



**A Report to the
Audit Committee**

Mayor
Freddie O'Connell

**Department of General Services
Director**
Gerald C. Smith, Sr.

Audit Committee Members
Berkley Allen
Tom Bates
Kevin Crumbo
Angie Henderson
Courtney Johnston
Matthew Scanlan

**Audit Recommendations Follow-up –
Audit of the Criminal Justice Center
Construction Project**
(Initial Report Issued November 4, 2020)

February 26, 2024

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

February 26, 2024



Why We Did This Audit

To evaluate management's implementation of previous audit recommendations as of August 31, 2023.

What We Recommend

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

Audit Recommendations Follow-Up - Audit of the Criminal Justice Center Construction Project

BACKGROUND

On November 4, 2020, the Metropolitan Nashville Office of Internal Audit issued an audit report on the Davidson County Criminal Justice Center Construction Project. The audit scope for this engagement covered period between January 1, 2016, through March 31, 2020. The audit report included five recommendations. All recommendations were accepted by management. The 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 objectives of this follow-up audit were to determine if the recommended actions or an acceptable alternative were implemented.

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

WHAT WE FOUND

The Department of General Services and the Department of Finance have fully implemented all five recommendations. Details of the implementation status can be seen in **Appendix A**.

AUDIT FOLLOW-UP RESULTS

The initial audit report encompassed the processes, procedures, and controls regarding the Criminal Justice Center Construction Project from January 1, 2016, through March 31, 2020. The audit report included five recommendations, all of which 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- Circumstances have so changed that the recommendation is no longer valid.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 scope of the follow-up audit included all five accepted recommendations that management was to implement. Of the five accepted recommendations, all recommendations were fully implemented. Details of the implementation status and updated implementation dates, if applicable, can be seen in **Appendix A**.

METHODOLOGY

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

- Reviewed solicitation and contract documentation.
- Reviewed applicable policies and procedures.
- Reviewed Procurement Standards Board meeting minutes and agendas.

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 / Closed	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 / Open	The department or agency provided some evidence to support implementation progress but not of all elements of the recommendation were implemented.
Not Implemented or No Longer Implemented	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 for the General Services and Finance Departments made in our original audit report dated November 4, 2020, and the current implementation status of each recommendation based on our review of information and documents provided by the General Services and Finance Departments.

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
Recommendations for management of the Department of General Services:			
A.1 – Ensure the guaranteed maximum price (GMP) is established within a reasonable time period and in accordance with the Metropolitan Nashville Government General Provision for Design and Build. Assessed Risk Level: High	Metro has adopted a new Design Build contract template which includes provisions related to establishment of the GMP before proceeding with Construction and separate provision for Design and Preconstruction work. A review of sampled contracts confirmed this has been implemented by General Services.	None	Fully Implemented/ Closed
A.2 – Ensure contractual requirements pertaining to contractor background checks are consistent with internal policy. Assessed Risk Level: Medium	General Services incorporated appropriate language for background checks and included the new adopted policy as part of the solicitation requirement. A review of sampled solicitations confirmed this has been implemented.	None	Fully Implemented/ Closed
A.3 – Establish a written policy and procedures over contingency fund management so actual results can be evaluated. Assessed Risk Level: Medium	Policies and procedures of the allowed contingency and the approval process were established. General Services requires detailed contingency logs to be submitted each month with the Payment Application to show the exact detailed cost re-allocation and made this as part of the approval	None	Fully Implemented/ Closed

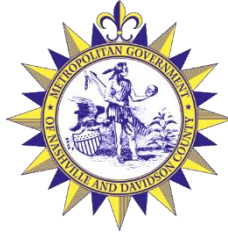
APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

	process for payment. A sample of logs was reviewed and confirmed implementation.		
<p>B.1 – Consider reducing lump sum general conditions and other charges to units of measure so they can be reviewed and benchmarked against market or industry rates.</p> <p>Assessed Risk Level: Low</p>	<p>General Services modified the Purchase Order Authorization in a way that it would provide enough detailed description about the proposed General Conditions items. In addition, General Services requires that all Design Build contractors provide supporting documents for all General Conditions line items - all supporting documents are being reviewed to ensure compliance with the contract terms and the requirements at the job site. A sample of purchase order authorizations was reviewed to confirm implementation.</p>	None	Fully Implemented/ Closed
Recommendation for management of the Department of Finance:			
<p>A.3 – Consider including requirements in contract solicitations for the disclosure of related parties, especially those for construction contracts.</p> <p>Assessed Risk Level: Medium</p>	<p>The Procurement Standards Board considered the recommendation at its November 2022 meeting. The meeting agenda for the meeting was reviewed and discussed with the Department of Finance.</p>	None	Fully Implemented/ Closed

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

Metropolitan Government
of Nashville and Davidson County

Freddie O'Connell, Mayor
Gerald C. Smith, Director



Department of General Services

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RE: Audit Recommendations Follow-Up – Audit of the Criminal Justice Center Construction Project

Ms. Riley,

This letter acknowledges that the Metro Nashville Department of General Services received the *Audit Recommendations Follow-up – Audit of the Criminal Justice Center Construction Project*. We have reviewed the draft and concur that all recommendations have been fully implemented/closed. We have no further questions or concerns about this report.

Thank you for your careful review and commitment to ensuring the recommendations were appropriately considered and effectively implemented. We appreciate the ongoing partnership.

Regards,

A handwritten signature in blue ink, appearing to read "Gerald C. Smith".

Gerald C. Smith, Director
Department of General Services