



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

Professional Audit and Advisory Service

FINAL REPORT

**Audit of the Metropolitan Nashville Council Staff Office
Compliance with Financial and Operational Policies**

Date Issued: October 19, 2010

Office Location and Phone Number

222 3rd Avenue North, Suite 401
Nashville, Tennessee 37201
615-862-6110

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

EXECUTIVE SUMMARY

October 19, 2010

Background

The mission of the Metropolitan Nashville Council is to enact ordinances and resolutions that set the public policy for the Metropolitan Government. The purpose for the Metropolitan Nashville Council Staff Office is to provide research and advisory services to the council or any committee of the council upon request by the president of the council or upon request of any committee of the council.

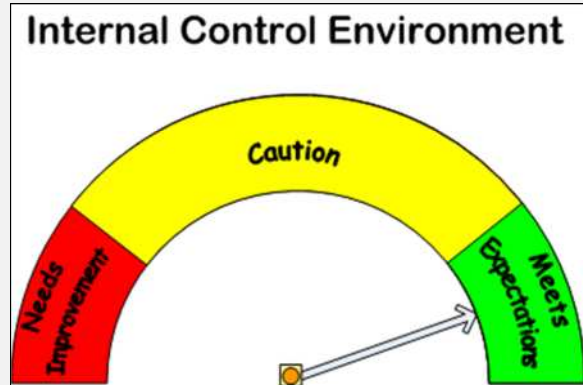
For fiscal years 2008, 2009, and 2010 actual expenditures for the Metropolitan Nashville Council Staff Office were \$1.9 million, \$1.8 million, and \$1.7 million respectively.

Internal Control Compliance Results

The Metropolitan Nashville Office of Internal Audit tested the Metropolitan Nashville Council Staff Office compliance with applicable financial and operational policies for the following areas:

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

Overall, compliance met expectations.



However, Metropolitan Nashville Council Staff Office management needs to be attentive to:

- Monitoring leave balances for accuracy
- Documenting office travel policy and procedures

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INTRODUCTION

AUDIT INITIATION

The approved Metropolitan Nashville Office of Internal Audit annual Audit Work Plan included an audit of the Metropolitan Nashville Council Staff Office. 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 Metropolitan Nashville Council is to enact ordinances and resolutions that set the public policy for the Metropolitan Government. The purpose for the Metropolitan Council Staff Office is to provide research and advisory services to the council or any committee of the council upon request by the president of the council or upon request of any committee of the council.

The Metropolitan Nashville Council is elected with elections for this council occurring every four years. The vice-mayor serves as president of the Metropolitan Nashville Council. Along with the vice-mayor there are five council members-at-large, and thirty-five district council representatives to make up the Metropolitan Nashville Council.

FINANCIAL HIGHLIGHTS

For fiscal years 2008, 2009, and 2010 actual expenditures for the Metropolitan Council Staff Office were \$1.9 million, \$1.8 million, and \$1.7 million respectively.

Exhibit A – Metropolitan Nashville Council Staff Office Budget Summary

	Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010	
	Budget	Actual	Budget	Actual	Budget	Actual
Personnel	\$1,608,600	\$1,471,015	\$1,606,600	\$1,450,005	\$1,507,800	\$1,474,173
Other Services	141,200	94,977	55,900	63,393	38,500	26,533
Internal Service Fees	350,400	354,699	325,500	318,723	242,200	234,688
Total	\$2,100,200	\$1,920,691	\$1,988,000	\$1,832,121	\$1,788,500	\$1,735,394

Source: Metro 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
Ikon Financial Services / Ikon Office Solutions, Inc	\$37,595	Rental, repair and maintenance of copiers
Marriott	13,749	Conference travel
A to Z Office Resource	7,931	Office supplies
Direct Connect Solutions	7,666	Printing/Binding
Southwest Airlines	6,005	Conference travel

Source: Metro Nashville's EnterpriseOne Financial System

OBJECTIVES AND CONCLUSIONS

Ethics

1. *Did employees submit annual financial disclosures in accordance with Metropolitan Nashville Code of Laws § 2.222 Standards of Conduct, Disclosure of Interests, and Enforcement?*

Yes. No significant issues or control observations were noted. Disclosures have been submitted in accordance with *Metropolitan Nashville Code of Laws § 2.222*.

Safety

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

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

Payroll

3. *Was employee payroll properly calculated?*

Yes. There were no significant issues or control observations noted. The Metropolitan Nashville Council Office employees pay, adjustments, and overtime were calculated correctly.

4. *Were employees leave time applied per civil service rules?*

Yes. There were no significant issues or control observations noted. Leave time was documented and recorded as required. Attendance and leave

balances were verified by employees. However, the Excel worksheet formula used to carry forward balances was incorrect for some employees (see Observation A, page 6).

Computer Security

5. *Were employees only given access based on need to know basis for their job according to best security practices?*

Yes. The Metropolitan Nashville Office of Internal Audit determined that Metropolitan Nashville council members and staff have the correct computer access.

Tracked Assets / Fixed Assets

6. *Was computer equipment safeguarded according to best information security standards?*

Yes. Computers were secured in the work area. Eighteen of the fifty computer desktops which were located in visual able work areas, while the remaining thirty-two computers were laptops and were either locked in the supply closet (key card entry) or assigned to staff or council members.

7. *Were fixed assets properly accounted for and recorded in Metro's accounting system?*

Yes. There were no significant issues or control observations noted. The Metropolitan Nashville Office of Internal Audit was able to account for all assets items assigned to the Metropolitan Nashville Council Staff Office.

Procurement and Expenditures

8. *Were expenditures made in accordance with Metropolitan Nashville's Procurement Code?*

Yes. There were no significant issues or control observations noted. Controls and processes were in place to ensure expenditures were made in accordance with Metropolitan Nashville's Procurement Code.

OBSERVATIONS AND RECOMMENDATIONS

A – Tracking of Leave Balances

The Metropolitan Nashville Council Staff Office voluntarily follows the Metropolitan Nashville Civil Service Rules when it comes to attendance and leave policies. The office had controls in place to ensure proper procedures were being followed by each employee. However, the Metropolitan Nashville Office of Internal Audit noted differences in leave balances reported by the Metropolitan Nashville Council Staff Office and audit recalculations. Through working together the problem was identified as miscalculations due to inconsistent Excel worksheet formulas.

Criteria:

Metropolitan Nashville Civil Service Rules, Chapter 4 – Attendance and Leave

Risk:

Inconsistent formulas in tracking leave balances for employees could cause Metropolitan Government of Nashville to pay employees twice for benefits already taken. It could also cause Metropolitan Government of Nashville more liability because employees did not receive all the benefits they were entitled to.

Recommendation:

Metropolitan Nashville Council Staff Office management should periodically review leave balances for accuracy and validity of leave information.

B – Office Travel Policy and Procedures not Available

The Metropolitan Nashville Council Staff Office did not have a written travel policy to provide guidance related to acceptable and unacceptable expenditure practices for staff and council members. Past practices of acceptable and unacceptable travel expense policy has been based on oral instructions provided at new council member orientation. The Metropolitan Nashville Council Staff Office was unable to locate a written travel expense policy for the Metropolitan Nashville Office of Internal Audit to use during the audit. Detailed written procedures will formalize Metropolitan Nashville Council Staff Office travel expense policy for future office staff.

Criteria:

- Prudent Business Practices
- The COSO Internal Control - Integrated Framework establishes a common definition of internal controls, standards, and criteria by which organizations can assess their internal control systems. Having a formalized, detailed set of operating procedures that are periodically reviewed and updated is critical in ensuring a strong internal control framework. Written procedures enhance the control activities and

information and communication components of a strong internal controls framework.

Risk:

Lack of detailed, written procedures over each critical process enhances the risk that the current knowledge base and skill level that currently exist in the Metropolitan Nashville Council Staff Office will not be transferred and/or will significantly extend the acclimation period for new employees.

Recommendation:

Metropolitan Nashville Council Staff Office management should adopt a travel policy and include it in the policies and procedure manual.

GENERAL AUDIT INFORMATION

STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this compliance audit from June to August 2010 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 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.

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 Metropolitan Nashville Council Staff Office.

CRITERIA

In conducting this audit, the existing Metropolitan Nashville Council Staff Office 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)
- Metropolitan Nashville Code of Laws § 2.222 Standards of Conduct, Disclosure of Interests, and Enforcement
- 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

STAFF ACKNOWLEDGEMENT

Tracy Carter, CFE, In-Charge Auditor
Joe McGinley, CISSP, Quality Assurance Coordinator

APPENDIX A. MANAGEMENT RESPONSE

- Management's Responses Starts on Next Page -



METROPOLITAN COUNCIL

Metro Council Office

October 14, 2010

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

Re: Compliance Audit of the Metropolitan Council Staff Office

Dear Mr. Swann:

This letter acknowledges that the Metropolitan Council Office is in receipt of the Compliance Audit of the Metropolitan Council Staff Office and has reviewed the recommendations. We concur with all of the findings and recommendations, as noted in our management response. We have established a timetable for the completion of the two recommendations.

We appreciate the professionalism you and your office have shown in this process. Should you have any questions regarding our response to the audit, please do not hesitate to contact me.

Regards,

Jon Cooper
Director and Special Counsel
Metropolitan Council Office

**Audit of the Metropolitan Nashville Council Staff Office
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
A. Metropolitan Nashville Council Staff Office management should periodically review leave balances for accuracy and validity of leave information.	Accept.	Roseanne Hayes	November 2010
B. Metropolitan Nashville Council Staff Office management should adopt a travel policy and include it in the policies and procedure manual.	Accept.	Jon Cooper	Pending Restoration of Travel Funding in the Council Office Budget