

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



***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

December 14, 2021

METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
December 14, 2021, 4:00 p.m.

Committee Room 2
205 Metropolitan Courthouse

- I. Call Meeting to Order (Brackney Reed– Committee Chairman)
- II. Approval of Minutes (Brackney Reed– Committee Chairman)
 - Approval of Minutes for November 23, 2021, meeting
- III. New Business
 - Presentation of the Metropolitan Nashville Government Annual Comprehensive Financial Report for the Year Ended June 30, 2021. (External Auditor)
 - Discussion on the Audit of Public Works Revenue Collections issued November 4, 2021. (Lauren Riley – Metropolitan Auditor)
 - Discussion on the Audit Recommendations Follow-up – Nashville Public Library Building Security issued December 1, 2021. (Lauren Riley – Metropolitan Auditor)
 - Discussion on the Investigation Report on Allegations of Nashville General Hospital issued December 1, 2021. (Lauren Riley – Metropolitan Auditor)
 - Discussion on the Audit Recommendations Follow-up – Audit of EEOC Form 164, State and Local Government Information (EEO-4) Reporting issued December 6, 2021. (Bill Walker – Audit Manager)
 - Request to revise 2021 Internal Audit Work Plan to include an audit of Social Services – Homeless Impact Division. (Lauren Riley – Metropolitan Auditor)
- IV. Internal Audit Project Status (Lauren Riley – Metropolitan Auditor)
 - On Going Projects
 - Recommendation implementation follow-up status
- V. Other Administrative Matters (Lauren Riley – Metropolitan Auditor)
 - 2022 Proposed Meeting Schedule
 - FY2022 Budget Status
- VI. Consideration of Items for Future Meetings (Brackney Reed– Committee Chairman)
- VII. Adjournment of Public Meeting – Next Regular Meeting Tuesday, February 8, 2022.
- VIII. Call for a motion to enter executive session (Brackney Reed– Committee Chairman)
- IX. Executive Session Agenda – (Brackney Reed– Committee Chairman)
 - If needed, discussion of pending or ongoing audits or investigations. (Lauren Riley – Metropolitan Auditor)

METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
December 14, 2021, 4:00 p.m.

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

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



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

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

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

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

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

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
AUDIT COMMITTEE MEETING MINUTES
November 23, 2021

On Tuesday, November 23, 2021, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 2. The following people attended the meeting:

Committee Members

Brackney Reed, Chamber of Commerce
Tom Bates, Tennessee Society of CPAs
Jim Shulman, Vice-Mayor
Kyonzte Toombs, Council Member
Kelly Flannery, Director of Finance

Others

Lauren Riley, Metropolitan Auditor
Theresa Costonis, Department of Law
John Crosslin, Crosslin
Jenneen Kaufman, Finance
Seth Hatfield, Office of Internal Audit
Bill Walker, Office of Internal Audit

Committee Members Absent

Sharon Hurt, Council Member

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Reed called the meeting to order.

APPROVAL OF MINUTES

A **motion** to approve meeting minutes for October 26, 2021, was made, seconded, and carried.

OLD BUSINESS

Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review.

Ms. Riley discussed the annual review of the Metropolitan Nashville Office of Internal Audit Bylaws. The Metropolitan Audit Committee received a copy of the bylaws at the October 26, 2021, meeting to review and discuss any potential modifications, if needed. No changes were requested or discussed.

A **motion** to approve the Metropolitan Office of Internal Audit Bylaws, was made, seconded, and carried.

OLD BUSINESS

Discussion on the Audit Recommendations Follow-up – Audit of the Department of Codes and Building Safety Fuel Transactions issued November 5, 2021.

Mr. Walker summarized the objectives, observations, and recommendations of the report. No questions or discussion occurred.

Tentative Discussion on the Audit Recommendations Follow-up – Audit of State Trial Court Drug Court.

Ms. Riley summarized the objectives, observations, and recommendations of the report. Mr. Bates inquired if another follow-up audit would be conducted for the one recommendation not implemented. Ms. Riley advised yes.

Request to revise 2021 Internal Audit Work Plan to include an audit of Open Records Request Fulfillment Process

Ms. Riley made a request to add an audit of the Open Records Request Fulfillment Process to the Annual Internal Audit Work Plan. Ms. Riley advised the reason for the addition was a function of staffing availability within the office, applicable skill sets, and the transparency aspect of the audit subject. A discussion ensued on other audits that could be conducted.

A **motion** to revise the 2021 Internal Audit Work Plan to include an audit of the Open Records Request Fulfillment Process, was made, seconded, and carried.

OTHER ADMINISTRATIVE MATTERS

On Going Projects.

Ms. Riley went over on-going projects in process. No discussion ensued

Recommendation Implementation Follow-Up Status

Ms. Riley provided an update on the status of recommendation follow-up. No discussion ensued.

FY2022 Budget Status

Ms. Riley gave an overview of the budget status for the Office of Internal Audit. No discussion ensued.

Office of Internal Audit Staffing

Ms. Riley gave an overview of staffing changes for the Office of Internal Audit. No discussion ensued.

A discussion ensued over the date and time of the next meeting.

Executive Session

Mr. Reed inquired if there was a need to go into Executive Session. Ms. Riley advised yes. A **motion** to go into executive session, was made, seconded, and carried.

The next regularly scheduled meeting is December 14, 2021, at 4:00 p.m.

The public meeting adjourned after approximately 30 minutes.

The minutes for the November 23, 2021, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

Lauren Riley, Metropolitan Auditor
Secretary, Metropolitan Nashville Audit Committee



**A Report to the
Audit Committee**

Mayor
John Cooper

Interim Director of NDOT
Faye DiMassimo

Director of Water Services
Scott Potter

Audit Committee Members
Tom Bates
Kelly Flannery
Sharon Hurt
Brackney Reed
Jim Shulman
Kyonztè Toombs

Metropolitan
Nashville
Office of
Internal Audit

Audit of Public Works Revenue Collections

November 4, 2021

EXECUTIVE SUMMARY

November 4, 2021



Why We Did This Audit

The audit was conducted due to the high risk around cash collections within many Public Works' revenue processes.

What We Recommend

- Implement controls such as cameras, new software, and armored car services to ensure site collections are complete.
- Implement counting and transfer of custody controls to better track the transfer of money.
- Segregate the counting, depositing, and recording functions.
- Implement an independent reconciliation of funds deposited to both system totals and general ledger amounts recorded.

Audit of Public Works Revenue Collections

BACKGROUND

The Metropolitan Nashville Government's Public Works department's mission was to deliver a wide range of services that improve the quality of life for residents, businesses, and visitors by ensuring safe and convenient streets transportation infrastructure; protecting the environment; and creating cleaner, beautiful, and more livable neighborhoods. Services provided included solid waste collection, convenience center operations, transportation licensing, and many other services. Budgeted revenues and transfers for Public Works are shown in Exhibit A.

Exhibit A: Budgeted Revenue and Transfers

Budgeted Revenues/Transfers	FY 2019	FY 2020	FY 2021
GSD General Fund	\$7,279,400	\$5,841,100	\$4,638,800
USD General Fund	67,000	88,000	67,200
Special Purpose Fund	1,470,500	18,395,700	17,437,500
Waste Management Fund	26,252,600	28,138,600	34,052,500
Total Revenue and Transfers	\$35,069,500	\$52,463,400	\$56,196,000

Source: FY 21 Operating Budget by Department

As of July 1, 2021, solid waste functions, including convenience center operations, were moved to Metro Water Services. Remaining Public Works functions are included in the newly formed Nashville Department of Transportation and Multimodal Infrastructure.

OBJECTIVES AND SCOPE

The objective of the audit was to determine whether processes and controls over revenue collections operated to ensure collections were complete, properly recorded, monitored, safeguarded, and deposited in a timely manner.

The scope of this audit included all activity from July 1, 2019, to January 31, 2021. The audit did not review revenues received from contracts or other indirect sources. Included in the audit was the revenue collection process at convenience centers and the recording of all revenues received in the Public Works finance office.

WHAT WE FOUND

Public Works lacks many key controls to ensure complete collection and recording of revenues. Collections at convenience centers do not have safeguards to ensure cash received is recorded in the SMS system. Cash collections are not reconciled to the SMS system prior to pick-up, and no transfer of custody controls exist to ensure complete daily receipts transported from convenience centers to the administrative offices are received.

Daily receipts from various revenue sources are counted, recorded, and deposited by one individual. Reconciliations and monitoring of the deposits does not occur. Differences between supporting documentation and amounts deposited were noted.

GOVERNANCE

The Public Works department was created by the Metropolitan Nashville Charter Section 8.401 and is under the supervision of the mayor. Revenues collected by Public Works may fall under the purview of various boards or commissions. The Solid Waste Regional Board was formed from the Solid Waste Management Act of 1991 that required local governments to form solid waste planning regions for the purpose of preparing comprehensive, ten-year plans for the management of solid waste. The Transportation Licensing Commission has exclusive jurisdiction of the licensing and regulation of all vehicles for hire, such as taxicabs, wreckers, and so forth. The Transportation Licensing Commission also is the administrative agency for all laws and ordinances relating to the licensing and regulation of vehicles for hire and booting services.

On April 6, 2021, the Metropolitan Council adopted RS2021-794, which authorizes a memorandum of understanding between Metro Water Services and Public Works effective July 1, 2021. The memorandum of understanding transfers waste services, including convenience centers, to Metro Water Services. The resolution also created the Nashville Department of Transportation in place of the former Public Works department to better align the goals of the department with the approved Transportation Plan.

BACKGROUND

Revenue is collected at decentralized locations across Metropolitan Nashville and Davidson County. Locations include convenience centers, transportation licensing, permits, and the Public Works' finance office.

Convenience centers are sites where residents may dispose of excess residential trash, recyclables, and other waste items. Only cash and checks are accepted at these centers. The Transportation Licensing office approves permits for drivers and licenses for companies to operate transportation services. The office accepts cash, check, or credit cards. Other permits are sold by the Public Works' finance office or Engineering Office. These permits may be paid via cash, check, or credit card.

The audit performed walkthroughs of convenience centers, transportation licensing, and permitting cash collection processes. However, only the convenience centers' collection process was included in the audit testing due to the high-risk nature. Transportation Licensing and permitting were considered lower risk, and collections process controls were not tested for these areas. Detailed testing was performed on all cash and checks from arrival in the Public Works finance office through recording in the general ledger.

The Rapid Response Team collects the prior days' revenues every morning and brings them to the Finance Officer 3 in the Public Works' finance office. Other revenue warrants with any cash and checks are forwarded to the Public Works' finance office to be recorded in the general ledger.

The Finance Officer 3 who receives the collections is responsible for multiple functions, including selling some permits and collecting those receipts. The same staff member also receives all the prior day's collections from other locations, prepares and makes the bank deposit, and prepares and makes the receipt entries into the general ledger system. Revenues recorded within the audit scope are shown in Exhibit B.

Exhibit B: Recorded Revenues within the Audit Scope

Revenue Category	FY2019	FY2020	FY2021
Engineering Permits	\$4,575,589	\$4,954,903	\$6,039,054
Convenience Centers	3,029,102	2,748,730	3,981,709
Disposal Services/Collections	3,247,722	3,781,963	3,876,727
Transportation Licensing	541,705	303,715	223,006
Miscellaneous	200,831	296,469	553,081
Garbage and Inventory Re-Sale	268,696	209,662	284,314
	\$11,863,645	\$12,295,442	\$14,957,891

Source: Oracle E-Business Suite R12

OBJECTIVE AND CONCLUSION

Are controls over revenue collections operating in accordance with management's objectives?

a. Are revenue collections complete, deposited timely, and properly recorded?

Inconclusive – Scope Limitation. Deficiencies in controls with the convenience center collections and SMS system were significant enough that a scope limitation existed. Consequently, the Office of Internal Audit was unable to render an opinion whether stated revenue collections were complete and accurate. Convenience centers accept only cash or check, and funds are collected by one individual. Daily totals are not reconciled by anyone at the convenience centers. A daily comparison of the convenience center's SMS system totals to the R12 general ledger from October 1, 2019, to January 31, 2021, showed an over reporting of revenues in the general ledger of \$12,185.05. A review of SMS system access showed that improper levels of access were assigned to users, and users with counting and recording capabilities could also alter SMS data.

Additionally, all funds are counted, deposited, recorded, and reconciled by one individual within the Public Works finance office. An independent reconciliation of revenues collected to amounts deposited was not performed. (See Observations B, C, and D.)

b. Are revenue collections monitored and safeguarded?

No. Public Works lacks controls to safeguard and monitor collections. Safes are in place at each location; however, on one occasion, the Office of Internal Audit observed the previous day's cash left in the cash register instead of being deposited in the safe. Transfers of custody from the convenience centers or Transportation Licensing to the Rapid Response Team are not documented to ensure accountability. Additionally, transfers between the Rapid Response Team to the Finance Officer 3 are not documented. (See Observations A and E.)

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 – Lack of Transfer of Custody Controls

Convenience center collections and Transportation Licensing collections are transferred between employees without being counted and documented. Money is not counted by two people when the Rapid Response Team arrives at each convenience center to get the prior day’s collections from the safes. Sign offs indicating the transfer of funds between the collection sites and the Rapid Response Team were not used until the latter part of the audit period. However, the funds were not counted before the transfer. No external record of money dropped into the safes at the end of the shifts exists. During the audit period, the \$300 change fund was in the same safe as the safe used for the daily collections, at each convenience center.

The Office of Internal Audit performed walkthroughs and discussed procedures with key employees. Ride-alongs with the Rapid Response Team on the route to pick up money from the safes at the convenience centers and the Transportation Licensing office occurred.

Certain efforts, such as installing separate safes for the change fund at each convenience center, were made to improve the controls after the start of the audit. In the latter part of the audit period, the convenience centers began using a tracking sheet, signed by the center employees, to indicate they dropped their daily shift money into the safe. The sheet would be signed by the Rapid Response Team driver as he brought it to the finance office. However, the amount was not always documented on the page, and the envelope was not opened and counted by both people at the time cash was transferred. Additionally, the document was not retained for more than approximately a week unless a difference in amount was noted.

Without proper documentation when cash is transferred, a risk of theft exists. Indications of transfer of custody aide in ruling out who stole missing funds.

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.*

Assessed Risk Rating:

High

Recommendations for management of the Nashville Transportation and Multimodal Infrastructure and Metro Water Services to:

1. Implement procedures to ensure that all funds collected are counted, documented, and signed by parties collecting the funds.
2. Implement transfer of custody processes to ensure each person who acquires funds throughout the day is accountable for the amount of funds received and delivered to other parties.

Observation B - Lack of Recording Controls and Segregation of Duties

The Public Works finance office's functions lack segregation of duties. The same person counts the collections received from other locations, makes the bank deposits, and records the collections in the general ledger. Additionally, the same staff member may sell permits and record those collections.

A sample of 51 bank deposits from 406 possible business days were tested to determine if deposits were prepared with adequate controls over the receipt of collections. Bank deposits were not prepared with adequate controls due to one person performing all functions. Quantifying exact error amounts was difficult due to the volume of multiple deposits on the same day, and in some cases, combining revenues causing inconsistencies between deposits and receivable warrants.

Test work performed identified the following additional control weaknesses:

- Staggered working days in the office during the Covid-19 pandemic prevented full compliance with Metropolitan Nashville Government policy requiring funds be deposited into depository bank accounts within one business day of receipt.
- No review or follow-up occurred when convenience centers had shortages or overages. The Finance Officer 3 puts a handwritten note for amounts over or short, but no additional tracking is done. For the 51 deposits tested, the net difference in the convenience center daily sales reports was a shortage of \$731.05 with 20 deposits (39 percent) having overages or shortages.
- No reconciliation of revenues and deposits by an independent department reviewer occurs. A daily comparison between the convenience center revenues recorded in the R12 general ledger and the convenience center's daily SMS system transaction totals was performed. Of the 330 business days reviewed, 153 days (46 percent) had differences. The overall total of differences was an over reporting of \$12,185.05. An overage indicates that receipts were recorded in the general ledger but were never recorded at the convenience center location.

Without segregation of duties or compensating controls, the risk of theft is increased. Additionally, errors made in recording may not be caught due to no independent review.

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.

Assessed Risk Rating:

High

Recommendations for management of the Nashville Transportation and Multimodal Infrastructure to:

1. Segregate the duties of collections, preparing the bank deposit, and making the entry into the general ledger system.
2. Ensure an independent department employee reconciles the collections of revenue to the bank deposits.

Observation C – System Access Not Limited to Least Permissions

The convenience centers use the SMS CC system to record transactions and calculate daily receipts. However, controls over the system are not adequate. The system has been in use for many years and was designed to be used at a location with scales. When that original scale house location closed, the SMS CC system was moved to the convenience centers even though they do not utilize scales. Certain functions that relate to sales by weight are no longer needed but may still be accessed.

A review of user access within SMS CC was performed. Sixteen people have access to SMS CC. The employee with the most permissions is the same Public Works finance office employee who counts the collections, records the collections into the general ledger, and makes the bank deposits. The employee's permissions include voiding transactions and deleting data. A review of voided transactions during the audit period showed there were no voids performed by anyone. A review 108,855 transaction numbers showed 27 gaps (<1 percent), which did not indicate any likely tampering with data. Improper access assignments increase the risk of tampering with data to cover fraud or errors.

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.

Assessed Risk Rating:

High

Recommendations for management of Metro Water Services to:

1. Explore other transaction recording systems that better align with the goals and processes of the convenience centers.
2. Review and update SMS CC system access to assign least permissions to users.

Observation D - Lack of Controls Over Collections at Convenience Centers

Convenience centers do not have adequate controls to ensure that all funds are collected. Staff at convenience center entries are supposed to scan patrons' driver's licenses, enter the transaction details, and provide a receipt if requested. However, observation of the process showed staff sometimes do not look at driver's licenses for efficiency. Thus, quantifying the volume of patrons and any related resourcing needs from volume is difficult.

Additionally, convenience centers only accept cash or checks, and centers have a single employee working the entry. Cameras are not used to monitor the centers, and as long as a receipt is not requested, employees could easily bypass entering the payment and misappropriate cash received. At the end of each shift, no formal shift close out occurs. The employee ending his shift counts the cash drawer money and places it in the safe. A second person does not witness or count the money.

Accepting cash by one individual without proper supervision increases the risk of theft. Without adequate counting and documenting of the amount of funds present, risk of theft or loss of revenue increases.

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.

Assessed Risk Rating:

High

Recommendations for management of Metro Water Services to:

1. Implement a credit card system of payment to limit cash collections.
2. Implement processes to either require scanning of all patron's driver's licenses or some other measure to ensure adequate tracking of customer volume.
3. Arrange staff so that shifts can be closed with more than one person counting and documenting the money.
4. Install cameras at each convenience center to monitor employees collecting cash.

Observation E - Physical Asset Security

CONFIDENTIAL: Not subject to records open to public inspection. Exemption granted by Tennessee Code Annotated §10-7-504 (i) (1) "Information that would allow a person to obtain unauthorized access to confidential information or to government property shall be maintained as confidential."

GOVERNMENT AUDITING STANDARDS COMPLIANCE

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

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Reviewed applicable laws and regulations.
- Interviewed key personnel within Public Works.
- Performed walkthroughs of key processes at convenience centers, Rapid Response, and the Public Works finance office.
- Reviewed transaction details and deposit supporting documentation.
- Performed analytics on transactions recorded.
- Evaluated internal controls currently in place.
- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

Mary Cole, CPA, CISA, CFE, Auditor-in-Charge

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

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 Nashville Department of Transportation to:</i>			
H	A.1 Implement procedures to ensure that all funds collected are counted, documented, and signed by parties collecting the funds.	Agree. Funds will be collected, counted, and documented by more than one individual at the facility where money is collected, prior to deposit.	December 31, 2021
H	A.2 Implement transfer of custody processes to ensure each person who acquires funds throughout the day is accountable for the amount of funds received and delivered to other parties.	Agree. When money changes hands, it will be counted, separately verified, and documented such that custody can be tracked.	December 31, 2021
H	B.1 Segregate the duties of collections, preparing the bank deposit, making the entry into the general ledger system.	Agree. Locations where money is collected will write and make deposits (separate employees). Documentation will be forwarded for recording and separate reconciliation.	November 30, 2021
H	B.2 Ensure an independent person reconciles the collections of revenue to the bank deposits.	Agree. Personnel recording transactions will be separate from the personnel reconciling the deposits. Reconciliation will reconcile operational reports to software and GL and be completed at least monthly.	November 30, 2021
<i>Recommendations for management of Metro Water Services to:</i>			
H	A.1 Implement procedures to ensure that all funds collected are counted, documented, and signed by parties collecting the funds.	Agree. A revised Deposit Tracking form will be developed, two employees will count, verify, and document receipts daily.	December 31, 2021
H	A.2 Implement transfer of custody processes to ensure each person who acquires funds throughout the day is accountable for the amount of funds received and delivered to other parties.	Agree. A revised transfer of custody form has been created to ensure accountability for funds throughout the day from original receipt to the bank.	December 31, 2021
H	B.1 Segregate the duties of collections, preparing the bank deposit, making the entry into the general ledger system.	Agree. Cash will be counted and deposited by two separate convenience center employees. Separate staff will review reporting and record deposit.	December 31, 2021
H	B.2 Ensure an independent person reconciles the collections of revenue to the bank deposits.	Agree. Reconciliation of deposit tracking sheets, banking information, software reports, and R12 records will be conducted monthly.	December 31, 2021

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

	Recommendations	Concurrence and Action Plan	Proposed Completion Date
H	C.1 Explore other transaction recording systems that better align with the goals and processes of the convenience centers.	Agree. MWS has begun process of implementing their cashiering system, Inovah at centers. This will allow for better reporting and credit card transactions that will limit cash. Ultimately, Water is considering implementing Kiosks for further alignment and safety.	March 31, 2022
H	C.2 Review and update SMS CC system access to assign least permissions to users.	Agree. System access is limited to convenience center employees and MWS IT. Only MWS IT has administrative access.	Completed
H	D.1 Implement a credit card system of payment to limit cash collections.	Agree. See response to C.1.	March 31, 2022
H	D.2 Implement processes to either require scanning of all patron's driver's licenses or some other measure to ensure adequate tracking of customer volume.	Agree. See response to C.1	March 31, 2022
H	D.3 Arrange staff so that shifts can be closed with more than one person counting and documenting the money.	Agree. Staff and centers will be arranged such that two people have 30 minutes to count and document daily cash collection.	January 31, 2022
H	D.4 Install cameras at each convenience center to monitor employees collecting cash.	Agree. At least two cameras will be installed at each center, one of the transactions and one on the safe. The barrier to this fiber connectivity which must be installed as well.	November 2022, based on funding

APPENDIX B – ASSESSED RISK RANKING

Observations identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government. Items deemed “Low Risk” will be considered “Emerging Issues” in the final report and do not require a management response and corrective action plan.

Rating	Financial	Internal Controls	Compliance	Public
HIGH	Large financial impact >\$25,000 Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metro Nashville Government policies	High probability for negative public trust perception
MEDIUM	Moderate financial impact \$25,000 to \$10,000	Partial controls Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metro Nashville Government policies	Potential for negative public trust perception
LOW/ Emerging Issues	Low financial impact <\$10,000	Internal controls in place but not consistently efficient or effective Implementing / enhancing controls could prevent future problems	Generally complies with Federal, state, and local laws, or Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
Efficiency Opportunity	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			



**A Report to the
Audit Committee**

Mayor
John Cooper

Nashville Public Library
Kent Oliver

Audit Committee Members
Tom Bates
Kelly Flannery
Sharon Hurt
Brackney Reed
Jim Shulman
Kyonztè Toombs

Metropolitan
Nashville
Office of
Internal Audit

Audit Recommendations Follow-Up - Audit of the Nashville Public Library Building Security

December 1, 2021

EXECUTIVE SUMMARY

December 1, 2021



Why We Did This Audit

To evaluate management's implementation of previous audit recommendations as of November 11, 2021.

What We Recommend

There are no recommendations as management successfully implemented the initial audit recommendations.

Audit Recommendations Follow-Up - Audit of the Nashville Public Library Building Security

BACKGROUND

On May 29, 2020, the Metropolitan Nashville Office of Internal Audit issued an audit report on the Nashville Public Library Building Security between January 1, 2017, and December 31, 2019. The audit report included four recommendations, all of which were accepted by management for implementation. Office of Internal Audit guidelines require monitoring and follow-up to ensure that the recommendations accessed as high or medium risk are appropriately considered, effectively implemented, and yield intended results.

OBJECTIVES AND SCOPE

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

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

WHAT WE FOUND

The Nashville Public Library has implemented all four recommendations made in the initial audit report. Details of the implementation status can be seen in **Appendix A**.

AUDIT FOLLOW-UP RESULTS

The initial audit report encompassed operational activities in building security within the Nashville Public Library between January 1, 2017, and December 31, 2019. The audit report included four recommendations, all of which were accepted by management for implementation.

The scope of the follow-up audit included all four accepted recommendations that management reported as implemented. Of the four accepted recommendations, all of them were fully implemented. Details of the implementation status and updated implementation dates can be seen in Appendix A.

METHODOLOGY

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

- Reviewed policies and procedures for the building security operation of Nashville Public Library.
- Reviewed the security badge access removal reconciliation process.
- Sampled and reviewed daily logs for building security check up.

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

AUDIT TEAM

Nan Wen, CPA, In-Charge Auditor

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

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

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

Table 1

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

The following are the audit recommendations made in our original audit report dated May 29, 2020, and the current implementation status of each recommendation based on our review of information and documents provided by the Nashville Public Library.

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
<p>A.1 - Develop and document criteria to value all items in the special collection and Metro Archives areas. Consider insuring high value or rare items.</p> <p>Assessed Risk Level: High</p>	<p>Nashville Public Library took an annual inventory of the items in both Metro Archives and Special Collections. Additionally, Nashville Public Library took an annual inventory of the Special Collections and Archives special items and are getting clarification for adding these items to the Special Insurance Rider per Metro Legal.</p>	None	Fully Implemented/ Closed
<p>A.2 - Develop and document criteria to prioritize storage of special collection and Metro Archives items in secured areas.</p> <p>Assessed Risk Level: High</p>	<p>Nashville Public Library developed criteria for all high value or rare items to be secured in locked storage rooms that have limited access by staff or a safe in a secured storage room. All high value items are properly inventoried annually or bi-annually to ensure the safety of the items.</p>	None	Fully Implemented/ Closed
<p>B.1 - Establish procedures to ensure badge access is terminated when the associated worker leaves the Nashville Public Library system. Procedures should include routine comparisons</p>	<p>Nashville Public Library developed procedures performed quarterly to compare current badge access holders to current NPL and NPLF employee and volunteer rosters. When notified by either NPL or NPLF or Volunteer Services staff of a resignation, termination or retirement, the employee or volunteer's</p>	None	Fully Implemented/ Closed

Lauren Riley
Metropolitan Auditor



OFFICE OF INTERNAL AUDIT
404 James Robertson Parkway, Ste. 190
Nashville, TN 37219
615-862-6111

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

December 1, 2021

Hospital Authority Board Members
1818 Albion Street
Nashville, TN 37208

Members of the Hospital Authority Board:

INVESTIGATION OF ALLEGATIONS OF NASHVILLE GENERAL HOSPITAL

The Metropolitan Nashville Office of Internal Audit engaged BerryDunn to perform an investigation pertaining to complaints received between June 19, 2020, and September 11, 2020, from the Metropolitan Nashville Finance Director and multiple Nashville General Hospital employees.

The enclosed report provides additional details concerning BerryDunn's preliminary review and investigation of these matters. The investigation concluded:

- A.1** The allegation that NGH did not report the receipt of \$9.4 million COVID-19 funding in a timely manner was **substantiated**. NGH reported the receipt of the fund seven days after the receipt.
- A.2** The allegation that the delay in the receipt of \$9.4 million COVID-19 funding by NGH was a violation of laws or rules was **unsubstantiated**.
- A.3** The allegation that NGH withheld the information about its receipt of \$9.4 million funding with an intention to affect the Metro's budgetary decisions was **unsubstantiated**.
- B.1** The allegation that NGH inappropriately used non-credentialed providers and misrepresented provider of services by falsifying a credentialed worker's sign-off without consent was **unable to be determined** due to lack of sufficient information. NGH failed to provide information we requested.
- B.2** The allegation that NGH charged an incorrect amount to patients for stress tests was **unsubstantiated**. We identified that the stress test billing support provided by NGH included an incorrect billing code; however, it was at a disadvantage to NGH and,

because the stress test service is bundled, it does not charge separately for regadenoson.

- B.3** The allegation that NGH's Chief Compliance and Privacy Officer did not appropriately address reported complaints was **substantiated**, but the allegation that NGH's leadership retaliated against its employees who submitted complaints was **unsubstantiated**.

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

Sincerely,

Lauren Riley

Lauren Riley

Enclosure

cc: Honorable Mayor John Cooper, Metropolitan Nashville
Wallace Dietz, Director, Metropolitan Nashville Department of Law
Dr. Joseph Webb, Chief Executive Officer, Nashville General Hospital
Metropolitan Nashville Audit Committee
John Crosslin, Crosslin and Associates, P.C. (Metropolitan Nashville External Auditor)
Theresa Costonis, Attorney, Metropolitan Nashville Department of Law
Julie Groves, Chief Compliance Officer, Nashville General Hospital
Bruce Naremore, Chief Financial Officer, Nashville General Hospital
William Walker, Audit Manager, Metropolitan Nashville Office of Internal Audit



Investigation Report on Allegations of Nashville General Hospital

FINAL

Submitted on: 11/15/2021

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1.0 Background

Nashville General Hospital Overview

Nashville General Hospital at Meharry (NGH), an enterprise fund of the Hospital Authority and a component unit of the Metropolitan Government of Nashville and Davidson County (the Metro), is located in Meharry Medical College (MMC) campus at 1818 Albion St, Nashville, TN 37208. It receives an annual budget of approximately \$45 million from the Metro. The NGH operates a 150-bed acute-care hospital, extensive hospital-based medical, and surgical subspecialty clinics. It also supports Our Kids Clinic, a renowned clinic for victims of child sexual abuse. The NGH works closely with MMC to accomplish its safety net mission while also serving as the primary index teaching hospital for Meharry's School of Medicine.

The NGH is governed by Trustees of the Hospital Authority appointed by the Mayor of the Primary Government. The Hospital Authority of the Metropolitan Government of Nashville and Davidson County statute, codified at Tenn. Code Ann. 7-57-101, et seq. (Metropolitan Hospital Authority Act), authorizes the Board of Trustees to administer and control hospitals owned and/or operated by the Hospital Authority of the Metropolitan Government. The Board of Trustees exercises all the administrative functions pertaining to the operation of NGH and its related facilities through the Chief Executive Officer of the Hospital Authority. The Hospital Authority owns, maintains, and operates NGH and the related facilities for the examination and treatment of individuals who are sick or injured.

A mission of the hospital is to improve the health and wellness of Nashville community by providing equitable access to comprehensive, coordinated, patient-centered care. Fulfilling this mission required the support and subsidy of the Metro over the years.

Our Investigation Background

The Metropolitan Nashville Office of Internal Auditor (OIA) tasked BerryDunn to conduct investigations on several NGH-related allegations reported to the OIA. Those allegations were reported by various sources and are largely classified into two categories.

A. Potential Fraudulent Financial Reporting

The Metro monitors how the NGH expends money allocated to it through due annual budgetary processes as required by the Metro budget ordinance. The Metro Finance Department conducts weekly check-in meetings with the NGH where the NGH reports updates on its financial status. The Code of Metropolitan Government of Nashville and Davidson County, Charter Part 1, Section 6.06, "Action by council on operating budget" stipulates: the council shall finally adopt an operating budget for the ensuing fiscal year not later than the 30th day of June, and it shall be effective for the fiscal year beginning on the following July 1.

On June 23, 2020, the Metro Director of Finance reported to the OIA his concerns relating to NGH's financial reporting. The issues raised were:

- Completeness of reports
- Accuracy of the reported amounts
- Timeliness of information provided
- Overall integrity of financial reporting

The OIA tasked BerryDunn to further obtain information to determine whether the NGH intentionally withheld the fact it received about \$9.4 million under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in order to avoid potential impact on the Metro's budgetary decision for the NGH.

B. Potential Fraudulent or Noncompliant Operational Procedures

The OIA received complaints and/or reporting of potential fraud by the NGH from various sources, and it interviewed five individuals during July through October 2020 to gain more information. Although the interviews revealed many concerns related to the NGH's operational integrity and compliance, no physical evidence of fraud was provided. Since the allegations mentioned during the interview covered a wide range of operational areas, the OIA tasked BerryDunn to gather further information and substantiate or unsubstantiate allegations.

BerryDunn contacted 13 individuals whom the OIA informed might have some information to share with us. Five of them did not respond to our multiple attempts to connect, one responded and expressed interest in talking with us but did not follow up, and seven of them talked with us. Although various areas of concern related to the NGH's operations were raised during these interviews, we determined that many of the concerns did not rise to the material level to be further investigated as potential fraudulent activities because of the following reasons:

- There was no one specific fraudulent or inappropriate activity identified by more than one individual.
- No evidence that would support a reported allegation was provided.
- The observations reported could be ethically challenged, but they might not necessarily be fraudulent or noncompliant.

We determined that the following allegations were either out of scope or were already under investigation by TennCare's Office of Civil Rights Compliance.

1. Improper billing to patients with hardship, including 100% charity care patients
 - a. \$10 copay requirement
 - b. \$100 down payment requirement for any surgery

- c. Large medical bills charged to 100% charity patients
- d. \$60 charge for a financial consulting appointment from self-pay patients
- e. \$60 charge for an initial doctor appointment from patients with no insurance regardless of income level

During our investigation, NGH discovered refunds were owed to both patients and insurers. As of February 2021, NGH had identified 747 cases for which it owed a total of \$300,677 broken down as below. Some of the refunds seemed for a refund of \$10 copayment.

Table 2: Breakdown of Refund NGH Owed

Owed to	Number of cases	Total owed
Insurance companies	149	-\$239,787
Individual patients	598	-\$60,890
Grand Total	747	-\$300,677

- 2. Lack of appropriate actions to prevent spread of COVID and to protect employees
 - a. A worker tested COVID-positive on Friday, and the NGH let the worker come back to work within five days without requiring a COVID-negative test result
 - b. NGH did not provide any masks to the workers for months under the pandemic
 - c. NGH provided one disposable mask per week to each worker
 - d. NGH would not place a protective glass because it did not match the hospital's décor

2.0 Allegations

The general theme of A group allegations is whether NGH intentionally delayed the reporting of its receipt of \$9.4 million CARES Act funding to the Metro for a purpose of gaining more funding from the Metro. Specific allegations include:

A1 NGH did not report the receipt of \$9.4 million COVID-19 funding in a timely manner.

A2 The delay in the receipt of \$9.4 million COVID-19 funding by NGH, if substantiated, was a violation of laws or rules.

A3 NGH withheld the information about its receipt of \$9.4 million funding with an intention to affect the Metro's budgetary decisions.

The general theme of B group allegations is the compliance of NGH's general operational procedures. Specific allegations include:

B1 NGH inappropriately used non-credentialed providers and misrepresented provider of services by falsifying a credentialed worker's sign-off without consent.

B2 NGH charged an incorrect amount to patients for stress tests. Specifically, the amount of regadenoson was overcharged to patients.

B3 NGH's Chief Compliance and Privacy Officer did not appropriately address reported complaints, and NGH's leadership retaliated against their employees who submitted complaints.

3.0 Summary and Outcomes

Investigative Standard

BerryDunn conducted investigations and created this report 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.
- Unable to Be Determined – Sufficient evidence to make a conclusion either did not exist or was not made available to us.

The outcomes of the allegations received and determined to be within scope are documented below.

A1 The allegation that NGH did not report the receipt of \$9.4 million COVID-19 funding in a timely manner was **substantiated**. NGH reported the receipt of the fund seven days after the receipt.

A2 The allegation that the delay in the receipt of \$9.4 million COVID-19 funding by NGH was a violation of laws or rules was **unsubstantiated**.

A3 The allegation that NGH withheld the information about its receipt of \$9.4 million funding with an intention to affect the Metro’s budgetary decisions was **unsubstantiated**.

B1 The allegation that NGH inappropriately used non-credentialed providers and misrepresented provider of services by falsifying a credentialed worker’s sign-off without consent was **unable to be determined** due to lack of sufficient information. NGH failed to provide information we requested.

B2 The allegation that NGH charged an incorrect amount to patients for stress tests was **unsubstantiated**. We identified that the stress test billing support provided by NGH included an incorrect billing code; however, it was at a disadvantage to NGH and, because the stress test service is bundled, it does not charge separately for regadenoson.

B3 The allegation that NGH’s Chief Compliance and Privacy Officer did not appropriately address reported complaints was **substantiated**, but the allegation that NGH’s leadership retaliated against its employees who submitted complaints was **unsubstantiated**.

4.0 Work Performed

Allegations A1 – A3

We examined documents regarding the receipt of \$9.4 million COVID-19 funding to verify whether the receipt was reported on time. We also interviewed selected individuals with the knowledge surrounding the receipt of the fund and the reporting related to this receipt.

The documents we reviewed:

- The Minutes of the Meeting of the Board of Trustees

The board's meetings are held the last Thursday of each month at 4:30 p.m. in the NGH Board Room. As part of our investigation into the allegation that there might have been inappropriate reporting by NGH, we examined the minutes of the board's meeting for calendar year 2020 (January 1, 2020 – December 31, 2020) obtained from the Chief Compliance and Privacy Officer. There were two months in which the meeting was not held (March, 2020, and December 2020).

- NGH's financial statements

We examined NGH's financial statements for the years ending June 30, 2020, and June 30, 2019.

- NGH's bank statements

We examined NGH's bank accounts to determine the timing of the \$9.4 million COVID-19 funding and the subsequent treatment of it. Information observed by examining the bank statements is then compared to information gathered elsewhere (weekly/monthly reports, correspondence among officers, and interviews conducted). Receipt of the \$9.4 million was verified by our review of NGH's banking records.

- Weekly expenditure reports submitted to Metro Finance

Our examination of the weekly reports was focused on the scope of the investigation; determining whether the COVID-19 funding received was reported and whether that report was timely. We identified the reports submitted on June 15, 2020, and June 22, 2020, for the subsequent Wednesday calls, as the reports with pertinent information for the investigation. Based on our examination of those documents, we verified that the \$9.4 million COVID-19 funding was not reported on the June 15, 2020, report, but it was reported in the June 22, 2020, report as a restricted fund.

- Relevant email communication between individuals who shared responsibilities or are involved in the receipt or reporting of the fund

Our review of correspondences between:

- Metro Finance Director and Metropolitan Auditor

- Metro Finance Director and Chairman of the board of NGH
- The report of the Chairman of NGH to the board members at large
- Other email correspondences

The individuals we interviewed:

- The Chairman of the board of trustees
- A member of the board of trustees
- The Director of Finance of Metro Government
- Three members of the team working with the Director of Finance
- The Chief Financial Officer of NGH
- The Chief Compliance and Privacy Officer of NGH

Allegation A1

NGH did not report the receipt of \$9.4 million COVID-19 funding in a timely manner.

Facts

1. According to the NGH's bank statements, a deposit of \$9,440,650.01 was made in the NGH's business checking account on Friday, June 12, 2020. It was deposited into the NGH's "payroll account" on Monday, June 15, 2020. The NGH later reported that their bank statement erroneously labels this account as payroll account but it is in fact their main operating account. The funds were moved to the NGH's investment account the following day.
2. According to the Weekly Cash Flow Reports NGH submits to the Metro, the receipt of \$9.4 million COVID-19 funding was not reported in the June 15, 2020, report, but it was reported in the June 22, 2020, report.
3. According to the meeting minutes of the Board of Trustees, a discussion about the \$9.4 million COVID-19 funding first took place at the June 26, 2020, meeting. At this meeting, the NGH's CFO reported that NGH received a \$9.4 million payment from the CARES Act on June 15, 2020.

Discussion and analysis

The NGH's CFO explained that the NGH did not report the receipt of the \$9.4 million fund immediately because of the following uncertainties:

1. Because NGH did not apply for the additional COVID-19 fund, it was not sure whether the fund was for NGH to keep.
2. NGH did not know the restrictions on how the fund could be used.

Although “timeliness” is a subjective term, seven days seemed unnecessarily long to hold off the disclosure of the receipt of the \$9.4 million fund to the Metro considering the size of the fund and the timing of receipt, which was the time the Metro was finalizing the budget for the fiscal year 2021.

Conclusion

The allegation that NGH did not report the receipt of \$9.4 million COVID-19 funding in a timely manner was **substantiated**.

Allegation A2

The delay in the receipt of \$9.4 million COVID-19 funding by NGH was a violation of laws or rules.

Discussion and Analysis

We did not observe or identify any regulatory requirements or policies and procedures that stipulates a specific timeline for financial reporting, specifically, for a reporting of fund receipt, by NGH. We recommend to create a clear policy on timeliness of financial reporting in order to prevent a future reoccurrence.

Conclusion

The allegation that the delay in the receipt of \$9.4 million COVID-19 funding by NGH was a violation of laws or rules was **unsubstantiated**.

Allegation A3

NGH withheld the information about its receipt of \$9.4 million funding with an intention to affect the Metro’s budgetary decisions.

Discussion and Analysis

We did not observe or identify any evidence that indicated the NGH withheld this information with an intention to affect the Metro’s budgetary decisions. We also did not observe any evidence that the delay in reporting the receipt caused the NGH to receive more budget than it would have otherwise.

Conclusion

The allegation that NGH withheld the information about their receipt of \$9.4 million funding with an intention to affect the Metro’s budgetary decisions was **unsubstantiated**.

Allegations B1 – B3

The individuals we interviewed:

Seven witnesses (anonymous)

NGH staff:

- Administrative Director of Provider Services
- Chief Compliance and Privacy Officer
- Director of Human Resources (HR)
- Director of Revenue Cycle
- Chief Ambulatory Services Officer

Allegation B1

NGH inappropriately used non-credentialed providers and misrepresented provider of services by falsifying a credentialed worker's sign-off without consent.

Facts

This allegation was formally reported to the NGH Chief Compliance and Privacy Officer prior to our investigation.

In order to test this allegation, we requested the following data/information from NGH.

- List of all providers with financial credential information for the sample months of June 2019 and June 2020
- Daily schedule (that shows which providers worked each day) for the sample months of June 2019 and June 2020
- All charges submitted to carriers from the NGH main location and the clinic on Charlotte Avenue for the sample months of June 2019 and June 2020

The credentialed providers list we received included 17 providers with no date. We were not able to determine when these providers were financially credentialed. We verbally clarified our request and requested again in writing a list of credentialed providers for the sample months of June 2019 and June 2020, but despite our multiple follow-ups and requests, we never received it.

The billing data we received included 60 providers. When we reviewed the data with the NGH Chief Compliance and Privacy Officer, the Officer noticed that the list also included non-NGH employees. We requested the Officer to identify which providers were NGH employees, but despite our multiple follow-ups and requests, we never received the updated information.

The Chief Compliance and Privacy Officer also noticed that the billing data did not include the data from the clinic on Charlotte Avenue. We requested the billing data of the Charlotte Avenue clinic, but despite our multiple follow-ups and requests, we never received it.

Discussion and Analysis

Our examination plan for allegation B1 was to:

1. Verify that the providers listed as billers in the billing data were financially credentialed in the month of billing.
2. Verify that the providers in the billing data were scheduled to work at the same location on the days they billed.
3. Select some sample dates from June 2019 and June 2020, and request the timesheets of the providers who billed on those dates to verify that they worked on those dates at the location the medical services were provided and billed for.

We were not able to complete any of these steps because the NGH did not provide sufficient data.

Conclusion

The allegation that NGH inappropriately used non-credentialed providers and misrepresented provider of services by falsifying a credentialed worker's sign-off without consent was **unable to be determined** due to lack of sufficient information.

Allegation B2

NGH charged an incorrect amount to patients for stress tests. Specifically, the amount of regadenoson was overcharged to patients.

Facts

- BerryDunn interviewed individuals who discussed the allegation to obtain information regarding charging for stress tests. We asked for support from the witnesses who could support the allegation of overcharging for regadenoson.
- Two witnesses stated that they believed regadenoson was overcharged when patients received stress tests.
- We requested all stress tests performed for the first week of June 2020 so that a review of billing for regadenoson and stress tests could be performed.
- We received one patient's stress test billing support, which occurred during the week of June 2020, but it was not a complete list of all stress tests performed. Based on the review of this one patient's stress test billing records, the stress test services are a bundled service and the charge includes the regadenoson amount.

Discussion and analysis

Our examination plan for allegation B2 was to:

1. Receive all stress tests that were performed during the first week of June 2020
2. Compare all bill records to determine the charge for stress tests and regadenoson aligned with the service performed
3. Follow up on irregularities

We only received one patient's stress test information; therefore, we reviewed the billing support and concluded on this patient's billing.

Based on the one patient's information that was received, it was identified that NGH should have billed a 93015 (cardiovascular stress test using maximal or submaximal treadmill or bicycle exercise, continuous electrocardiographic monitoring, and/or pharmacological stress; with supervision, interpretation, and report) along with the 78452. The 93306 should not have been billed. Because we only received support for one patient, our conclusion is based on the one patient's billing records. The regadenoson (Lexiscan) injection is included in the payment for the procedure and is not separately reimbursable for the facility.

Conclusion

The allegation that NGH charged an incorrect amount to patients for stress tests was **unsubstantiated**. We identified that the stress test billing support provided by NGH included an incorrect billing code; however, it was at a disadvantage to NGH, and because the stress test service is bundled, it does not charge separately for regadenoson. Even though we were only able to review billing for one patient's stress test, it is a practice to bundle the stress test services and we would not expect to see regadenoson billed separately for other patients.

Allegation B3

NGH's Chief Compliance and Privacy Officer did not appropriately address reported complaints and NGH's leadership retaliated against their employees who submitted complaints.

Facts

- A witness reported that the NGH placed a worker on administrative leave without any explanation after they reported a complaint to the Chief Compliance and Privacy Officer.
- A witness reported that the NGH leadership suggested a worker take a few days off after they reported a complaint.
- NGH code and conduct includes a No Retaliation policy.
- We interviewed the Chief Compliance and Privacy Officer to understand the procedures taken when a complaint is received. During our interview with the Chief Compliance and Privacy Officer, we identified that employees can submit a complaint confidentially to the Compliance Department. The complaints are followed up on by the Chief Compliance and Privacy Officer. No employees are forced to go on leave because of a compliance complaint; however, they can request to be placed on leave if they feel necessary.
- The HR Department reviews the validity of the complaint and, if deemed valid, it is policy to put the employees involved on paid leave until the investigation is complete.
- BerryDunn received and reviewed the following documents related to this allegation:

- List of employees who went on administrative leave from HR during calendar year 2020 with reason
- Compliance plan
- List of all compliance complaints for calendar year 2020 and procedures for testing the allegations
- Support for all allegations categorized as billing fraud
- NGH Code and Conduct

Discussion and analysis

BerryDunn interviewed staff and reviewed policies in order to better understand how complaints are handled at NGH. This included interviews with both Compliance and HR departments along with reviewing documentation for each department.

We identified the following results regarding the compliance review of the billing fraud allegation:

- The compliance plan states that supporting documentation for the conducted allegation must be maintained for seven years for all allegations at NGH. All documentation of the review of the billing fraud allegation was not maintained including the following items:
 - No support was maintained or able to be provided to show interview notes.
 - The compliance plan states that Compliance should interview all appropriate individuals as part of the allegation. A provider had recently left the hospital, and they were not interviewed as part of the allegation even though they were included in the allegation.
 - A spreadsheet was provided to support the billing fraud allegation including claim information, but the documented procedures and results of the procedures Compliance followed was not maintained or provided.
- HR would not necessarily know if there was a compliance allegation for employees that also have HR complaints. Compliance does not notify other departments of the complaint.
- The Compliance Department told BerryDunn during interviews that it does not automatically put anyone on leave, but it offers the opportunity if the employee prefers. For the allegations we looked into, there was no support to show the employees were forced to go on leave. According to the compliance plan, Compliance does have the right to remove individuals if deemed necessary to conduct a proper investigation, but it does not appear this was the case for the sampled allegation.

We identified the following results regarding the HR review:

- All HR allegations are reviewed for reason and rationale prior to any action being taken. If enough support is provided to connect an investigation, then the employee the

allegation is about is notified and told they are going on leave with pay while an investigation is conducted. If the allegation is found to not be substantiated, then it may not go to a hearing. All other allegations go to a hearing. If an employee submits a complaint to HR regarding a manager, then leadership must be engaged before the employee is put on leave.

- The allegation that was received and reviewed by the HR Department did appropriately put the employee on leave while the complaint was investigated, but the allegation was proven to be unsubstantiated.

Conclusion

The allegation that NGH's Chief Compliance and Privacy Officer did not appropriately address reported complaints was **substantiated**, but the allegation that NGH's leadership retaliated against their employees who submitted complaints was **unsubstantiated**.

5.0 Recommendations

Allegations A1 – 3

- We recommend that the Metro Finance Department develop a written policy and procedures that defines the financial reporting requirements by NGH, including a clear definition of timely reporting.

Allegations B1 – 3

- In order to prevent future reoccurrence of misunderstanding by its employees about the NGH's conducts, we recommend that NGH improve its communication with its employees through training or clearly written policies and procedures.
- We recommend the Compliance Department document and maintain clear procedures and support for the investigations conducted.
- Based on the fact that we were not able to complete our investigation for one of the allegations due to insufficiency of information provided, we recommend NGH evaluate its resource needs to fulfill NGH's compliance responsibilities.



**A Report to the
Audit Committee**

Mayor
John Cooper

**Department of Human
Resources Director**
Shannon Hall

Audit Committee Members
Tom Bates
Kelly Flannery
Sharon Hurt
Brackney Reed
Jim Shulman
Kyonztè Toombs

**Audit Recommendations Follow-up –
Audit of EEOC Form 164, State and
Local Government Information (EEO-
4) Reporting (Initial Report Issued
April 5, 2019)**

December 6, 2021

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

December 6, 2021



Why We Did This Audit

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

What We Recommend

There are no recommendations as management successfully implemented the initial audit recommendations.

Audit Recommendations Follow-up – Audit of EEOC Form 164, State and Local Government Information (EEO-4) Reporting

BACKGROUND

On April 5, 2019, the Office of Internal Audit issued an audit of the EEOC Form 164, State and Local Government Information (EEO-4) Reporting. The audit report included three recommendations for improving the operations related to EEO-4 reporting. All three recommendations were accepted by management for implementation. Office of Internal Audit guidelines require monitoring and follow-up to ensure that the recommendations assessed as high or medium risk are appropriately considered, effectively implemented, and yield intended results.

OBJECTIVES AND SCOPE

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

The audit scope covers the status for the three accepted recommendations included in the April 5, 2019, audit of the EEOC Form 164, State and Local Government Information (EEO-4) Reporting.

WHAT WE FOUND

The Department of Human Resources has implemented all three recommendations made in the initial audit report. Details of the implementation status can be seen in **Appendix A**.

AUDIT FOLLOW-UP RESULTS

The initial audit report included three recommendations for improving the operations related to EEO-4 reporting. All three recommendations were accepted by management for implementation.

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

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

The audit scope covers the status for the three accepted recommendations included in the April 5, 2019, audit of the EEOC Form 164, State and Local Government Information (EEO-4) Reporting.

METHODOLOGY

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

- Reviewed the documentation provided by management as evidence of completion.
- Examined data within the Oracle R12 accounting system.
- Interviewed key personnel within the Department of Human Resources.

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

AUDIT TEAM

James Carson, CIA, CFE, In-Charge Auditor
Bill Walker, CPA, CIA, CFE, Principal Auditor
Lauren Riley, CPA, CIA, CFE, ACDA, CMFO, Metropolitan Auditor

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

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

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

The following are the audit recommendations made in our original audit report dated April 5, 2019, and the current implementation status of each recommendation based on our review of information and documents provided by the Department of Human Resources.

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
A.1 Determine procedures to review or confirm the accuracy of employee demographic information recorded within JD Edwards EnterpriseOne. Assessed Risk Level: Medium	Procedures determined and implemented. Forms were created and distributed to the HR coordinators and managers of each department to distribute to full time and part time employees to provide, on a voluntary basis, race and ethnicity information in an attempt to capture new data or correct data to ensure integrity of the system of record.	None	Fully Implemented/ Closed
A.2 Establish a methodology for determining demographics for employees who choose not to self-identify federally required demographic information. Assessed Risk Level: Medium	Methodology established and communicated to departments. Any employee choosing not to self-identify is identified by the department's HR coordinator or department's HR manager using the visual observance procedure established with all department HR coordinators and managers.	None	Fully Implemented/ Closed
A.3 Create procedures detailing the required steps for employee information collection, EEO-4 summarization, and EEO- 4 form data entry. Assessed Risk Level: Medium	Voluntary Employee Questionnaire for Self-Identification of Race/Ethnicity, the EEO-4 Summarization Report, and the EEO-4 form data entry processes are available with step-by-step instructions for collection and report creation.	None	Fully Implemented/ Closed

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

*Co-source		CY 2020 Audits In Progress / Carry Forward	Budget Hours	Status
1		Emergency Communications Center	200	Issued
2		Juvenile Court Clerk	200	Issued
3		Metro Water Services Billing Process	200	Issued
4		Fund Assignments, Restrictions, and Commitments	300	Issued
5		MNPD Fiscal Management	600	Issued
6		Nashville General Hospital Follow-Ups: Pharmacy and Procure to Pay	150	Issued
7		Barnes Fund Operations and Follow-Up (<i>Carry Forward</i>)	800	Planning
8		Public Works Revenue Collections (<i>Carry Forward</i>)	600	Issued
9		Metropolitan Nashville Employee Benefit Board Pension Investments (<i>Carry Forward</i>)	800	Issued
10		Office of Internal Audit Peer Review (<i>Carry Forward</i>)	100	Feb 2022
CY 2021 New Audit Areas				
11		Coronavirus Aid, Relief, and Economic Security (CARES) Spending Process	800	<i>Delayed</i>
12		Metro Water Services Water and Sewer Collections	800	Planning
13		Metro Codes Complaints Process	600	Issued
14		Public Works Parking Management	600	<i>Delayed</i>
15		Public Defender	600	Issued
16		Agricultural Extension Service	600	Planning
17		Hotel Occupancy Tax Audits – 2021	400	
18		Nashville General Hospital Human Resources Process	800	Planning
19		Metro Nashville Public Schools Procurement	800	Reporting
20		Open Records Request Fulfillment Process	600	
Information Technology Risk				
20*		Enterprise Assessment of Departmental Information Security	400	
21*		Health Department – Information Technology Security Management and Governance	200	Reporting
Audit Recommendation Follow-up				
22		Recommendation Implementation Follow-Up Audits	800	Ongoing
Total Audit Services			11,950	

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

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

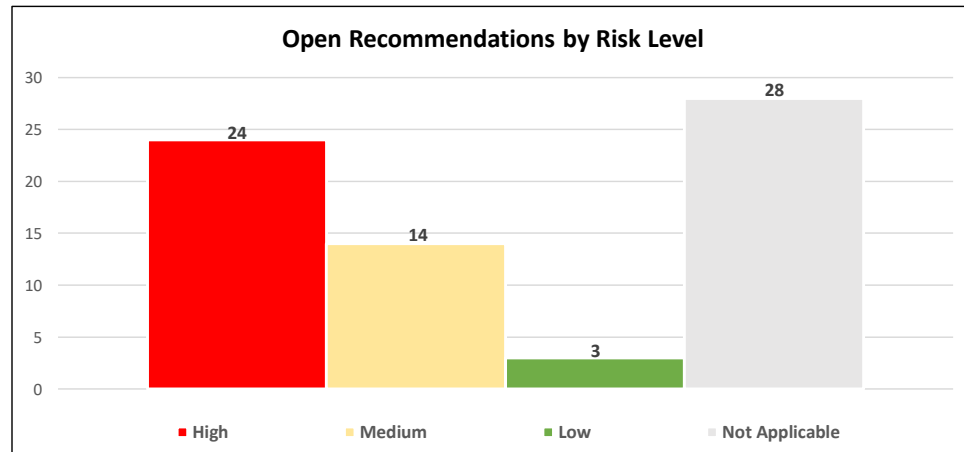
**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of December 10, 2021**

Audit Plan Year February 2021 to January 2022 Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
1) Juvenile Court Clerk Cash Collections and Trust Management					Mar-21
2) Emergency Communication Center					Mar-21
3) Metro Water Services Water Billing					Mar-21
4) NGH Procurement Follow-Up					Apr-21
5) NGH Pharmacy Operations Follow-Up					Mar-21
6) Fund Restrictions, Commitments, and Assignment					Jun-21
7) MNPDP Fiscal Management					May-21
8) Public Defender					Sep-21
9) Public Works Revenues					Nov-21
10) Metro Nashville Employee Benefit Board Pension Investments					Oct-21
11) Health Department IT Security and Governance (<i>Kraft CPAs</i>)			✓	Dec-21	
12) Municipal Auditorium Follow-Up					May-21
13) MNPS Procurement Process			✓	Nov-21	
14) Codes Complaints Process					Oct-21
15) Drug Court 4 Audit Follow Up					Nov-21
16) Library Security Follow Up					Dec-21
17) EEOC Form 164 Follow Up					Dec-21
18) Codes Fuel Card Follow Up					Nov-21
19) Arts Commission Follow Up		✓			
20) Treasury Collections Follow Up			✓	Dec-21	
21) MWS Collections	✓				
22) Barnes Fund	✓				
23) General Government Benefits Follow Up		✓			
24) Nashville General Hospital Human Resources	✓				
25) Agricultural Extension	✓				
Completed Investigations					Final
1) Nashville General Hospital Investigation					Dec-21
Metro Integrity Line Alerts - February 2021 to February 2022			Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste, & Abuse)			15	15	0

Note: Goal to complete 17 audit projects for Plan Year 2021. Currently 16 completed audit projects and 3 projects in the draft phase.

Implementation Status Update as of December 10, 2021

Audit Department List	Year	# Accepted	Open Recommendations Before Follow-Up	Implementation Due by 11/30/2021	Open Recs After Response	Notes
Assessor's Office	2014	14	3		3	
Historic Zoning and Historical Commission Work Force	2015	7	1		1	
Parks and Recreation Maintenance Division	2015	2.5	1		1	
General Government Occupational Safety Program	2017	24	23		23	
Finance Department Procurement And Business Assistance Office	2018	13	1		1	
Metro Water Services Fire Hydrant Inspections	2018	10	2		2	
Municipal Auditorium	2019	6	4		4	
NGH Pharmacy Operations	2019	17	1		1	
Election Commission Information Systems	2020	8	1		1	
Criminal Justice Center Project	2020	5	1		1	
State Trial Courts Drug Court 4	2020	16	1		1	
Trustee	2021	7	2		2	
Metro Water Services Billing Process	2021	2	1		1	
Fund Commitments, Restrictions, and Assignments	2021	2	1		1	
Public Defender's Office	2021	3	3		3	
Property Standards Complaints Process	2021	8	4		4	
Pension Investments	2021	6	6		6	
Public Works Collections	2021	16	15	X	13	
			71		69	



METROPOLITAN NASHVILLE AUDIT COMMITTEE 2022 MEETING PLAN

Meeting Date	Proposed Agenda Topics
February 8, 2022 (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 12, 2022 (Tuesday)	<ul style="list-style-type: none"> • Election of Chairman and Vice Chairman • External Audit Single Audit and Management Letter presentation • Metropolitan Auditor performance review • Internal Audit issued report discussion • Open Audit Recommendations Status
June 14, 2022 (Tuesday)	<ul style="list-style-type: none"> • FY2022 External Audit plan and required communications • Internal Audit issued report discussion • Open Audit Recommendations Status
September 13, 2022 (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 8, 2022 (Tuesday)	<ul style="list-style-type: none"> • Internal Audit issued report discussion • Open Audit Recommendations Status • External Audit Comprehensive Annual Financial Report Audit Progress Executive Session
December 13, 2022 (Tuesday)	<ul style="list-style-type: none"> • External Audit Comprehensive Annual Financial Report • Open Audit Recommendations Status • Internal Audit issued report discussion

Office of Internal Audit Budget versus Actual
GSD General Fund as of December 7, 2021
FY 2022 Approved Budget

		FY 2022 Budget	Actual	Difference	Notes
Total Salaries & Fringe		\$ 1,252,600	\$ 422,003	\$ 830,598	
Other Expenses					
Professional & Purchased Services		\$ 192,200	\$ 11,479	180,721	
Building Rent Parkway Towers		\$ 59,500	\$ 28,976	30,524	
Other Expenses		\$ 77,600	\$ 10,142	67,458	
Internal Service Fees		\$ 51,300	\$ 21,375	29,925	Information Technology
TOTAL EXPENSES		\$ 1,633,200	\$ 493,975	\$ 1,139,225	30% of budget used to date

Office of Internal Audit Budget History				
For the year ending June 30,	Co-sourcing Audit Budget	Total Budget	Co-sourcing Percent of Budget	FTE
2012	165,000	1,265,400	13%	10
2013	156,200	1,277,900	12%	10
2014	60,200	1,179,300	5%	10
2015	45,100	1,214,900	4%	10
2016	75,100	1,290,400	6%	10
2017	125,100	1,382,900	9%	10
2018	248,000	1,545,700	16%	10
2019	248,000	1,566,100	16%	10
2020	248,000	1,574,900	16%	10
2021	195,800	1,565,100	13%	10
2022	192,200	1,633,200	12%	10

Metropolitan Nashville Office of Internal Audit

Executive Team

Lauren Riley

MAcc, CPA, CIA, CFE, ACDA, CMFO
Metropolitan Auditor

Project and Office Management Leadership

William (Bill) Walker

CPA, CIA, CFE

Audit Manager

Seth Hatfield

MAcc, CPA, CIA, CFE

Principal Auditor

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

Audit Talent Pool

Innocent Dargbey

MS-Finance, MBA,
CPA, CMFO, CICA
Senior Auditor

James Carson

MBA, CIA, CFE
Senior Auditor

Mary Cole

MAcc, CPA, CFE, CISA,
CGFM
Senior Auditor

Nan Wen

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

Laura Henry

MAcc, CFE
Senior Auditor

Elizabeth Andrews

CFE
Auditor I

Jessica Henderson

Auditor I

Audit Committee

Metropolitan Code of Laws Section 2.24.300
Term-varied
6 Members

		<u>Date of Appt.</u>	<u>Term Exp.</u>
Mr. C. Thomas Bates	Vice Chair	3/22/2021	3/31/2025
5257 Fredericksburg Way East Brentwood, TN 37027- (615) 504-2425 tombates@bcpas.com Representing: Nashville Chapter of the TSCPA			
Ms. Kelly Flannery		10/5/2021	8/31/2023
One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151 kelly.flannery@nashville.gov Representing: Metropolitan Director of Finance			
Ms. Sharon Hurt		10/5/2021	8/31/2023
One Public Square, Suite 204 Nashville, TN 37201- (615) 862-6151 sharon.hurt@nashville.gov Representing: Metropolitan Council			
Mr. Brack Reed	Chair	2/20/2015	3/20/2023
222 Second Avenue South #1400 Nashville, TN 37201- (615) 770-8100 brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce			
Vice Mayor Jim Shulman	Ex Officio	9/6/2018	8/31/2023
One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357 jim.shulman@nashville.gov Representing: Vice Mayor of Metropolitan Government of Nashville			
Ms. Kyonzte Toombs		10/5/2021	8/31/2023
One Public Square, Ste. 204 Nashville, TN 37201- (615) 862-6151 kyonzte.toombs@nashville.gov Representing: Metropolitan Council			

Metropolitan Nashville Audit Committee

Executive Session Checklist

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

Permissible Executive Session Subject Matter

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