolitan Nashville Public Schools, formally requested the Metropolitan Nashville Office of Internal Audit's assistance in reviewing Dr. Majors's relationship with Nashville RBI. Specifically, to ascertain if a conflict of interest existed, if Nashville RBI received inappropriate benefit if a conflict existed, and if there were any related violations of policies, procedures, or laws as a result.

Allegations

The general theme of allegations is that a conflict of interest existed between Dr. Tony Majors and the Nashville RBI program. Nashville RBI received unfair and inappropriate benefit as a result of this conflict. Specific allegations include:

- A. Dr. Majors used his influence to procure a contract with the Boys & Girls Clubs of Middle Tennessee to operate Nashville RBI summer camps. The Metropolitan Nashville Public Schools paid a total of \$30,000 on these contracts, but the summer camps never took place.
- B. Dr. Majors used his influence to attempt to secure an agreement between the Metropolitan Nashville Public Schools and Belmont University that would benefit Nashville RBI. The

agreement called for Belmont University to build batting cages on Metropolitan Nashville Public Schools' property. Belmont University, Metropolitan Nashville Public Schools, and Nashville RBI would be the only entities allowed to use the facility.

- C. Dr. Majors used his influence to repair and maintain specific Metropolitan Nashville Public Schools baseball fields for use by the Nashville RBI program.
- D. Dr. Majors used his influence and Metropolitan Nashville Public Schools funds to secure a scholarship for his son through the Nashville RBI program.

Summary and Outcome of Investigation

The general allegation that a conflict of interest existed between Dr. Tony Majors and the Nashville RBI program is **substantiated**.

- A. The allegation that Dr. Majors used his influence to assist in procuring a contract with the Boys & Girls Clubs of Middle Tennessee to operate summer camps that never occurred is **substantiated**. The amount paid did support the Nashville RBI program, but the intended camps did not occur nor was this disclosed to the Metropolitan Nashville Public Schools.
- B. The allegation that Dr. Majors used his influence to attempt to secure an agreement between the Metropolitan Nashville Public Schools and Belmont University that would benefit Nashville RBI is **substantiated**.
- C. The allegation that Dr. Majors used his influence to repair and maintain specific Metropolitan Nashville Public Schools baseball fields for use by the Nashville RBI program is **unsubstantiated**.
- D. The allegation that Dr. Majors used his influence and Metropolitan Nashville Public Schools funds to secure a scholarship for his son through the Nashville RBI program is **unsubstantiated**.

Work Performed

Applicable Policies and Procedures

- 1) **Metropolitan Nashville Public Schools Board of Education Policy 5.601 Conflict of Interest Policy** states:
"Employees of the board will not engage in, or have financial interest in, any activity that raises a reasonable question of conflict of interest with their duties and responsibilities as members of the school staff. Employees will not engage in any type of work where the source of information concerning a customer, client, or employer originates from information obtained through the school system."
- 2) **Metropolitan Nashville Public Schools Standard Operating Procedures 5.1219.1p Technology Acceptable Use Agreement 3.h.4** states:
"using the network for financial or commercial gain, advertising, or political lobbying," is considered unacceptable use.
- 3) **Metropolitan Nashville Public Schools Board of Education Policy 2.809 Vendor Relations Policy** states:

"No person officially connected with or employed by the school system will be an agent for or have any financial compensation or reward of any kind from any vendor for the sale of supplies, materials, equipment, or service to the school system."

4) **Metropolitan Nashville Public Schools Board of Education Policy 3.206 Community Use of School Facilities** states:

"Student clubs and activities, parent-teacher associations, and other organizations affiliated with the school shall be permitted use of school facilities without charge."

5) **Metropolitan Nashville Public Schools Board of Education Policy 5.602 Staff Time Schedules** states:

"The workday for full-time licensed and professional staff will be a minimum of seven hours and thirty minutes and will continue until professional responsibilities to the student and the school are completed"; and "Absence without prior approval, chronic absences, habitual tardiness or abuses of designated working hours are all considered neglect of duty."

6) **Metropolitan Nashville Public Schools Board of Education Policy 2.808 Purchase Orders and Contracts** states:

"Employees shall exercise reasonable precaution against conflicts of interest."

7) **Metropolitan Nashville Public Schools Standard Operating Procedure 5.611.1p Ethics** states:

"MNPS employees must avoid any action, whether or not specifically prohibited, which might result in or create the appearance of (1) Using their position in MNPS for private gain; (2) Providing preferential treatment to any person or business entity; (3) Discriminating against any person or business entity; (4) Demonstrating a lack of sobriety or placement into a compromising or unseemly situation; (5) Losing the ability to make independent and impartial decisions; (6) Making any decision that does not follow approved guidelines and that is not in the best interest of MNPS; (7) Having an adverse effect on the confidence of the public in the integrity of MNPS; and/or; (8) Reducing the operational efficiencies or economies of MNPS."

8) **Metropolitan Nashville Public Schools Board of Education Policy 5.611 Ethics** states:

"An effective educational program requires the services of men and women of integrity, high ideals and human understanding. To maintain and promote these essentials, all employees are expected to maintain high standards in their school relationships."

Allegation A

Dr. Majors used his influence to procure a contract with the Boys & Girls Clubs of Middle Tennessee to operate Nashville RBI summer camps. The Metropolitan Nashville Public Schools paid \$30,000 on these contracts but the camps never took place.

Facts

1. Dr. Majors’s responsibilities at Metropolitan Nashville Public Schools included facilitating partnerships between various nonprofit groups and Metropolitan Nashville Public Schools. Nashville RBI is one such partnership.
2. Metropolitan Nashville Public Schools entered into contracts 2-262235-09 and 2-262235-10 with the Boys & Girls Clubs of Middle Tennessee on July 19, 2018, and July 24, 2019, respectively.
3. Contracts 2-262235-09 and 2-262235-10 were approved by the Chair of the Board of Education, the Director of Procurement for Metropolitan Nashville Public Schools, the Metropolitan Director of Finance, and Dr. Majors who represented the Student Services Department.
4. The contracts explicitly stated that Metropolitan Nashville Public Schools would pay Boys & Girls Clubs of Middle Tennessee up to \$15,000 each year to operate a Nashville RBI summer camp.
5. Metropolitan Nashville Public Schools paid the full amount of \$15,000 to Boys & Girls Clubs of Middle Tennessee on each contract in 2018 and 2019, for a total of \$30,000.

Exhibit A – Payments Made to Boys & Girls Clubs for Nashville RBI by Fiscal Year

| Contract | Supplier Name | Payment Date | Payment Amount |
|-------------|---------------------------------|--------------|--------------------|
| 2-262235-09 | BOYS & GIRLS CLUBS OF MIDDLE TN | 9/27/2018 | \$15,000.00 |
| 2-262235-10 | BOYS & GIRLS CLUBS OF MIDDLE TN | 8/28/2019 | \$15,000.00 |
| | TOTAL | | \$30,000.00 |

Source: Metropolitan Nashville R12 system

6. Dr. Majors served as the Assistant Superintendent of Student Services with Metropolitan Nashville Public Schools at the time of the contract in 2018. Dr. Majors served as the Interim Chief Human Resources Officer role at the time of the contract in 2019.
7. The contracts stated that the summer programs were to take place in July of 2018 and 2019. A review of Nashville RBI schedules for 2019 revealed that seasons were complete by the first week of July. Only the All-Star teams, which were scheduled to play in a tournament in Atlanta at the end of July, were still playing on the dates of the contract. These teams included only 15 Nashville RBI players per team.
8. Contracts 2-262235-09 and 2-262235-10 with the Boys & Girls Clubs of Middle Tennessee specified the three Metropolitan Nashville parks that were to be utilized for the summer camps. These parks were Madison, Seven Oaks, and Looby. The contracts also specified the date ranges the camps were to occur (see below). Metropolitan Nashville Parks & Recreation Department confirmed that the specific parks listed were not scheduled to be utilized by Nashville RBI during the date ranges on the contracts.
 - a. In 2018, the contract specified that summer camps were to occur July 5, 2018 - July 20, 2018. There was only one record of Nashville RBI using the Madison field on July 5, July

- 7, and July 11 of 2018. There was no record of the other two parks being used during these dates
- b. In 2019, the contract specified that summer camps were to occur July 8, 2019 - July 29, 2019. There was no record of the three parks being used during this time.
9. Dr. Majors stated that about 80 percent of the participants in the Nashville RBI program are Metropolitan Nashville Public Schools students. These funds from Metropolitan Nashville Public Schools were going to the program as a whole, and not only to 250 Metropolitan Nashville Public Schools students, as stated in the contracts.
10. Dan Jernigan, former President and CEO of Boys & Girls Clubs of Middle Tennessee, stated publicly in a NewsChannel 5 interview released on January 29, 2020, that the summer camps did not happen.
11. The Office of Internal Audit reviewed hundreds of emails for evidence the summer camps took place. No such evidence was found.
12. The Office of Internal Audit made inquiries to Metropolitan Nashville Public Schools employees as well as the Boys & Girls Clubs of Middle Tennessee requesting supporting documentation that the summer camps took place. Supporting documentation was not provided.
13. Dr. Majors advised the language on the contracts was misinterpreted. Dr. Majors stated that *"the program was the camp,"* and the, *"\$30,000 was to support the operations of the Nashville RBI,"* program which is always underfunded. The contract amounts were not intended to exclusively conduct summer camps.
14. Dr. Majors made a request to be compensated by the Boys & Girls Clubs of Middle Tennessee. Dr. Majors's requested compensation was for the work he was doing for Nashville RBI. Boys & Girls Clubs of Middle Tennessee paid Dr. Majors \$5,000 on June 6, 2019. This request and payment were made one month before the contract for \$15,000 was finalized for contract 2-262235-10.

In the request made to Boys & Girls Clubs of Middle Tennessee, Dr. Majors specifically referenced that he expected a payment of \$15,000 from Metropolitan Nashville Public Schools to cover part of the program's deficit. Dr. Majors's discussion with Boys & Girls Clubs regarding how much Dr. Majors would be compensated revealed the specific amount compensated would depend on Nashville RBI's end of year financial condition. Dr. Majors returned the \$5,000 compensation back to the Boys & Girls Clubs of Middle Tennessee on January 24, 2020.

Discussion and Analysis

Dr. Majors's responsibilities at Metropolitan Nashville Public Schools involved facilitating partnerships with various nonprofit groups that would be beneficial to students. Nashville RBI is such a nonprofit group. Dr. Majors had the ability to influence which nonprofit groups received funding in his role at Metropolitan Nashville Public Schools. Contracts 2-262235-09 and 2-262235-10 specifically state that amounts paid by the Metropolitan Nashville Public Schools were to be used for a summer camp program in 2018 and 2019, respectively. Specific dates and places where the camps were to occur were

also detailed in the contracts. The contracts were properly reviewed and approved by various parties within the Metropolitan Nashville Public Schools system.

Dr. Majors advised the language on the contracts was never intended to be specifically for summer camps but to support the overall operations of the Nashville RBI Program. Dr. Majors stated “the program was the camp.” The specific language of the contracts stated the funds were to be utilized for summer camps. It can only be assumed that the intent of the contracts is specified in the explicit wording contained in the respective contracts. It is also to be assumed that the Metropolitan Nashville Public Schools staff who reviewed and approved these contracts did so with the understanding that the money was to be used for a specific purpose, operating summer camps. Based on an extensive review of emails, interviews with applicable parties, and a review of available supporting documentation, this specific purpose was not met.

The investigation did not reveal anything to suggest that the amounts paid to the Boys & Girls Clubs of Middle Tennessee, with the exception of the \$5,000 payment to Dr. Majors, went to anything other than supporting the Nashville RBI program.

Conclusion

The specific allegation that Dr. Majors used his influence to assist in procuring a contract with the Boys & Girls Clubs of Middle Tennessee to operate summer camps that never occurred is **substantiated**. The amount paid did support the Nashville RBI program, but the intended camps did not occur nor was this disclosed to the Metropolitan Nashville Public Schools.

Allegation B

Dr. Majors used his influence to secure an agreement between the Metropolitan Nashville Public Schools and Belmont University which would benefit Nashville RBI.

Facts

1. Metropolitan Nashville Public Schools entered into a Memorandum of Understanding with Belmont University in December 2018. The Memorandum of Understanding was approved by the Metropolitan Nashville Board of Education Chair, the Director of Facilities Maintenance and Construction at Metropolitan Nashville Public Schools, and the Chief Operating Officer of Metropolitan Nashville Public Schools.
2. Dr. Majors, in his role as Assistant Superintendent of Student Services, was involved in discussions related to this Memorandum of Understanding.
3. Simply stated, the Memorandum of Understanding called for Belmont University to build a batting cage facility on Metropolitan Nashville Public Schools’ property at Rose Park Middle School. Once completed, the only parties who would be able to utilize the facility would be Belmont University, Metropolitan Nashville Public Schools, and Nashville RBI.
4. Dr. Majors’s responsibilities at Metropolitan Nashville Public Schools included facilitating partnerships between various nonprofit groups and Metropolitan Nashville Public Schools. Nashville RBI is one such partnership.

5. The Memorandum of Understanding named Nashville RBI the sole recipient of \$20,000 to be paid by Belmont University annually, if the Metropolitan Nashville Public Schools' budget for Extended Learning was increased.
6. Nashville RBI was experiencing a financial deficit based on a review of emails and testimonial evidence.
7. Dr. Majors stated the specific language including Nashville RBI in the Memorandum of Understanding was an error and should not have been included.
8. Jason Rogers, an official at Belmont University, stated the university believed Nashville RBI was the primary Extended Learning program and never intended to pay Nashville RBI directly. Belmont University's intention was to pay Metropolitan Nashville Public Schools directly.
9. The Memorandum of Understanding is in the process of being revised by Belmont University to remove Nashville RBI, per a request by Dr. Majors on December 11, 2019. The facility has not been built as of the date of this report.

Discussion and Analysis

Dr. Majors, as an administrator with Metropolitan Nashville Public Schools, was involved in the discussions related to this Memorandum of Understanding. Dr. Majors also served as the Director of Nashville RBI. Nashville RBI would receive benefit from this agreement by use of the facilities and a potential annual payment of up to \$20,000.

Dr. Majors stated that including Nashville RBI in the Memorandum of Understanding was an error. Dr. Majors provided the Office of Internal Audit with an email sent on December 11, 2019, requesting Belmont University remove this statement from the Memorandum of Understanding. Inquiries were made to Belmont University officials. These officials advised that having this specific language in the agreement was more of a misunderstanding than an error. Belmont officials advised they never intended to send money to anyone other than Metropolitan Nashville Public Schools. From Belmont University's perspective, how the funds were dispersed amongst programs was up to the Metropolitan Nashville Public Schools Extended Learning Program.

The construction on the batting facility began in 2019 but was stopped for discussion by Metropolitan Council due to concerns from the Edgehill neighborhood. The project is currently on hold, and the Memorandum of Understanding is being redrafted not to include Nashville RBI. Though the contract is being revised, Dr. Majors failed to avoid a conflict of interest by being involved in the contract discussions and claiming to represent Metropolitan Nashville Public Schools while obtaining contractual benefits for his Nashville RBI program at the same time.

The impact of the potential annual payment of \$20,000 to Nashville RBI cannot be determined. The facility was never built. Budgeting for the Extended Learning Program was never finalized. It is impossible to know if Nashville RBI would have received \$20,000. However, the Memorandum of Understanding explicitly called for a payment to be made to Nashville RBI provided certain criteria was met.

Conclusion

The specific allegation that Dr. Majors used his influence to attempt to secure an agreement between the Metropolitan Nashville Public Schools and Belmont University that would benefit Nashville RBI is **substantiated**.

Allegation C

Dr. Majors used his influence to repair and maintain specific Metropolitan Nashville Public Schools baseball fields for use by the Nashville RBI program.

Facts

1. Dr. Majors sent email requests to the maintenance department at Metropolitan Nashville Public Schools for minor maintenance needs at Cane Ridge, Hillsboro, Hillwood, and Stratford High Schools.
2. Requests for these field improvements originally came from Metropolitan Nashville Public Schools baseball coaches, who also serve as coaches on Nashville RBI teams. Dr. Majors appropriately brought these requests to the attention of the Metropolitan Nashville Public Schools maintenance team.
3. The maintenance team treated these requests as they would any other requests. It is not uncommon to receive requests by email or phone call, but when work is set to be done, a work order is put in the maintenance system.

Discussion and Analysis

Dr. Majors requested work to be done on Metropolitan Nashville Public Schools High School baseball fields, specifically Cane Ridge, Hillwood, Hillsboro, and Stratford High Schools at the request of baseball coaches at the schools. The work requested and completed was minor, general maintenance that not only provided a benefit to Nashville RBI, but also provided a benefit to Metropolitan Nashville Public Schools baseball teams. There was no evidence through email review, interviews, or review of applicable supporting documentation that would suggest that work was completed solely to benefit Nashville RBI.

Conclusion

The specific allegation that Dr. Majors used his influence to repair and maintain specific Metropolitan Nashville Public Schools baseball fields for use by the Nashville RBI program is **unsubstantiated**.

Allegation D

Dr. Majors used his influence and Metropolitan Nashville Public Schools funds to secure a scholarship for his son through the Nashville RBI program.

Facts

1. Dr. Majors's son received a \$3,000 college scholarship on September 19, 2018, from Nashville RBI.

2. In June of 2018, an estate gift of \$26,066.51 was left to Nashville RBI by the Butch McCord Family for college scholarships to Nashville RBI players.
3. Only two Nashville RBI players qualified for three scholarship opportunities in 2018. Both players were therefore awarded a scholarship.
4. The donation was strictly reserved for the Butch McCord scholarships, and scholarships were not paid out with Nashville RBI operational funds.

Discussion and Analysis

In June of 2018, Nashville RBI received an estate gift in the amount of \$26,066.51. This estate gift was to be used for scholarships to Nashville residents for college. The scholarship received in 2018 by Dr. Majors's son was paid directly from this restricted scholarship fund and did not come out of the Nashville RBI operational funds. Only two members of Nashville RBI qualified for the scholarship in 2018, one of which was Dr. Majors's son. Any payments made to Nashville RBI from Metropolitan Nashville Public Schools were not a factor in this scholarship award.

Conclusion

The specific allegation that Dr. Majors used his influence and Metropolitan Nashville Public School funds to secure a scholarship for his son through the Nashville RBI program is **unsubstantiated**.

Overall Conclusions

Dr. Majors has served the Metropolitan Nashville Public Schools for over 27 years. Interviews with various Metropolitan Nashville Public Schools officials indicated that Dr. Majors is a highly respected public servant. Dr. Majors's role involved leveraging local nonprofit groups and forming partnerships that would benefit Metropolitan Nashville Public Schools students. With the exception of the \$5,000 payment, the benefit Nashville RBI received appears to have benefited youth in the Middle Tennessee area.

The Office of Internal Audit had limited access to records from the Boys & Girls Clubs of Middle Tennessee. The Office of Internal Audit's understanding of the amounts paid to Dr. Majors and the overall financial condition of Nashville RBI was discovered through an extensive review of emails and testimonial evidence.

Based on the work presented above, the allegation that a conflict of interest existed is **substantiated**. Dr. Majors serving as an administrator for the Metropolitan Nashville Public Schools while concurrently being the Director of the Nashville RBI program inherently gives the **appearance** of a conflict of interest. In the context of a conflict of interest existing **in substance**, Dr. Majors's position within Metropolitan Nashville Public Schools gave him the ability to influence how public resources were to be allocated. Dr. Majors used his influence to attempt to direct public resources to Nashville RBI.

Nashville RBI obtained two separate contracts totaling \$30,000. Nashville RBI was also explicitly named to potentially obtain additional funding with the agreement from Belmont University. Other Metropolitan Nashville Public Schools officials were involved in approving these contracts. However, to avoid a conflict of interest, Dr. Majors should have recused himself of any involvement in these agreements.

Dr. Majors benefited from this conflict of interest by obtaining a payment of \$5,000 from the Boys & Girls Clubs of Middle Tennessee. Moreover, Dr. Majors benefited as the Director of Nashville RBI by being able to obtain additional funding from the Metropolitan Nashville Public Schools for a program facing a financial deficit.

Recommendation

The Metropolitan Office of Internal Audit recommends that management of Metropolitan Nashville Public Schools reiterate the Metropolitan Nashville Public Schools policies related to conflicts of interest to applicable school administrators and staff to help ensure that established policies and procedures related to inappropriate relationships are identified and avoided.

**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of April 15, 2020**

| Audit Plan Year February 2020 to January 2021 Projects | Report Phase | | | | |
|--|--------------|-----------|--------------|---------------|----------------|
| | Planning | Fieldwork | Report | Draft | Final |
| 1) A&E External Audit Support (4 Vendor Reports) | | | | | Feb-20 |
| 2) State Trial Courts - Drug Court 4 | | | | | Feb-20 |
| 3) General Services - Downtown Detention Center Construction | | | ✓ | Apr-20 | |
| 4) Metro Nashville Collaboration with Nonprofit Entities | | ✓ | | | |
| 5) Treasury Department - Collections | | | ✓ | Apr-20 | |
| 6) Election Commission Operations | ✓ | | | | |
| 7) Library Building Security | | | ✓ | Apr-20 | |
| 8) Election Commission Information Systems (Outsourced to KraftCPAs) | ✓ | | | | |
| 9) Metro Nashville Public Schools - Capital Projects Program | ✓ | | | | |
| 10) Hotel Tax Audits (Ongoing) | | | | | |
| | | | | | |
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| | | | | | |
| | | | | | |
| | | | | | |
| Metro IntegrityLine Alerts - February 2019 to January 2020 | | | Total | Closed | Pending |
| Metro Hotline Alerts (Fraud, Waste & Abuse) | | | 1 | 1 | 0 |
| | | | | | |
| | | | | | |
| | | | | | |

Note: Goal to complete 21 audit projects for Plan Year 2020. Currently 2 audit projects (including 4 vendor audits) are completed, and 3 audit projects are in the draft report phase.

**Metropolitan Nashville Office of Internal Audit
2020 Recommended Work Plan Status
As of April 15, 2020**

| *Co-source | CY 2019 Audits In Progress | Budget | Actual |
|---------------------------------------|---|---------------|--------------|
| 1 | General Services - Downtown Detention Center and the Behavioral Care Center Construction Project | 200 | 357 |
| 2 | Metropolitan Nashville Public Schools - Capital Projects Program (Need, Estimates, Approval, Contracting, Monitoring) | 800 | 203 |
| 3* | Election Commission Operations and Information Systems | 800 | 99 |
| 4 | Treasury Department - Collections Office | 300 | 405 |
| 5 | Metropolitan Nashville Government Collaboration with Nonprofit Entities | 600 | 170 |
| 6 | Library – Building Security | 150 | 278 |
| 7 | Davidson County Drug Court | 0 | 9 |
| CY 2020 New Audit Areas | | | |
| 1 | Beer Permit Board | 400 | |
| 2 | Metropolitan Nashville Employee Benefit Board Pension Investments | 800 | |
| 2 | Emergency Communications Center | 600 | |
| 4 | Juvenile Court Clerk Cash Collections and Trust Management | 600 | |
| 5 | Metro Water Services - Storm Water Billing and Revenue Collection | 600 | |
| 6 | Fund Restrictions, Commitments, and Assignments | 800 | |
| 7 | Metro Nashville Police Department Fiscal Management | 800 | |
| 8 | Departmental Fuel Card Management | 600 | |
| 9 | Barnes Fund Operations and Follow-Up | 800 | |
| 10 | Public Works Revenue Collections | 600 | |
| 11 | Office of Internal Audit Peer Review | 100 | |
| 12 | Hotel Occupancy Tax Audits – 2020 | 400 | 122 |
| Information Technology Risk | | | |
| 13* | Enterprise Assessment of Departmental Information Security | 400 | |
| 14* | Health Department – Information Technology Security Management and Governance | 200 | |
| Audit Recommendation Follow-up | | | |
| 15 | Recommendation Implementation Follow-Up Audits | 800 | |
| | Total Audit Services | 11,350 | 1,643 |

| Total Recommended 2020 Audit Services Effort | | Budget | Actual |
|--|------------------------|---------------|--------------|
| | Audit Services | 11,350 | 1,643 |
| | Investigation Services | 1,500 | 504 |
| | Special Projects | 400 | 29 |
| | Unforeseen Requests | 800 | |
| | Total | 14,050 | 2,176 |

Implementation Status Update as of April 15, 2020

| Audit Department List | Year | # Accepted | As of 3/1/2020 | Response Received | Open Recs After Response | Implementation Notes |
|---|------|------------|-------------------|----------------------|-----------------------------|--|
| Information Technology Services Telecom Services (CONFIDENTIAL) | 2013 | 13 | 1 | | | |
| Industrial Development Board | 2013 | 6 | 1 | X | 1 | Policy to be approved at May IDB meeting |
| Assessor's Office | 2014 | 14 | 3 | | | |
| Historic Zoning and Historical Commission Work Force | 2015 | 7 | 1 | X | 1 | Contingent on budget funding |
| Parks and Recreation Maintenance Division | 2015 | 2.5 | 1 | X | 1 | Contingent on budget funding |
| Assessor of Property | 2017 | 4 | 1 | | | |
| General Government Occupational Safety Program | 2017 | 24 | 23 | X | 23 | Legislation drafted but contingent on budget funding |
| DCSO Information Technology Security Practices (CONFIDENTIAL) | 2017 | 45 | 28 | | | |
| Finance Department Procurement And Business Assistance Office | 2018 | 13 | 4 | X | | *Department is accumulating responses |
| MDHA Development Incentives | 2018 | 16 | 5 | | | |
| ITS Software Asset Management | 2018 | 4 | 1 | | | |
| Nashville General Hospital Procurement-To-Pay | 2018 | 11 | 11 | X | | *Department is accumulating responses |
| Metro Water Services Fire Hydrant Inspections | 2018 | 10 | 1 | X | 1 | On track to implement by estimated date 6/30/2020 |
| Metro Nashville Public Schools Financial Matters | 2018 | 2 | 1 | | | |
| Arts Commission | 2019 | 17 | 12 | X | 1 | On track to implement by estimated date |
| Development Conditions | 2019 | 5 | 5 | | | |
| Metro General Government Benefits | 2019 | 4 | 3 | NA | | Letter not sent as audit recently completed |
| Metro Clerk Lobbyist Disclosures | 2019 | 3 | 3 | X | 1 | On track to implement by estimated date |
| Municipal Auditorium | 2019 | 6 | 6 | X | 0 | |
| Fire Marshal's Office | 2019 | 10 | 10 | X | | *Department is accumulating responses |
| NGH Pharmacy Operations | 2019 | 17 | 17 | X | | *Department is accumulating responses |
| Cooperative Purchases Best Practices | 2019 | 3 | 3 | X | | *Department is accumulating responses |
| Davidson County Drug Court | 2020 | 16 | 16 | X | | *Department is accumulating responses |
| | | | 157 | | | |

Office of Internal Audit Budget versus Actual
GSD General Fund as of March 31, 2020
FY 2020 Approved Budget

| | FY 2020 Budget | Actual | Difference | Notes |
|-----------------------------------|---------------------------|----------------|-------------------|-----------------------------------|
| Total Salaries & Fringe | \$ 1,189,900 | \$ 595,240 | \$ 594,660 | |
| Other Expenses | | | | |
| Professional & Purchased Services | \$ 248,000 | \$ 102,062 | 145,938 | |
| Building Rent Parkway Towers | \$ 55,500 | \$ 32,884 | 22,616 | |
| Other Expenses | \$ 71,900 | \$ 15,664 | 56,236 | |
| Internal Service Fees | \$ 49,800 | \$ 37,350 | 12,450 | Information Technology |
| *Budget Adjustment | \$ (40,200) | | | |
| TOTAL EXPENSES | \$ 1,574,900 | 783,200 | \$ 791,700 | 50% of budget used to date |

| | | |
|----------------------------|-----------|--|
| * Budget Adjustment | \$ 40,200 | On track to meet targeted savings through open positions and FMLA without pay. |
|----------------------------|-----------|--|

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

Metropolitan Nashville Office of Internal Audit

Executive Team
(Vacant Position)
William (Bill) Walker
CPA, CIA, CFE
Interim Metropolitan Auditor

Project and Office Management Leadership

| | |
|--|--|
| Lauren Riley MAcc, CPA, CIA, ACDA, CMFO Principal Auditor | William (Bill) Walker CPA, CIA, CFE Principal Auditor |
|--|--|

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

Audit Talent Pool

Seth Hatfield
MAcc, CPA, CIA, CFE
Senior Auditor

James Carson
MBA, CIA, CFE
Senior Auditor

Mary Cole
MAcc, CPA, CFE, CISA,
CGFM
Senior Auditor

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

Laura Henry
MAcc, CFE
Auditor II

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

(Vacant Position)
Auditor I

**METROPOLITAN NASHVILLE AUDIT COMMITTEE
2020 MEETING PLAN**

| Meeting Date | Proposed Agenda Topics |
|-----------------------------|---|
| February 11, 2020 (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 14, 2020 (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 23, 2020 (Tuesday) | <ul style="list-style-type: none"> • FY2019 External Audit plan and required communications • Internal Audit issued report discussion • Metropolitan Auditor performance review |
| September 8, 2020 (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 24, 2020 (Tuesday) | <ul style="list-style-type: none"> • Internal Audit issued report discussion • External Audit Comprehensive Annual Financial Report Audit Progress Executive Session |
| December 8, 2020 (Tuesday) | <ul style="list-style-type: none"> • External Audit Comprehensive Annual Financial Report • Internal Audit issued report discussion |