



**A Report to the
Audit Committee**

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Chair Board of Commissioners
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**Executive Director of Metro
Arts Commission**
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Metropolitan
Nashville
Office of
Internal Audit

Audit of the Metropolitan Nashville Arts Commission

May 24, 2019
(Revised July 5, 2019)

Audit of the Metropolitan Nashville Arts Commission

EXECUTIVE SUMMARY

May 24, 2019

(Revised July 5, 2019)



Why We Did This Audit

The audit was conducted because the last audit performed was assessed as a medium risk in the annual Metro-wide audit inherent risk prioritization with \$3 million in vendor payments, and the last audit was completed in 2010.

What We Recommend

- Establish checklists to assist staff in applying procedures in the guidelines consistently.
- Enhance procedures during closeout to include some evidence of how funds were spent and performance evaluations.
- Establish documentation of conflicts of interest by all involved in the application review and award processes.

BACKGROUND

The Metropolitan Nashville Arts Commission (MNAC) or “Metro Arts,” exists to promote the study, participation in and appreciation of the visual, performing and literary arts. Also, the Commission provides information and recommendations to the Metropolitan Nashville Council and the Metropolitan Mayor with respect to the architectural design and aesthetics of public places and property. The Metropolitan Nashville Arts Commission accomplishes all the above through the administration of grants, the one percent Public Art funds, donated artwork, and community programs.

OBJECTIVE AND SCOPE

The objectives of this audit are to determine if the Metropolitan Nashville Arts Commission:

- Established and implemented its programs in accordance with Metropolitan Nashville Code of Laws, Tennessee Code Annotated, Commission’s Rules and Regulations, and its internal policies and guidelines.
- Followed Metropolitan Nashville Government fiscal policies in administering its programs.

The scope of the audit is all grant awards and public art projects funded during the fiscal years 2018 and 2017. Trend analysis was performed for financial data for fiscal years 2018, 2017, and 2016.

WHAT WE FOUND

The Metropolitan Nashville Arts Commission has qualified and dedicated management and staff and detailed guidelines for programs administered by the department. Generally, administered programs followed established guidelines, relevant Metropolitan Nashville Code of Laws, Tennessee Code Annotated, Commission’s Rules and Regulations, and its internal policies and guidelines. However, areas of concern exist as follows:

- Consistent demonstration of applying procedures are lacking.
- Documentation of conflict of interest is not prevalent and not always verifiable.
- Practical difficulties exist that impede adherence to the Commission’s Rules and Regulations as well as relevant Metropolitan Nashville Code of Laws.
- The one percent Public Art Fund computation did not include all eligible construction projects.
- Close-out procedures and evaluations did not include information to verify how funds were actually used.

GOVERNANCE

The Metro Nashville Arts Commission is governed by the *Metropolitan Nashville Code of Laws § 2.112 – Metropolitan Nashville Arts Commission*, which also defines the commission’s purpose, structure, and powers and duties. Additionally, *Metropolitan Nashville Code of Laws § 5.10 – Public Art Financing* governs the one percent (1%) Public Art fund which requires setting aside for Public Art one percent of the net proceeds of all general obligation bonds issued to fund construction projects.

A 15-member Commission appointed by the mayor and confirmed by the Metropolitan Nashville Council is charged with promulgating and maintaining its own rules and regulations and establishing guidelines for all programs administered by the Metropolitan Nashville Arts Commission.

OPERATIONS AND FUNDING

The Commission is supported by a seven-member Public Art Committee that oversees the Public Art program and a Grants Committee, which oversees the Grant Guidelines and Program. The day-to-day operation is the responsibility of an 11-member staff headed by an executive director who reports to the Commission. Total administrative expenditures, including salaries, benefits, and general overhead during the fiscal years 2018, 2017, and 2016, were \$775,271, \$772,229, and \$609,136, respectively.

As of June 30, 2018, the Metropolitan Nashville Arts Commission administered nine programs grouped under 1) Public Art and Placemaking and 2) Grants (see Exhibit B.) Each program has a set of guidelines developed by staff and approved by the Metropolitan Nashville Arts Commission.

The two major programs are the Public Art and the Community and Organizational Development Programs and Grants. Each program has a published application period with deadlines. Generally, recruiting for Public Art projects is an open competition referred to as ‘Call to Artists’ with detailed information about the project. In some cases, a limited number of artists shall be invited by the Commission to submit proposals for specific projects based on their past work and exhibited abilities.

Applicants for the Metro Arts grants submit applications and supporting documents through WebGrants, a comprehensive web-based grant management system. Applicants for all other programs submit their applications and supporting documents through Submittable, an online document submission platform.

Exhibit A– Summary of Grants Activity for Fiscal Years 2016, 2017, and 2018

Fiscal Year	Grants Approved	Number of Grants Awarded	Number of Receiving Organizations	Funding Requests Received (\$)	Unfunded Requests (\$)	Unfunded Requests Percent
2018	\$2,470,200	62	48	\$5,100,000	\$2,629,800	52
2017	\$2,195,200	61	48	\$4,200,000	\$2,004,800	48
2016	\$1,910,200	75	51	\$4,200,000	\$2,289,800	55

Source: *Metropolitan Nashville Government’s EnterpriseOne Financial System and the Metropolitan Arts Commission staff*

Exhibit B – Summary of Major Program Activity - Public Art and Placemaking and Grants

Program	Objectives	Funding Source	Fiscal Year 2018		Fiscal Year 2017		Fiscal Year 2016	
			Available Funding	Expenditure	Available Funding	Expenditure	Available Funding	Expenditure
PUBLIC ARTS AND PLACEMAKING								
Metro Public Art	Project awards to artists and artwork acquired through purchase, gift/donation, or by other means to further the purpose and goals of the Public Arts program.	One percent (1%) for Public Art Fund	\$7,282,133	\$661,464	\$6,865,069	\$825,436	\$6,980,566	\$1,220,494
Learning Lab	Trains artists in civic, public, social and placemaking practices and work with community partners on projects covering a wide range of community concerns such as affordable housing and displacement, restorative justice and issues important to Nashville's immigrant communities.	Metro Budget Allocation	\$150,000	\$122,323	\$50,000	\$50,000	\$0	\$0
THRIVE	A community arts focused funding program designed to build, strengthen and cultivate communities in Nashville and Davidson County by supporting artist-led projects that encourage artistic and cultural experiences, community investment, and neighborhood transformation.	Metro Budget Allocation	\$125,000	\$122,350	\$100,000	\$102,305	\$100,000	\$100,000
GRANT PROGRAMS								
Community and Organizational Development Grants	Support nonprofit civic and charitable organizations through operating and project-based support, in whole or in part to invest in community arts.	Metro Budget Allocation	\$2,470,200	\$2,463,500	\$2,195,200	\$2,190,622	\$1,910,200	\$1,904,463
The Arts Build Communities	Supports arts projects that broaden access to arts experiences, address community quality of life issues through the arts, or enhance the sustainability of arts organizations. Metro Arts serves as the Designated Agency to administer this program on Tennessee Arts Commission's behalf.	Tennessee Arts Commission Grant	\$34,600	\$34,560	\$34,600	\$34,560	\$29,600	\$29,600
Restorative Justice and the Arts	A funding program designed to create an arts-integrated intervention system for court-involved youth.	Metro Finance Director's Grant	\$88,700	\$88,700	\$88,700	\$88,580	\$0	\$0

Source: Metropolitan Nashville Government's EnterpriseOne Financial System and Metropolitan Arts Commission staff

OBJECTIVE QUESTIONS AND CONCLUSIONS

PROGRAMS

1. *Did the one percent Public Art Program comply with the Commission's Rules and Regulations as well as relevant Metropolitan Nashville Code of Laws?*

Generally, yes. The Metropolitan Nashville Government Department of Finance regularly collects data for eligible general obligation bond construction projects to determine the one percent amount due to Metro Arts. However, in examining the summarized data from the Department of Finance, it was determined that some eligible projects were omitted. (See Observation A.)

In 2017, Metro Arts launched a Public Art Community Investment Plan which has among other key components, expanding beyond traditional site-based artwork. However, the Commission is limited by the amount of public space that is available and suitable for the placement of public artwork since public art projects typically follow other municipal capital projects. As such, artwork is currently concentrated in only certain districts of the county. Also, the Commission staff does not retain adequate documentation during close-out to support the use of funds and other close-out procedures. (See Observation A.)

2. *Did the Commission implement the Metro Art Grants Program according to applicable Metropolitan Nashville Code of Laws, Rules and Regulations, and established guidelines?*

Generally, yes. The staff is knowledgeable of the Commission's detail rules and regulations and guidelines for the administration of grants for the arts. However, there was missing documentation, incorrect application of the guidelines, and the appearance of board member influence in one of the awards examined. (See Observation B.).

3. *Did the Commission implement the THRIVE program according to applicable Metropolitan Nashville Code of Laws, Rules and Regulations, and established guidelines?*

Generally, yes. There are detailed guidelines for the administration of the THRIVE program. The award process goes through a review and scoring process by staff, and the staff makes recommendations to the Commission for final award decisions. The review of projects not funded by the Public Art Fund does not involve professional artists that can provide professional insight on the quality of art specimens as well as reviewing other credentials submitted by applicants. Also, there is a lack of documentation to support procedures as well as during the closeout process. (See Observation C.)

4. *Did the Commission implement the Donated Artwork Program according to applicable Metropolitan Nashville Code of Laws, Rules and Regulations, and established guidelines?*

Generally, yes. The Commission has established donated artwork guidelines based Metropolitan Nashville Code of Laws § 2.112.50. This code authorizes the Commission to administer all donated artwork review processes. As required by the guidelines the Commission has appointed the existing Public Art Committee to apply the same standards adhered to by the one percent for the Art/Public Art program. However, some Metropolitan Nashville Government Departments did not follow through with the Commission on all the requirements of the guidelines prior to accepting and placing donated artwork on Metropolitan Nashville Government property. Only artworks accepted by the Board of Parks and Recreation for exhibition at the Parthenon museum are exempted from this requirement. There were 14 donated artworks on record with the Commission as of June 30, 2018. (See Observation D.)

5. *Did the Commission comply with the applicable laws and policies that govern the receipt and administration of grants from other arts organizations, private, and government entities?*

Yes. The Commission received two grant types from the Tennessee Arts Commission, namely The Arts Build Communities (ABC) and The Major Cultural Institution (MCI) grants during the audit period. While the ABC grants are used for programs, the MCI grants provide operating support to Metro Arts as an organization chartered in Tennessee that represent the highest level of quality programming and administration. Metro Arts received \$74,000, \$67,700, and \$65,500 in MCI grants during the fiscal years ended June 30, 2018, 2017, and 2016, respectively. Metro Arts also received funds from the National Endowment for the Arts which is outside the scope of this audit since the US Office of Inspector General performs audits of recipients. Tennessee Comptroller's audit reports showed the Commission complied with the Tennessee Arts Commission's policies/guidelines without any exceptions.

Additionally, the Commission complied with the Metropolitan Nashville Code of Laws § 2.112.040.D which requires the Metropolitan Nashville Council's approval of all funds accepted from other arts organizations, private, and government entities.

FISCAL MANAGEMENT

6. *Were tracked assets accounted for and in agreement with Purchasing/ITS records and Metro Finance – Division of Accounts Policy #14?*

Generally, yes. The Commission is in possession of 5 desktop computers, 14 laptop/notebook computers, and 3 tablets acquired through the Metropolitan Nashville Government Information Technology Services. All were found to be safeguarded and in good working condition. Also, we randomly selected 28 purchased public artworks with an average unit cost of \$3,214 from the Public Art master list and traced them to their location in the Metro Courthouse without exceptions. We noted, however, that Metro Arts does not maintain a record of other tracked assets purchased directly by the Commission. (See Observation E.)

7. *Were employee leave balances accurate and consistent with the Commission's Attendance, Benefits, and Leave Policy?*

Generally, yes. The Commission has a staff Attendance, Benefits, and Leave Policy and employs a manual process to record and track time and attendance. We examined the attendance records for 3 employees without any exceptions. Metro Arts pays its staff straight 40 hours with no records of benefits time received on employees' earning pay stubs. (See Observation E.)

8. *Were credit card purchases for a public purpose and processed in accordance with Metropolitan Nashville Government Finance Department Treasury #18 – Credit Card Policy?*

Yes. A review of 22 credit card purchases supporting documentation showed all charges were for a public purpose and all complied with Metropolitan Nashville Government Department Treasury #18 – Credit Card Policy.

9. *Were travel activities for a public purpose and processed in accordance with Metropolitan Nashville Government Finance Department Division of Accounts #18– Travel Policy?*

Yes. A review of the supporting documentation for 20 travel related expenditure showed all charges were for a public purpose and all complied with Metropolitan Nashville Government Department Division of Accounts #18– Travel Policy.

10. *Were other purchases for a public purpose and processed in accordance with Metropolitan Nashville Government Finance Department Division of Accounts #43 – Use of Funds, Purchasing #20 – Purchasing Policy, and Procurement Regulations?*

Yes. Other purchases/expenditures include payments to individuals and organizations either through contract purchase orders or direct vouchers. A review of 20 payments totaling \$356,000 showed payments were made to registered vendors, were for valid Metro Arts public purpose, and approved by authorized personnel consistent with policies in effect. However, the authorized workflow approval schedule has an employee who is able to approve for two approval levels, and the employee approved two of the payments reviewed as both the first and second level approver. Segregation of duties controls helps reduce the risk of error or inappropriate actions. (See Observation E.)

11. *Was Internal Revenue Service Form 1099-Misc issued for payments to artists receiving payments in excess of \$600 annually?*

Yes. All the 15 artists sampled for review were issued Internal Revenue Service Form 1099-Misc for the correct amount paid to them in 2017 and 2018.

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives to sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, 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. See Appendix B for a description of the observation *Assessed Risk Rating*.

Observation A – Public Art Program Administration

One Percent (1%) Public Art Funding

Not all eligible projects were included in computing the one percent (1%) Public Art fund. Capital Spending Plan construction projects totaling \$357,500,000 resulting in \$357,500 of Public Art funding was omitted in the fiscal year 2017 calculation. The Metropolitan Nashville Government Department of Finance agreed to make the \$357,500 available to the Public Art Fund.

Public Art Project Administration

Some aspects of the Metropolitan Nashville Arts Grants and Public Art administration could be improved as follows:

- The application and award process requires budgets to be submitted based on the Metro Arts published budget amount. The budgets from applicants have details of how the funds will be spent, are reviewed during the application process, but no information is collected during close-out to substantiate the actual use of the funds.
- The checklist, which is part of the Maintenance Manual, was completed as part of the close-out procedures for only two of eight projects randomly reviewed.
- Conflict of Interest disclosure forms were not documented by all parties involved in the award process. Conflict of Interest disclosure forms were signed by board members and selection panelists but not by the Public Art Committee members and Commission staff.

Criteria:

- COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Metropolitan Nashville Code of Laws § 2.112. – *Metropolitan Nashville Art Commission*
- Metropolitan Nashville Code of Laws § 5.10 – *Public Art Financing*
- Metropolitan Nashville Art Commission – *Rules and Regulations, and Guidelines*

Assessed Risk Rating:

Medium

Recommendations for management of the Metropolitan Nashville Art Commission:

1. Establish a process of reviewing the one percent for Public Art fund computations and identifying eligible construction projects in the Capital Spending Plan and all subsequent changes. This should include an interpretation of the Metropolitan Nashville Code of Laws § 5.10 to identify the elements of a construction project such as land that should and should not be included in the computations.

2. Review computations for other fiscal periods not covered by this audit, to the extent Metropolitan Nashville Government Laws permit, to determine if all eligible projects were included in the computations.
3. Enhance close-out procedures and project evaluations with adequate documentation and verifiable information, including information about how the funds were spent (invoices for materials, other).
4. Establish Public Art administration procedures or checklists to supplement the guidelines and evidence of review. Administration procedures or checklists will assist staff in knowing the forms of information or documentation that are required, including conflict of interest forms, and how to retain the same.
5. Continue to work with Metropolitan Nashville Council members to identify suitable locations in their districts where public artworks can be installed.

Observation B – Grants Administration Program

The grant administration guidelines did not include a requirement for grant recipients to have or work towards creating a diverse board of directors (Rule 3 of the Rules and Regulations adopted by the Commission in 2012.) Although the Rules and Regulations did not provide a definition of diversity, a review of board member composition for the 20 organizations tested determined:

- 81 percent were Caucasian.
- 13 percent African American.
- 3 percent each for Asian/Pacific and Hispanic.

The same analysis determined that 49 percent were male and 51 percent were female.

A 2018 survey of 537 US local arts agencies published by the Americans for the Arts showed commission/board composition of 84 percent Caucasian, 6 percent African-American, and 4 percent Hispanic and 29 percent male and 71 percent female.

The Commission can benefit from standard operating procedures, especially as it relates to obtaining and retaining documentation to support processes and procedures outlined in the guidelines. Out of 21 samples tested, management could not locate conflict of interest forms for 3 Commissioners and 13 panelists (Fiscal Year 2017: 3 of the 15 commissioners forms were not found. Fiscal Year 2018: 13 panelists/adjudicators forms were not found.) Panelist/adjudicators review and score grant applications which the Commission bases funding decisions.

Two paid out-of-town adjudicators were used to review and score the 2017 applications contrary to the requirements per the 2016 guidelines which were being used for 2017 to use local volunteers.

A grant to an applicant on whose board a Metropolitan Nashville Arts Commissioner sits was rejected by the Commission for not meeting certain requirements, but the organization was subsequently approved for a lower amount in a direct contract. While the commission has the authority to award grants as it sees fit, the award of another type of grant creates an appearance of board member influence. According to the grant manager, other organizations rejected for not meeting certain qualifications are not generally granted other awards.

Criteria:

- COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Metropolitan Nashville Code of Laws § 2.112. – *Metropolitan Nashville Art Commission*
- Metropolitan Nashville Art Commission – *Rules and Regulations, and Guidelines*

Assessed Risk Rating:

Medium

Recommendations for management of the Metropolitan Nashville Art Commission:

1. Establish Grants administration procedures or checklists to supplement the guidelines and evidence of review. Administration procedures or checklists will assist staff in knowing the forms of information or documentation that are required and how to retain the same.
2. Communicate practical issues, situations, or events that can cause the Commission to be non-compliant to laws, rules, regulations, and guidelines, for example, the difficulty in creating a diverse board of directors within all organizations that receive Metro Arts Grants.
3. Ensure annual documentation of conflict of interest forms for the Commissioners and all others involved in the award process are completed and retained for the specified retention period. Updates should be provided when situations change. Additionally, administrative procedures should include situations that create the appearance of a conflict of interest and influence and the requirements in such situations.

Observation C – THRIVE Programs

Documentation of due diligence prior to paying the 80 percent at the beginning of THRIVE programs is lacking. This program gives out 80 percent of the award at the beginning of the project with no recourse, and 20 percent is paid after close-out activities are completed. There is inadequate documentation to support applicant’s qualifications and eligibility. Also, there is no evidence of professional artist review of projects not funded in the public art category.

There is a lack of direction for staff in existing guidelines as to the information that is adequate to satisfy the program due diligence procedures. For example, obtaining written references for artists to support their qualifications rather than reviewing only submitted resumes, having a panel which includes a professional artist review artwork submitted by applicants as it is done for public art projects. Additionally, the close-out activities required before the balance of 20 percent payment are not detailed, and inadequate documentation is retained.

Criteria:

- COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Metropolitan Nashville Code of Laws § 2.112. – *Metropolitan Nashville Art Commission*
- Metropolitan Nashville Art Commission – *Rules and Regulations, and Guidelines*

Assessed Risk Rating:

Medium

Recommendations for management of the Metropolitan Nashville Art Commission:

1. Establish THRIVE program administration procedures or checklists to supplement the guidelines. The procedures or checklists should include lists of acceptable evidence that support requirements in the guidelines.
2. Enhance THRIVE program close-out procedures and project evaluations with adequate documentation.

Observation D – Donated Artwork

Some departments that accepted and placed donated artwork on Metropolitan Nashville Government property did not comply with the donated artwork guidelines and Metropolitan Nashville Code of Laws § 2.112.50. A review of documentation for four donated artworks showed two Metropolitan Nashville Government Departments accepted artworks valued at \$900,000 and \$100,000 without completing all the steps in the *Metropolitan Nashville Art Commission Guidelines*. This included the review process by the Public Art Committee, the requirement that the Metropolitan Nashville Council approves all donated artwork appraised in excess of \$5,000, or if anticipated maintenance will exceed \$5,000 over a ten-year period, and the final acceptance agreement.

As of February 2019, one of the two departments has renewed the review process with the Metropolitan Nashville Arts Commission staff with the goal of having a final acceptance agreement in place this year.

Criteria:

- COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Metropolitan Nashville Code of Laws § 2.112. – *Metropolitan Nashville Art Commission*
- Metropolitan Nashville Art Commission – *Rules and Regulations and Guidelines*

Assessed Risk Rating:

Medium

Recommendations for management of the Metropolitan Nashville Art Commission:

1. Continue to work with Metropolitan Nashville Council Members to identify suitable locations in their districts where public artworks can be installed.
2. Move the Donated Artwork link from ‘Resources and Toolkits’ to ‘Programs’ on the Metro Arts website where it will be regarded as one of Metro Arts programs. Also, the Metropolitan Nashville Government should emphasize the need for Metro Arts to lead the donated arts review process until the final acceptance agreement.
3. Communicate practical issues, situations, or events that can cause the Commission to be non-compliant to laws, rules, regulations, and guidelines. An example is the difficulty in getting some Metropolitan Nashville Government departments and agencies to comply with the *Metropolitan Nashville Art Commission Donated Artwork Guidelines*.

Observation E – Fiscal Management

Tracked Capital Assets

The Metropolitan Arts Commission does not maintain a record of other tracked assets purchased such as monitors, portable printers, and humidifiers. As a result, there is no regular count or review of these assets to confirm their existence and safeguarding.

Employee Benefit Leave Balances

The Metropolitan Arts Commission pays its staff straight 40 hours with no records of employee benefits time taken on employees' earning pay stubs. Recording benefits time taken on earning statements in a manual record environment can serve as a source of reference during audits or for any reviews or reconciliations.

Other Payments/Expenditures

The accounts payable workflow approval schedule has an employee who is able to approve at the first and second approval level and the employee did approve two payments examined as both first and second level approver. Management explained that the Executive Director was out of town and therefore, the Finance Director had to approve at both levels.

Metropolitan Nashville Government Department of Finance Policy #43 – *Metro Departmental Use of Funds Approval* states a departmental head or a designee will approve all non-payroll payments but does not state that the same 'workflow person' alone can approve a payment as was in the case of the two payments identified during the audit.

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.
- Metropolitan Nashville Government Department of Finance Policy #43 – *Metro Departmental Use of Funds Approval*
- Metropolitan Nashville Government Department of Finance Policy – Division of Account #14 – *Capital Assets*

Assessed Risk Rating:

Medium

Recommendations for management of the Metropolitan Nashville Art Commission:

1. Establish a system of tracking other assets purchased by the departments with schedule counts to ensure that these assets are safeguarded from theft and misuse.
2. Adopt the system of recording employee benefit time as exception time in the Metropolitan Nashville Government JD Edwards EnterpriseOne system.
3. Continue exploring the possibility of switching to an electronic attendance and leave tracking system. Kronos is the Metropolitan Nashville standard for time and attendance tracking and has licenses centrally managed by the Information Technology Services department.
4. Require that employees with both approval levels in payment workflow approval routes (i.e., primary level 1 and backup level 2 in payment approval workflow) in accounts payable not approve an invoice at both levels.

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 achieve the audit objectives, auditors performed the following steps:

- Reviewed applicable Metro Nashville Government Codes of law and ordinance, Metro Nashville Arts Commission Rules and Regulations, and program guidelines.
- Reviewed documentation related to grants and Public Art published by arts organizations.
- Interviewed key personnel within the Metropolitan Nashville Art Commission and Metropolitan Nashville Department of Finance.
- Reviewed reports of prior audits and reviews performed by Metro Nashville Government and by other jurisdictions.
- Reviewed and analyzed relevant financial data to determine fiscal compliance.
- Reviewed selected Metro Nashville Arts Commission contracts and agreements.
- Determined primary functionality of WebGrant and Submittable systems.
- Evaluated internal controls currently in place.
- Observed a grant application review process performed by the grant manager, attended a board of commissioner’s meeting and a selection panelist’s meeting for one program.
- Considered risk of fraud, waste, and abuse and information technology risks.
- Detail-tested sampled transactions

AUDIT TEAM

Innocent Dargbey, CPA, CMFO - In-Charge Auditor

Ted Ciuba, CFE - Assisting Auditor

Mark Swann, CPA, CIA, CISA, CMFO ACDA, Former Metropolitan Auditor – Quality Assurance

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

CAROLINE VINCENT / Executive Director



DAVID BRILEY / Mayor of Nashville

METRO ARTS
NASHVILLE OFFICE OF ARTS + CULTURE

May 22, 2019

Gina Pruitt
Interim Metropolitan Auditor
Office of Internal Audit
404 James Robertson Parkway, Suite 190
Nashville, TN 372199

RE: Audit of the Metropolitan Nashville Arts Commission (Metro Arts)

Dear Ms. Gina Pruitt:

This letter acknowledges Metro Arts has received the Audit of the Metropolitan Nashville Arts Commission and has reviewed the audit comments and recommendations.

Metro Arts will implement the recommended process improvements.
It was a pleasure working with you and your staff on this project. We specifically thank, Mr. Innocent Dargbey for his extraordinary attention to detail reflected in the audit.

Sincerely,

Caroline Vincent,
Executive Director

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

We believe that operational management is in a unique position to understand best 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.

Risk	Recommendation	Concurrence and Action Plan	Completion Date
<i>Recommendations for management of the Metropolitan Nashville Arts Commission to:</i>			
M	A-1. Establish a process of reviewing the one percent for Public Art fund computations and identifying eligible construction projects in the Capital Spending Plan and all subsequent changes. This should include an interpretation of the Metropolitan Nashville Code of Laws § 5.10 to identify the elements of a construction project such as land that should and should not be included in the computations.	Accept: Metro Arts will establish a process for an independent analysis of the capital fund and Percent for Art allocation.	07/01/2020
M	A-2. Review computations for other fiscal periods not covered by this audit, to the extent Metropolitan Nashville Government Laws permit, to determine if all eligible projects were included in the computations.	Accept: Metro Arts will conduct a review of the computations from all previous Capital Spending Plans that contributed to the 1% for Public Art fund.	07/01/2020
M	A-3. Enhance close-out procedures and project evaluations with adequate documentation and verifiable information, including information about how the funds were spent (invoices for materials, other).	Accept: Staff will enhance the system for ensuring adequate documentation and close-out procedure are documented. This will include a more detailed project closeout checklist, which will require the signature of the project manager, and Public Art Manager before any final payments to the artist are processed. Material invoices and receipts will also be required from artists.	07/01/2020
M	A-4. Establish Public Art administration procedures or checklists to supplement the guidelines and evidence of review. Administration procedures or checklists will assist staff in knowing the forms of information or documentation that are required, including conflict of interest forms, and how to retain the same.	Accept: Staff will develop a public art project management checklist, which will be used from the start of each new public art project. The checklist will include documentation around artist selection, documentation of the selection process and conflict of interest forms. Digital copies of the checklist will be filed by the project manager and review by a designated staff person in charge of compliance. This staff person will be responsible for assisting project managers through the checklist process ensuring it is implemented as designed.	07/01/2020
M	A-5. Continue to work with Metropolitan Nashville Council members to identify suitable locations in their districts where public artworks can be installed.	Accept: Staff will continue to work with the Metropolitan Nashville Council members to identify suitable site for public artwork in their districts.	ongoing
M	B-1. Establish Grants administration procedures or checklists to supplement the	Accept: Metro Arts will establish administrative procedures or checklists for	07/01/2020

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

Risk	Recommendation	Concurrence and Action Plan	Completion Date
	<p>guidelines and evidence of review. Administration procedures or checklists will assist staff in knowing the forms of information or documentation that are required and how to retain the same.</p>	<p>grants/funding programs that provide evidence that guidelines were applied and followed by applicant.</p>	
M	<p>B-2. Communicate practical issues, situations, or events that can cause the Commission to be non-compliant to laws, rules, regulations, and guidelines. An example is the difficulty in creating a diverse board of directors within all organizations that receive Metro Arts Grants.</p>	<p>Accept: Metro Arts Staff will consult with Metro Legal and work with the Grants & Allocations Committee and the Board of Commissioners to assure our policies and practices align with the rules and regulations of the Charter and develop systems for tracking progress over time.</p>	07/01/2020
M	<p>B-3. Ensure annual documentation of conflict of interest forms for the Commissioners and all others involved in the award process are completed and retained for the specified retention period. Updates should be provided when situations change. Additionally, administrative procedures should include situations that create the appearance of a conflict of interest and influence and the requirements in such situations.</p>	<p>Accept: Staff will explore additional methods for collecting and storing Conflict of Interest statements for Commissioners and others involved in the award process to ensure they are completed and retained for the specified period. Commissioner’s statements will be collected at least twice annually. Furthermore, we will consult with Metro Legal about a revised conflict of interest statement that includes situations that involve perceived conflicts versus actual conflicts.</p>	07/01/2020
M	<p>C-1. Establish THRIVE program administration procedures or checklists to supplement the guidelines. The procedures or checklists should include lists of acceptable evidence that support requirements in the guidelines.</p>	<p>Accept: THRIVE guidelines will be amended to include a process for awardees to communicate project changes or deviations from project proposals. Staff will design and implement a process to monitor a selected percentage of projects. The existing closeout form will be reviewed and adjusted. The 80%/20% invoice process will be changed. All applicants will now be required to invoice on a 40%/40%/20% schedule and receipts for supplies may be required.</p>	07/01/2020
M	<p>C-2. Enhance THRIVE program close-out procedures and project evaluations with adequate documentation and verifiable information.</p>	<p>Accept: THRIVE guidelines will be amended to ensure staff have more time to dedicate to evaluating the eligibility and compliance of each THRIVE applicant. Guideline changes will also include staff monitoring to ensure funds are being spent appropriately and any THRIVE recipient who is not in compliance will lose their good standing status and will automatically lose points on any future application review. A second staff person will also assist the THRIVE program manager in reviewing applications to ensure guidelines are met.</p>	07/01/2020

APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

Risk	Recommendation	Concurrence and Action Plan	Completion Date
M	D-1. Continue to work with Metropolitan Nashville Council Members to identify suitable locations in their districts where public artworks can be installed.	Accept: Staff will continue to work with the Metropolitan Nashville Council Members to identify suitable sites for public art commissions in the respective districts.	ongoing
M	D-2. Move the Donated Artwork link from 'Resources and Toolkits' to 'Programs' on the Metro Arts website where it will be regarded as one of Metro Arts programs. Also, the Metropolitan Nashville Government should emphasize the need for Metro Arts to lead the donated arts review process until the final acceptance agreement.	Accept: The Donated Artwork Policy will be featured more prominently on the Metro Arts website. Staff will contact Metro Department Heads to remind them of the policy in place and explain how the policy works.	12/31/2019
M	D-3. Communicate practical issues, situations, or events that can cause the Commission to be non-compliant to laws, rules, regulations, and guidelines. An example is the difficulty in getting some Metropolitan Nashville Government departments and agencies to comply with the <i>Metropolitan Nashville Art Commission Donated Artwork Guidelines</i> .	Accept: As noted above, Metro Arts will reach out to Metro Department Heads to remind departments of the Donated Artwork Policy. Metro Arts will also work with the Mayor's Office to determine other ways in which to communicate our Metro-wide policies.	12/31/2019
M	E-1. Establish a system of tracking other assets purchased by the departments with schedule counts to ensure that these assets are safeguarded from theft and misuse.	Accept: Metro Arts will develop an asset tracking schedule and database.	07/01/2020
M	E-2. Adopt the system of recording employee benefit time as exception time in the Metropolitan Nashville Government JD Edwards EnterpriseOne system.	Accept: Metro Arts will begin to record benefit time in JD Edwards EnterpriseOne system, though it should be noted that this is currently tracked through internal systems, and all time is accounted for each employee based on a 40-hour work week. Assessed risk may be overstated.	07/01/2019
M	E-3. 3. Continue exploring the possibility of switching to an electronic attendance and leave tracking system. Kronos is the Metropolitan Nashville standard for time and attendance tracking and has licenses centrally managed by the Information Technology Services department.	Accept: Metro Arts has identified and implemented the HoneyBee Base system as an HR, time and attendance, and leave management software.	05/06/2019
M	E-4. Require that employees with both approval levels in payment workflow approval routes (i.e., primary level 1 and backup level 2 in payment approval workflow) in accounts payable not approve an invoice at both levels.	Accept: Metro Arts agrees with recommendation and has asked Metro Payment Services to adjust approval workflows to avoid approvers approving on 1 st and 2 nd levels. Additionally, Metro Arts has instituted new policies requiring program personnel to mark invoices as "okay to pay," and identified a designated staff person to send invoices to Metro Payment Services who is not an approver.	4/08/2019

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	The 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			