



**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
OFFICE OF INTERNAL AUDIT**

Professional Audit and Advisory Service

FINAL REPORT

**Audit of the Justice Integration Services Department
Compliance with Financial and Operational Policies**

Date Issued: February 8, 2011

Office Location and Phone Number

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Nashville, Tennessee 37201
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*The Office of Internal Audit is an independent audit agency reporting directly to the
Metropolitan Audit Committee*

EXECUTIVE SUMMARY

February 8, 2011

Background

The mission of the Justice Integration Services Department is to provide customized, integrated case management software and technology support products to Metropolitan Nashville justice agencies in order for them to manage and use shared information to improve the administration of justice for the Nashville community.

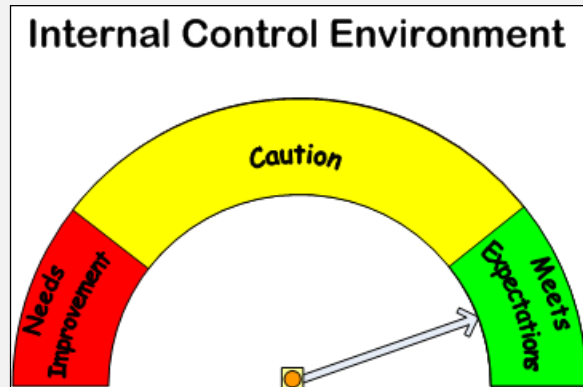
For fiscal years 2008, 2009, and 2010 actual expenditures for the Justice Integration Services Department were \$2.3 million, \$2.2 million, and \$2.0 million respectively.

Internal Control Compliance Results

The Office of Internal Audit tested the Justice Integration Service department compliance with applicable Metropolitan Nashville financial and operational policies for the following areas:

- Ethics
- Safety
- Payroll and Leave Accounting
- Computer Security
- Capital and Tracked Assets
- Procurement and Expenditures
- Software Licensing

Overall, compliance met expectations.



However, management needs to be attentive to:

- Payroll and Leave Accounting Policy
- Tagging of fixed assets

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INTRODUCTION

AUDIT INITIATION

The approved Metropolitan Nashville Office of Internal Audit Annual Audit Work Plan included an audit of the Justice Integration Service Department. The audit was initiated due to the length of time (in excess of five years) that has elapsed since the last audit was performed of this function.

BACKGROUND

The mission of the Justice Integration Services department is to provide customized, integrated case management software and technology support products to Metropolitan Nashville justice agencies so they can manage and use shared information to improve the administration of justice for the Nashville community.

The Justice Integration Services Department provides a combination of desktop support, network services, and application development and support for all of the justice agencies within the Metropolitan Government of Nashville and Davidson County. Those agencies are: Circuit Court, Clerk and Master, Criminal Court, Criminal Justice Planning, District Attorney, General Sessions Court, Juvenile Court, Metropolitan Nashville Police Department, Probate Court, Public Defender, Davidson County Sheriff's Office and State Trial Courts.

FINANCIAL HIGHLIGHTS

For fiscal years 2008, 2009, and 2010 actual expenditures for the Justice Integration Services Department were \$2.3 million, \$2.2 million, and \$2.0 million, respectively.

Exhibit A – Justice Integration Services Department Budget Summary

	Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010	
	Budget	Actual	Budget	Actual	Budget	Actual
Personal	\$1,879,000	\$1,737,564	\$1,726,700	\$1,636,268	\$1,621,900	\$1,559,192
Other Services	408,800	357,824	404,400	398,107	379,900	374,611
Internal Service Fees	198,600	193,061	133,400	133,575	100,800	100,059
Total	\$2,486,400	\$2,288,449	\$2,264,500	\$2,167,950	\$2,102,600	\$2,033,862

Source: Metropolitan Nashville's EnterpriseOne Financial System

Exhibit B – Top Five Metropolitan Nashville Paid Vendors/Contractors

Vendor/Contractor Name	Amount Paid July 1, 2008 to June 30, 2010	Purpose
1. Oracle	\$303,473	Software License
2. Parkway Towers	\$203,930	Rent Building (Lease)
3. Dell Marketing	\$194,032	Computer Hardware/Software
4. Computer Professionals, Inc.	\$101,189	Rewrite applications in a web format for the Open Justice Information Exchange System (OJIES) project
5. Beacon Technologies	\$99,643	Rewrite applications in a web format for the Open Justice Information Exchange System (OJIES) project

Source: Metropolitan Nashville's EnterpriseOne Financial System

OBJECTIVES AND CONCLUSIONS

Ethics

1. *Were employees trained on ethics?*

Yes. No significant issues or control observations were noted. The Justice Integration Services Department employees received ethics training and signed the Ethics Policy acknowledgement forms.

Safety

2. *Did the department have a building evacuation plan?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure employees' safety.

3. *Did the department have a current Business Continuity/Disaster Recovery plan?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure Business Continuity and Disaster Recovery.

Payroll and Leave Accounting

4. *Was payroll properly calculated and processed according to best practices?*

Yes. No significant issues or control observations were noted with payroll calculations during the scope period.

5. *Was employee leave time applied according to Justice Integration Services Department Leave policies?*

Generally yes. While payroll calculation was correct there were discrepancies between departmental leave records and leave information in EnterpriseOne. While the Justice Integration Services department is not required to reconcile these two recording systems, it is prudent business practices to do so (see Observation A, page 5).

Capital and Tracked Assets

6. *Were the department's fixed assets accounted for and recorded in Metropolitan Nashville's EnterpriseOne accounting system?*

Generally yes. There were four pieces of equipment in which the serial numbers were switched among each other (see Observation B, page 5).

7. *Was computer equipment safeguarded to prevent theft or accidental damage?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure equipment was managed and safeguarded to security standards.

Computer Security

8. *Were employees only given access based on a need to know basis for their job according to information security standards?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure employees were only given access based on a need to know basis for their job according to information security standards.

Procurement and Expenditures

9. *Were expenditures made in accordance with Metropolitan Nashville's procurement code?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure that expenditures were made in accordance with Metropolitan Government of Nashville's procurement code.

10. *Were travel related expenditures made in accordance with Metropolitan Nashville's Travel policy?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure that travel related expenditures were in compliance with Metropolitan Nashville's travel policy.

Software License

11. *Were software license agreements monitored for compliance with license terms?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure that software licenses were monitored properly according to the prospective licensing contract and agreement.

OBSERVATIONS AND RECOMMENDATIONS

A – Leave Accounting Totals Did Not Agree with EnterpriseOne

Even though not required, it would be beneficial for the Justice Integration Services department to reconcile their payroll and leave accounting totals with those in EnterpriseOne. During payroll test work, the auditor observed that some of the leave totals taken in the department for vacation and sick time were different from the totals entered into EnterpriseOne.

Criteria:

Payroll and leave accounting prudent business practices

Risk:

Leave totals that are entered into EnterpriseOne incorrectly may cause employees to lose time that has been accrued or add time to an employee's record of time that has not been accrued.

Recommendation:

Justice Integration Services' management should:

1. Create a method to reconcile department leave totals with those totals in EnterpriseOne on a consistent periodic basis.
2. Document this reconciliation process in a department business process manual.

B – Tagging of Fixed Assets

While physically inspecting fixed assets the auditor observed four computer servers where Metro Nashville's EnterpriseOne financial system asset number did not agree with the "tagged" number attached on the physical piece of equipment. Numbers were recorded incorrectly in the fixed asset system.

Criteria:

Metropolitan Nashville Finance Department Policy #14, Capital Assets

Risk:

Financial entries related to fixed assets residual values may be stated incorrectly when the asset is disposed and/or the wrong equipment may be disposed of at the end of the equipments useful life.

Recommendation:

Justice Integration Services' management should ensure physical fixed asset numbers assigned to equipment matches the asset number assigned in Metro Nashville's EnterpriseOne financial system.

GENERAL AUDIT INFORMATION

STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this compliance audit from September to November 2010 in accordance with generally accepted government auditing standards with the exception of completing an external peer review for the Metro Nashville Office of Internal Audit. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations 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.

Generally accepted government auditing standards require audit organizations to be subject to an external peer review at least once every three years. A peer review is due this month and an external peer review has been scheduled for April 2011.

SCOPE AND METHODOLOGY

The audit period focused primarily on the period July 1, 2008, through June 30, 2010, financial balances, transactions, and compliance on the processes in place during the time of the audit. Certain analyses required the consideration of financial results, performance, and operations outside that period.

The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, including written policies and procedures, financial information and various forms of data, reports and information maintained by the Justice Integration Services department.

CRITERIA

In conducting this audit, the existing Justice Integration Service's department operations and processes were evaluated for compliance with:

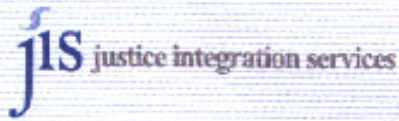
- Metropolitan Nashville Procurement Policy
- Metropolitan Nashville Finance Department Policy #14, Capital Assets
- Metropolitan Nashville Finance Department Policy #18, Travel
- Metropolitan Nashville Civil Service Rules for Attendance and Leave (Chapter 4)
- IT Governance Institute's Control Objectives for Information Technology (COBIT 4.1) – DS5.3 Ensure System Security, Identity Management and DS5.4 Ensure System Security, User Account Management
- Oracle License Agreement (Contract No. 217408)

STAFF ACKNOWLEDGEMENT

Joe McGinley, CISSP, CISA, Quality Assurance Coordinator
Sharhonda Cole, CFE, In-Charge Auditor

APPENDIX A. MANAGEMENT RESPONSE

- Management's Responses Starts on Next Page -



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February 4th, 2011

Mr. Mark Swann
Metropolitan Auditor
Office of Internal Audit
222 3rd Avenue N.
Suite 401
Nashville, TN 37201

Re: Audit of Justice Integration Services (JIS)

Dear Mr. Swann,

Justice Integration Services is in receipt of the audit findings provided by your department for the audit conducted in 2010. JIS is in agreement with the findings and will work towards satisfying the recommendations as described in our response.

I would like to compliment your staff on their thoroughness and professionalism. They were a pleasure to work with.

If I can be of any further assistance, please let me know.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Nathalie Stiers', is written over a horizontal line.

Nathalie Stiers
Justice Integration Services, Director

**Audit of the Justice Integration Services Department
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p>A. Justice Integration Services' management should:</p> <ol style="list-style-type: none"> 1. Create a method to reconcile department leave totals with those totals in EnterpriseOne on a consistent periodic basis. 2. Document this reconciliation process in a department business process manual. 	<p>Accept. Leave totals are currently reconciled annually. JIS will reconcile these totals on a semi-annual basis to reduce inconsistencies.</p>	<p>Nathalie Stiers/ Julia Binkley</p>	<p>02/28/2011</p>
<p>B. Justice Integration Services' management should ensure physical fixed asset numbers assigned to equipment matches the asset number assigned in Metro's EnterpriseOne financial system.</p>	<p>Accept. When equipment is purchased from Dell, they place two identifiers on the equipment, namely a barcode, and a sticker which both contain the item #. These item numbers should always be the same. In the case in question, the numbers that Dell provided on their two identifiers were off by, I believe, 1 digit. In the future, JIS will check equipment as it arrives to ensure that Dell's numbers are the same on both the Tag# (sticker) and barcode.</p>	<p>Nathalie Stiers / Marc Comeaux</p>	<p>Immediately</p>