



**A Report to the  
Audit Committee**

**Mayor**  
John Cooper

**Audit Committee Members**

Kevin Crumbo  
Thom Druffel  
Charles Frasier  
Brackney Reed  
Jim Shulman  
Zulfat Suara

Metropolitan  
Nashville  
Office of  
Internal Audit

# Architectural and Engineering Vendor Audits

February 19, 2020

## EXECUTIVE SUMMARY

February 19, 2020



### Why We Did This Work

In 2018, an investigation of Collier Engineering Company, Inc. raised questions about the procurement and monitoring of architectural and engineering services. Metropolitan Nashville Council Member Tanaka Vercher requested vendor audits of specific architectural and engineering vendors be performed. The Metropolitan Nashville Audit Committee chose to perform vendor audits of the top four vendors.

### What We Recommend

- Implement electronic approvals through one system.
- Formalize policies and procedures around the invoicing process to increase consistency.
- Ensure all documents are uploaded into iProcurement going forward.
- Update the Metropolitan Nashville Procurement Code to reflect opportunities identified.

# ARCHITECTURAL AND ENGINEERING VENDOR AUDITS

## BACKGROUND

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The Metropolitan Government of Nashville and Davidson County enters into contracts with architectural and engineering vendors for various services such as roadway paving, sidewalk construction, traffic studies, and water treatment process improvements. In calendar years 2017, 2018, and 2019, the Metropolitan Nashville Government spent approximately \$55.7 million, \$63.5 million, and \$58.9 million respectively on architectural and engineering services. The top four architectural and engineering vendors used between January 1, 2016, and June 30, 2019, were Civic Engineering and Information Technologies, Inc., Collier Engineering Company, Inc., Gresham Smith and Partners, and Brown and Caldwell.

## OBJECTIVES AND SCOPE

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BerryDunn was retained to perform agreed upon procedures using a provided vendor audit program for Gresham Smith and Partners and Collier Engineering Company, Inc. Other independently contracted employees were retained to perform the same vendor audit program steps for Civic Engineering and Information Technologies, Inc. and Brown and Caldwell. The period reviewed was from July 1, 2016, through February 28, 2019. Areas of emphasis included, but were not limited to:

- Procurement of contracts
- Accuracy of invoices
- Appropriateness of invoices
- Vendor monitoring procedures
- Compliance with Metropolitan Nashville Government's policies and procedures

## WHAT WE FOUND

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The independent contractors identified similar observations across all four architectural and engineering vendors. These areas of improvement fell primarily within Metropolitan Nashville Government's procurement processes.

Observations were noted pertaining to invoice approval, invoice submission, and documentation retention. Observations for each vendor are noted within their individual reports within **Appendices A-D**. Combined recommendations for all reports are in **Appendix E**.

## METHODOLOGY

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To accomplish our objectives, we performed the following steps:

- BerryDunn and independently contracted employees were hired to assist with this engagement.
- The detailed objectives and audit program employed by BerryDunn can be found within reports at **Appendix A** and **Appendix B**.
- The independently contracted employees' objectives and procedures can be found within reports at **Appendix C** and **Appendix D**.

## AUDIT TEAM

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### BerryDunn

Bill Brown, CPA, MAFF, CFE, Engagement Principal

Yoko McCarthy, MBA, CISA, CFE, CGFM, Audit Manager

Vanessa Cayer, MBA, CFE, PMP, Senior Auditor

Colin Buttarazi, CAPM, Senior Auditor

Zeb Letourneau, CAPM, Auditor

### Independently Contracted Employees

The Office of Internal Audit independently contracted employees to perform specified audit procedures. The employees contracted held CPA certifications and had several years of audit experience.

### Metropolitan Nashville Office of Internal Audit

Bill Walker, CPA, CIA, CFE, Interim Metropolitan Auditor

Lauren Riley, CPA, CIA, ACDA, CMFO, Project Facilitator

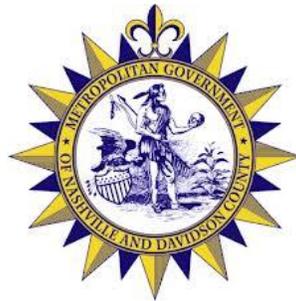
## **APPENDIX A – Report on Collier Engineering Company, Inc. from BerryDunn**

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BerryDunn was hired to perform agreed-upon procedures with this engagement. The firm issued a report to the Office of Internal Audit with details on objectives, methodology, observations, and recommendations. The report begins on the next page.



# Metropolitan Government of Nashville and Davidson County



## Independent Accountant's Report on Applying Agreed-Upon Procedures Vendor Contract AUP – Collier Engineering Inc.

**Prepared for:**

Metropolitan Nashville Office of Internal Audit  
404 James Robertson Parkway, Suite 190  
Nashville, TN 37219

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**Metropolitan Government of Nashville and Davidson County**

**Independent Accountant’s Report on  
Applying Agreed-Upon Procedures  
Contracted Vendor Services by Collier Engineering Inc.**

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## 1.0 EXECUTIVE SUMMARY

### A. Project Overview

BerryDunn applied agreed-upon procedures (AUP) on risk areas concerning procurement and compliance with policy, related to contracts between the Metropolitan Government of Nashville and Davidson County (Metro) and Collier Engineering Inc. (the Vendor).

### B. Objectives

The primary objective for the AUPs identified by Metro was to evaluate the design and effectiveness of internal controls related to contracted services between the Vendor and Metro. Areas of emphasis included:

- Vendor selection process;
- Vendor charges;
- Contract monitoring plan;
- Compliance with the Metro's policies and procedures; and
- Compliance with laws and regulations.

### C. Risks

The following inherent risks associated with Vendor contract procurement, invoicing, and monitoring were identified and considered by Metro in the AUP:

- Inherent risk of potential conflicts of interest between Metro employees and Vendor representatives
- Inherent risk of contracts not procured competitively
- Inherent risk of ineffective contract monitoring policies and procedures
- Inherent risk of Vendor charges not aligned with contractual agreements

### D. Scope and Procedures

The scope of the engagement was for the period July 1, 2016 through February 28, 2019. In order to achieve Metro's AUP objectives, BerryDunn performed the following procedures:

- Interviewed key personnel (Refer to Appendix B for list);
- Reviewed all four active contracts between the Metro and the Vendor during the period. (Refer to Appendix B for list);
- Reviewed applicable laws and regulations identified as applicable by Metro;
- Gained an understanding of processes and controls in place during the AUP period; and
- Performed labor and invoice testing on sample transactions selected from four different months during the AUP period.

Refer to Appendix A for a detailed description of procedures performed.

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## 2.0 INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

See the following pages for the Independent Accountant's Report on Applying Agreed-Upon Procedures.

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Metropolitan Nashville Audit Committee  
Mr. Brackney Reed, Chairman

We have performed the procedures enumerated below, which were agreed to by Metropolitan Nashville Office of Internal Audit (Metro), on making inquiries and observing specified attributes related to contracts between the Metro and Collier Engineering Co. Inc. (Vendor) in place during the period July 1, 2016 through February 28, 2019.

The sufficiency of these procedures is solely the responsibility of the Metro. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures (including responses) and associated findings (results) are as follows:

### 1. Interviews

Procedure:

Identify key Metro employees and Vendor representatives involved with contracts during the period and conduct interviews to:

- a. Explain the purpose of the AUP.
- b. Seek input from Vendor representatives.
- c. Obtain information related to potential non-compliance with the Metro's employee ethics, conflicts of interest, acceptance of gifts, or standards of conduct policies between Metro employees and Vendor representatives.

	Response	Result
1a	Communicated with Metro to identify key Metro employees who are or were involved with the contracts at any point, from procurement through completion of the contract. Current employees serving on Metro evaluation committees to select the Vendors for each contract were also included in the list of interviewees. Although each department has its own method for determining members of the evaluation committees, the evaluation committees generally include the Metro project manager for the contract and other subject matter experts from within the department.	List obtained with no identified concerns.  Interview list consisted of the following:  Metro employees: Amy Shuler Andrew Smith Ava Esaghir Chip Knauf Cindy Harrison Darrell Moore Donald Reid Genario Pittman Jeffery Hammond Jim Hester Katrina Jones Kristin Kumrow Lindsay Taylor Matthew Tays Michelle Lane

		<p>Monique Odam  Philip Jones  Rick Taylor  Ricky Swift  Sharon Wahlstrom  Terri Troup  Thomas Jones  Tim Netsch  Velvet H Hunter</p> <p>Interview list consisted of the following Collier employees:</p> <p>Alita Clarke  Ben Collier  Chad Collier  Michael Pavin  Sam Vance</p>
1b	<p>Scheduled and conducted interviews with identified key Metro employees and Vendor representatives to inquire whether they have knowledge of unethical practices, conflicts of interest, acceptances of gifts or behaviors considered in violation of Metro’s employee ethics, conflict of interest, acceptance of gifts, and standards of conduct policies (Metro policies).</p>	<p>Six Metro employees we interviewed attested they attended events at the Vendor’s suite at Bridgestone Arena, but paid for their own tickets. One person attested he paid cash, therefore no proof of payment could be provided. The other five employees provided us with documentation to show their check payment to reimburse the Vendor for their tickets after the event occurred.</p> <p>The Vendor stated that it hosted a holiday party at its office and invited all its clients, which included Metro employees, until 2017. Several Metro employees we interviewed indicated they attended at least one holiday party. The Vendor also stated that it did not host a holiday party in 2018.</p>
1c	<p>Inquired with Vendor representatives regarding and knowledge of:</p> <ul style="list-style-type: none"> <li>• Operational problems</li> <li>• Problems with Metro employees</li> <li>• Scheduling or capacity issues to perform tasks</li> <li>• Any personal or company ownership in any other business</li> <li>• Inquired of Vendor representatives regarding who the officers and owners of the Vendor are.</li> <li>• Any undisclosed owners of Vendor’s business</li> </ul>	<p>Procedures completed with no identified concerns.</p>
1d	<p>Obtained written assertions from key Metro employees and Vendor representatives concerning compliance with Metro’s policies using the Conflict of Interest assertion letter provided by the Metro Office of Internal Audit (OIA).</p>	<p>Assertion letters were obtained from all identified key Metro employees and Vendor representatives; no non-compliance indicated in assertion responses.</p>

## 2. Metropolitan Nashville Government Vendor Contract Administration

Procedure:

- a. Determine compliance with the Metropolitan Nashville Government Procurement Code and Regulations concerning the competitive purchase of goods and/or services through observation and inquiry as follows:

	Response	Result
2a	<p>Observed compliance concerning the competitive purchase of goods and/or services as evidenced by the following documentation for the four contracts (and three related amendments) occurring during the period:</p> <ul style="list-style-type: none"> <li>• Obtained supplier invitation to bid lists for verification of Vendors that appeared on the pre-approved Vendor listings.</li> <li>• Obtained pre-bid sign-in sheets documenting the bid opening.</li> <li>• Obtained evaluation summaries, justification of award to bid, and mayor's selection to document the bid analysis and evaluate if the basis for selecting the bid is adequately documented.</li> <li>• Obtained the letter of intent to bid, documenting the award and acceptance of the bid.</li> </ul>	<p>Documentation was present in the contract files except as follows:</p> <ul style="list-style-type: none"> <li>• All four contracts lacked a documented justification of award to bid.</li> <li>• Three of the four contracts lacked support pertaining to the award and acceptance of the bid.</li> </ul>
2b	<p>Interviewed Metro Procurement employees regarding procedures for handling returned invitations to bid.</p>	<p>Responses from all Procurement employees interviewed indicated that when bids or proposals are rejected, or a solicitation cancelled after bids or proposals are received, the bids or proposals which have been opened shall be retained in the procurement file, or if unopened, returned to the bidders or offerors upon request, or otherwise disposed of.</p>
2c	<p>Verified that written executed contracts were obtained from the Vendor selected to provide goods and/or services. Evaluated that the contract was approved by managers with sufficient authority based on job title comparison to Metro Code and Regulations.</p>	<p>Procedures completed with no identified discrepancies.</p>
2d	<p>Verified that the Vendor has complied with any non-financial terms of the contract, such as:</p> <ul style="list-style-type: none"> <li>• Providing proof of insurance.</li> <li>• Providing progress reports if required.</li> <li>• Providing price listings.</li> <li>• Providing support for any other contract terms.</li> </ul>	<p>Documentation of any required non-financial items per contract terms was present in contract files with the following exceptions:</p> <p>10 of the 157 reviewed invoices did not include progress reports.</p>

**3. Metropolitan Nashville Government Vendor Monitoring**

Procedure:

- a. Determine whether key Metro employees, or consultants if identified in contracts, adequately monitored the operations and/or Vendor activity.
- b. Determine what inspections were made by Metro employees of the goods/services performed by the Vendor.
- c. Determine who monitors the Vendor’s daily activity related to the contract.

	<b>Response</b>	<b>Result</b>
3a	Interviewed key Metro employees and Vendor representatives to evaluate each contract’s overall contract monitoring, daily activity monitoring, and inspection of services provided. <ul style="list-style-type: none"> <li>• Performed additional verification of Metro contract monitoring described in the procedures below.</li> </ul>	Procedures completed with no identified concerns.

**4. Metropolitan Nashville Government Control of Vendor Costs**

Procedure:

- a. Inquire and test a sample of transactions to evaluate adherence to Metro’s required procedures for monitoring Vendor costs.

	<b>Response</b>	<b>Result</b>
4a	Interviewed key Metro employees and Vendor representatives to: <ul style="list-style-type: none"> <li>• Evaluate the commitment level for ordering goods/services.</li> <li>• Verify that goods and/or services were received in the ordered quantities.</li> <li>• Evaluate supervision of Vendors.</li> </ul>	Procedures completed with no identified concerns.
4b	Obtained monthly requisition reports and identified the four months with the highest billed amounts during the AUP period and reviewed the expenditures charged to assess whether: <ul style="list-style-type: none"> <li>• Payment was made from an original invoice, not a copy or statement.</li> <li>• Invoice extensions and footings were verified by Metro personnel.</li> <li>• Prices for goods and/or services agreed to contract terms or price lists.</li> <li>• Receiving report was received prior to payment.</li> <li>• Purchase of material and/or services were made with a purchase order, if required.</li> <li>• All applicable discounts were taken.</li> <li>• A comparison of other invoices was made to prevent duplicate payments.</li> <li>• Approval of invoice was in accordance with delegated authority limits, and occurred after a careful review of invoice terms.</li> </ul>	July 2016, April 2017, September 2017, and May 2018 were selected for testing. A total of 157 invoices were tested. Documentation was present, except as follows: <ul style="list-style-type: none"> <li>• 114 of the 157 reviewed invoices did not contain a sign-off authorization from the Metro department project manager.</li> <li>• One invoice included billed hourly rates that did not agree with the contract terms or price lists.</li> <li>• For two invoices, the Receiving Transactions Register report was received after the payment.</li> </ul>

## 5. Vendor Labor Charges

### Procedure:

- a. Determine whether the billed labor hours by the Vendor were accurate and reasonable.
- b. Determine whether the billed labor rates were in accordance with the agreed-upon rates.

	Response	Result
5a	<p>Identified the four months with the highest billed amounts during the review period (July 2016 to February 2019).</p> <ul style="list-style-type: none"> <li>• One of the initially selected months was July 2016. However, we replaced this month with September 2018 because the labor hours billed in the July 2016 invoices incurred prior to our review period. As a result, the four months selected for the labor charge testing included: April 2017, September 2017, May 2018, and September 2018.</li> </ul> <p>Reviewed all invoices from these four months for labor charge testing.</p>	<p>We sampled and reviewed 23 invoices for labor charge testing.</p> <p>Procedures completed with no identified discrepancies.</p>
5b	<p>Obtained copies of the 23 invoices containing billed labor hours from the four months selected for testing, including timesheets for the invoice month and two months prior.</p>	<p>One invoice could only be partially tested because it contained labor hours from up to seven months prior. Additional timesheets were requested but not received.</p>
5c	<p>Traced hours charged to the Metro on each of the selected Vendor's invoices to the Vendor's timesheets.</p> <p>Traced labor billings by Vendor employees to the payroll register to verify that actual labor costs were incurred.</p>	<p>Every invoice we tested contained billed hours that could not be tied to timesheets.</p> <p>Five individuals' timesheets were not provided.</p>
5d	<p>Verified that employees' work rates as billed on the invoice matched the work classifications and rates specified in the current agreement and/or rate schedule.</p>	<p>This procedure was performed for all 157 invoices selected for invoice testing (4b).</p> <p>Of the 157 reviewed invoices, one invoice had billed rates higher than the agreed-upon rates per the contract. We requested additional information regarding the difference in rates and we are awaiting a response.</p>
5e	<p>For labor burden charges, calculated that rates have been reasonable based on the Vendor's actual experience and that the rates have been applied to the correct base labor costs.</p>	<p>Procedures completed with no identified discrepancies.</p>
5f	<p>If applicable, conduct equipment/material charges testing.</p>	<p>N/A. Equipment/Material charges were not incurred within our sample months; therefore, testing was not applicable.</p>

**6. Vendor Subcontractor Charges**

Procedure:

- a. Determine that all subcontractor work under Vendor contracts during the period was approved by an authorized company representative, acting within his/her authority.
- b. Determine whether subcontractor billings are properly supported, detailed descriptively, and within agreed-upon terms.

	<b>Response</b>	<b>Result</b>
6a	Reviewed a four-month period of Vendor invoices charged to Metro contracts and dated July 1, 2016 through February 28, 2019. Verified whether Vendor project manager sign-offs were on subcontractor invoices.	38 out of 157 reviewed invoices had subcontractor charges.  18 of those 38 invoices did not have a Vendor project manager sign-off for some or all of the submitted subcontractor invoices.
6b	Traced all invoices to corresponding payment by the Vendor. Verified whether rates as billed on the invoice matched the rates specified in the rate schedule.	Individual rates were not listed in the contract agreement for 10 of the 38 invoices reviewed.  3 of the 38 invoices billed subcontractor rates that did not agree with the agreed upon rate schedules for the contract.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on contracted Vendor services by the Vendor. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Metro, and is not intended to be, and should not be, used by anyone other than this specified party.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
February 3, 2020

### 3.0 OBSERVATIONS AND RECOMMENDATIONS

This section details the assessment observations made during the agreed upon procedures engagement and provides recommendations to help remediate the identified risks:

1) Vendor Contract Administration

Observation	The basis for selecting a bid was not documented adequately for all four reviewed contracts.  One contract was amended three times and the basis for approving those amendments was not adequately documented.
Possible Business Impact	Potential award of contracts to an unqualified Vendor.
Recommendation	Recommend improvements to Metro Procurement’s procedures to help ensure the justification of award is included for all future bids/contract amendments.
Management Response	See Appendix D items B.1, B.2, and B.3

Observation	Three of the four reviewed contracts did not have support pertaining to the award and acceptance of the bid.
Possible Business Impact	Potential award of contracts to an unqualified Vendor.
Recommendation	Recommend improvements to Metro Procurement’s procedures to help ensure all documentation relating to procurement of a contract is included for future contracts.
Management Response	See Appendix D items B.1, B.2, and B.3



## 2) Control of Vendor Costs

Observation	<p>We reviewed 157 invoices for invoice testing; 114 out of the 157 did not have a Metro department project manager sign-off authorization.</p> <ul style="list-style-type: none"> <li>• 90 Parks Department invoices.</li> <li>• 19 Public Works Department invoices.</li> <li>• 5 Water Department invoices.</li> </ul> <p>The Vendor indicated that some departments requested invoices be submitted electronically and all signatures and approvals occur within Metro Payment Services (MPS). We did not verify this.</p>
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend stronger controls be implemented across departments to minimize the risk of unauthorized or erroneous payments to Vendors. We recommend that the Metro standardize invoice approval procedures across departments where possible.
Management Response	See Appendix D item C.2
Observation	One of the 157 reviewed invoices had prices for services charged that did not agree with the contract terms or price lists. In the invoice, one role was billed at a higher rate than indicated in the agreed upon price list. Additional clarification was requested from the Vendor, but it has not been received.
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend stronger controls be implemented across departments to minimize the risk of erroneous payments to Vendors. We recommend that the Metro implement formal invoice approval procedures to help ensure rate change requests by Vendors and approvals by the Metro are documented prior to payment being made.
Management Response	See Appendix D item C.2
Observation	Progress reports were not attached to 10 of the 157 reviewed invoices. The contracts indicate the Vendor must keep the Metro up-to-date on the progress of the project; however, there is no clear language about the form, contents, or frequency of written progress reports. The Vendor attested that it did not provide progress reports when it was not required to do so.
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend stronger controls be implemented across departments to minimize the risk of erroneous payments to Vendors. We recommend that the Metro implement a standardized invoice template across departments and projects that requires certain information to be included—such as progress reports—in a consistent format.
Management Response	See Appendix D item C.2
Observation	For two invoices, the date the transaction posted was after the general ledger date on the Receiving Transactions Register report pulled from iProcurement.
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.



Recommendation	Recommend stronger controls be implemented across departments to minimize the risk of erroneous payments to Vendors. We recommend that the Metro implement formal invoice approval procedures to help ensure each invoice is reviewed and approved by a designated representative before the payment is made.
Management Response	See Appendix D item C.2

### 3) Vendor Labor Charges

Observation	We sampled and reviewed 23 invoices for labor charge testing. One invoice could only be partially tested because it contained hours from up to seven months prior. Additional timesheets were requested but not received.
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	We recommend that the Metro include language in each contract that specifies a reasonable timeframe for Vendor billing to avoid payment for labor hours that occurred long time ago and thus unverifiable.
Management Response	See Appendix D item C.4

Observation	<p>Every invoice we tested contained some billed hours that could not be tied to timesheets. This was mainly caused by three factors:</p> <ol style="list-style-type: none"> <li>1. Timesheet was missing in the PDF file we received from the Vendor</li> <li>2. The billed hours did not appear in the existing timesheet</li> <li>3. Project number(s) in the timesheet did not match the invoiced project number.</li> </ol> <p>Table below shows the total number of billed hours and billed amount that we were not able to verify due to one of the factors above.</p> <table border="1" data-bbox="479 1207 1416 1344"> <thead> <tr> <th>Factor</th> <th>Total billed hours</th> <th>Total billed amount</th> </tr> </thead> <tbody> <tr> <td>Timesheet Missing</td> <td>1,469.25</td> <td>\$139,332.71</td> </tr> <tr> <td>Billed Hours Not Included</td> <td>21.00</td> <td>\$1,819.00</td> </tr> <tr> <td>Billed to Incorrect Project</td> <td>43.50</td> <td>\$4,444.50</td> </tr> </tbody> </table> <p>In addition, no timesheet support was provided for the following five Vendor employees:</p> <table border="1" data-bbox="479 1459 1416 1663"> <thead> <tr> <th>Name</th> <th>Total billed hours</th> <th>Total billed amount</th> </tr> </thead> <tbody> <tr> <td>Chad Collier</td> <td>460.00</td> <td>\$88,275.00</td> </tr> <tr> <td>Ben Collier</td> <td>526.10</td> <td>\$78,914.00</td> </tr> <tr> <td>Chris Collier</td> <td>275.25</td> <td>\$21,383.75</td> </tr> <tr> <td>Benny Word</td> <td>366.00</td> <td>\$54,900.00</td> </tr> <tr> <td>Marty Szeigis</td> <td>213.50</td> <td>\$32,062.50</td> </tr> </tbody> </table> <p>We requested additional information regarding how these employees' billed hours were being tracked. A response was provided by Collier with information from their billing system; however, this was not adequate to match time billed on invoices to what was input on timesheets.</p>	Factor	Total billed hours	Total billed amount	Timesheet Missing	1,469.25	\$139,332.71	Billed Hours Not Included	21.00	\$1,819.00	Billed to Incorrect Project	43.50	\$4,444.50	Name	Total billed hours	Total billed amount	Chad Collier	460.00	\$88,275.00	Ben Collier	526.10	\$78,914.00	Chris Collier	275.25	\$21,383.75	Benny Word	366.00	\$54,900.00	Marty Szeigis	213.50	\$32,062.50
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Marty Szeigis	213.50	\$32,062.50																													

Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend that Metro implement a process where invoices and their corresponding Vendor timesheets are spot checked occasionally for accuracy. This will help ensure that hours billed on invoices are accurate based on what was actually performed by the Vendor. We recommend that a random sample is pulled periodically and timesheets are requested from the Vendor so a complete analysis can be performed.
Management Response	See Appendix D item C.5

Observation	One invoice included billed hourly rates that were higher than the agreed-upon rate schedule in the contract. The Vendor has not provided a reason for this discrepancy.
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend stronger controls be implemented across departments to minimize the risk of erroneous payments to Vendors. We recommend that the Metro implement formal invoice approval procedures to help ensure rate change requests by Vendors and approvals by the Metro are documented prior to payment being made.
Management Response	See Appendix D item C.2

#### 4) Vendor Subcontractor Charges

Observation	18 of the 157 reviewed invoices did not have Vendor project manager sign-offs for some or all of the submitted subcontractor invoices. The contracts for the 18 invoices do not explicitly state that Vendor sign-offs are required on subcontractor invoices. The Vendor indicated that, while the sign-offs occur most of the time, they are not always required, and the requirement can vary from project to project. The Vendor also indicated the sign-offs could occur electronically in MPS rather than on the invoice itself.
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend stronger controls be implemented to minimize the risk of erroneous payments to Vendors. We recommend that the Metro implement formal invoice approval procedures to help ensure the Vendor project manager has reviewed and signed off on the invoice prior to its submission.
Management Response	See Appendix D item C.2

The Metro has an opportunity to enhance the overall Vendor procuring, invoicing, and monitoring process by considering the following:

1. Improving controls to better track and retain information supporting the entire cycle of contract procurement.
2. Implementing controls to document rate change requests from Vendors and approvals by the Metro.
3. Implementing stronger controls, consistent across departments, for processing invoices to minimize the risk of unauthorized or erroneous payments.

## APPENDIX A: PROCEDURES PERFORMED

### Overview

The plan below encompasses the agreed-upon procedures specified by the Metro OIA for the engagement. BerryDunn created a spreadsheet to document the completion of each AUP activity and the actions taken to evaluate compliance.

### Planning

#### A. Vendor Information

1. Perform a background review of the Vendor and prepare a Vendor Audit Check List Report which outlines the significant facts developed during the review (See B. below).

#### B. Vendor Audit Check List Report

1. See BerryDunn's AUP matrix detailing the Vendor Audit Check List.

#### C. Metropolitan Nashville Government Records Search

1. Obtain fully executed copies of Vendor Profiles, Contracts/Agreements including subsequent revisions and or amendments. Be sure to obtain copies of referenced schedules, procurement solicitation, Vendor's response to the solicitation, attachments, price lists, etc., prepare standard contract briefs on all agreements. Review Web Extender and iProcurement to identify contracts/agreements with the Vendor.
2. Obtain and review copies of the purchase orders released against the contract(s) using iProcurement Contract Status Report and order inquiry. Be sure to note any requisition attachments for the related purchase order. You can obtain a listing of purchase/delivery orders against a contract agreement using the iProcurement report Contract Status Report using the contract number as the purchase order agreement parameter.
3. Obtain and review copies of paid Vendor invoices and supporting documentation. Run and export the JD Edwards Vendor Ledger Inquiry – Supplier Ledger Inquiry for the AUP period to identify payments and supporting documentations. Determine if any payments were direct paid vouchers by searching for a null value in the purchase order field.
4. Determine which Metropolitan Nashville Government employees and consultants deal with the Vendor. Prepare a Watch List of these individuals requesting material or services, approving invoices for payment, etc. Use the JD Edwards Workforce Management > Benefits Administration > Daily Processing> Dependent/Beneficiary by Employee – Dependents/Beneficiaries by EE inquiry to identify employees' dependents to add to the Watch List.
5. Obtain a copy of fully executed Certificate of Insurance that should be on file with the Finance Department Purchasing Division. Verify that levels of coverage are as agreed in the contracts /agreements. Obtain written confirmation from the insurance carrier that coverages are in force for the prescribed time period, and that the Metropolitan Nashville Government is named as a party-of-interest.

#### D. External Public Information Records Search

1. Obtain a LexisNexis Accurint Comprehensive Business Report on Vendor and all affiliated companies. Review the officers/owners listed and compare to and update industry and individual Watch List.
2. Review Secretary of State records and add new information to the individual Watch List.
3. Use LexisNexis Accurint, local court, and PACER U.S. Courts to identify records for filings (suits, etc.).
4. Review the U.S. Government System for Award Management ([www.sam.gov](http://www.sam.gov)) to determine if the Vendor has any exclusions (suspension or debarment) from receipt of federal government contract awards.
5. Review the State of Tennessee Debarred Vendor List from the Tennessee Department of General Services Procurement Information Internet site to determine if the Vendor has any exclusions (suspension or debarment) from receipt of State of Tennessee contract awards.

### Fieldwork

#### E. Interviews

1. Schedule interviews with Metropolitan Nashville Government employees and Vendor representatives that are involved with the Metropolitan Nashville Government contracts.
2. The purposes of interviews with the Vendor representatives and Metropolitan Nashville Government employees are:
  - a. To explain the purpose of the AUP:
    - i. Metropolitan Nashville Government written employee ethics, conflicts of interest, acceptance of gifts, and standards of conduct policies should be given to the Vendor. This AUP is an effort to ensure there are no conflicts of interests between Metropolitan Nashville Government employees and third-party individuals, as defined in the Metropolitan Nashville Government employee ethics, conflicts of interest, acceptance of gifts, and standards of conduct policies. These would include gifts and excessive entertainment and other business ventures between Metropolitan Nashville Government employees and Vendor representatives.
  - b. Seek input from Vendor representatives:
    - i. Operational problems.
    - ii. Problems with Metropolitan Nashville Government employees.
    - iii. Scheduling or capacity to perform tasks.
    - iv. Determine if the Vendor has a personal or company ownership in any other business.
    - v. Determine officers and owners of Vendor's business.
    - vi. Determine if there are any undisclosed owners of Vendor's business.
  - c. Obtain information related to potential non-compliance with the Metropolitan Nashville Government's employee ethics in purchasing, employee ethics, conflicts of interest, acceptance of gifts, or standards of conduct policies between Metropolitan Nashville Government employees and Vendor representatives.
    - i. Interview key Metropolitan Nashville Government employees and Vendor representatives to identify if they have knowledge of any meals, entertainment, gifts, conflicts of interest, etc.

- ii. Obtain written assertions from key Metropolitan Nashville Government employees and Vendor representatives to identify if they have knowledge of any meals, entertainment, gifts, conflicts of interest, etc., using the appropriate (Vendor versus Metropolitan Nashville Government employee) Ethics, Conflicts Of Interest, and Gifts and Entertainment Assertions Letter.

F. Metropolitan Nashville Government Vendor Contract Administration

1. Determine compliance with Metropolitan Nashville Government Procurement Code and Regulations concerning the competitive purchase of goods and/or services as evidenced by:
  - a. Invitation to bid list to Vendors that appear on the pre-approved Vendor listing.
  - b. Procedures for handling of returned invitations to bid.
  - c. Documentation of bid openings.
  - d. Bid analysis and basis for selecting bid is adequately documented.
  - e. Award and acceptance of bids.
  - f. For goods and services where competitive bids were not solicited, determine each of the following:
    - i. Why bids were not obtained
    - ii. Vendors contacted and their response
    - iii. Justification for selecting a sole supplier
  - g. Determine that written executed contracts were obtained from the Vendor selected to provide goods and/or services and that contract approval was by management having sufficient authority.
  - h. Verify that the contractor has complied with any non-financial terms of the contract such as:
    - i. Proof of insurance
    - ii. Providing progress reports if required
    - iii. Other terms of contract
    - iv. If a written executed contract was not required, has a price list been obtained for the purpose of monitoring Vendor costs?

G. Metropolitan Nashville Government Vendor Monitoring Activity

1. For the contracts reviewed determine:
  - a. Whether a Metropolitan Nashville Government employee or consultant monitored the operations and/or Vendor activity.
  - b. What inspections were made by Metropolitan Nashville Government employees of the goods/services performed by the Vendor.
  - c. Who monitors the Vendor daily activity related to the contract.

H. Metropolitan Nashville Government Control of Vendor Costs

1. Determine the adequacy of Metropolitan Nashville Government procedures for monitoring Vendor costs by evaluating each of the following:
  - a. Commitment level for ordering goods/services.
  - b. Verification that the goods and/or services were received in the ordered quantities.
  - c. Supervision of Vendors.

- d. From the invoice sample selected, review the expenditures charged and determine:
  - i. Payment was made from an original invoice, not a copy or statement.
  - ii. Invoice extensions and footings were verified by Metropolitan Nashville Government personnel.
  - iii. Prices for goods and/or services agreed to contract terms or price lists.
  - iv. Receiving report was received prior to payment.
  - v. Purchase of material and/or services were made with a purchase order, if required.
  - vi. All applicable discounts were taken.
  - vii. A comparison of other invoices was made to prevent duplicate payments.
  - viii. Approval of invoice was in accordance with delegated authority limits, and was approved after a careful review of invoice terms.
2. Vendor Charges
  - a. Schedule or obtain electronic files for a random sample of four (4) complete months of labor, material, equipment, and subcontractor charges.
  - b. Labor Charges.
    - i. Trace hours charged to Metropolitan Nashville Government on the Vendor's invoice to the Vendor's time sheets.
    - ii. Verify employees' work classification as billed on the invoice and agree rates charged to the current agreed-upon rate schedule.
    - iii. Trace labor billings by employee to the payroll register to verify that actual labor costs were incurred.
    - iv. If applicable, for labor burden charges, calculated that rates have been reasonable based on Vendor's actual experience and that the rates have been applied to the correct base labor costs.

**Modification made:** *We combined subsection i and subsection iii. Since Vendor employees are paid on a salary basis, we would not be able to trace billed hours to the payroll register. However, we were able to trace billed hours to their time entries.*

*The sample selected for labor testing was a subsection of the invoices reviewed as a part of the invoice review. This is due to the fact that all timesheets provided by the Vendor were in PDF format which made analysis manual and time-consuming. Twenty-four invoices were selected for more detailed labor testing across the four months selected for invoice review. The labor testing sample was based off the highest amounts billed in each month while also trying to review at least one invoice from every contract under this AUP.*

*For subsection iv, we provided high-level reviews of Vendor-provided experience and certification descriptions for each individual with billed hours in the invoices we reviewed for labor testing. We assessed if the individual's project role and billed rate were reasonable based on their company title, educational background, years of relevant experience, and professional certifications, if any. Our approach was agreed upon by the Metro OIA.*

- c. Equipment/Material Charges (If applicable).
  - i. Determine that equipment/material used is reasonable for the type of work being performed.
  - ii. Compare equipment time billed to labor hours worked. This procedure can lead to possible findings in excessive equipment time billed. Determine how down-time is handled (e.g. prorated, etc.) industry average monthly equipment rental rate is based on 176 hours/month.
  - iii. Trace all equipment rates billed to current agreed-upon rate schedules.
  - iv. Determine that third-party equipment rental or material is supported by a detailed descriptively listed Vendor's invoice. Trace all invoices to the corresponding cancelled check/payment. Inquire about any rebates or discounts related to equipment rental or material purchases.
- d. Subcontractor's Charges (If applicable).
  - i. Determine that all subcontractor work is approved by an authorized company representative, acting within his/her authority.
  - ii. Determine whether subcontractor billings are properly supported by detailed descriptively listed invoice and are within agreed-upon terms. Trace all invoices to the corresponding cancelled check/payment. Inquire with the subcontractor about any rebates or payments back to the Vendor.

**Modification made:** *For subsection ii, we tested whether subcontractor billings followed agreed-upon terms. Upon further discussion with the Metro OIA, it was agreed that the work we performed thus far was sufficient for testing of subcontractor charges, and that tracing invoices to the corresponding cancelled check/payment, and inquiring about rebates or payments back to the Vendor, would not be necessary.*

- iii. Determine that lien waivers were obtained from all subcontractors prior to the release of final payment. Ensure that copies of all waivers were forwarded to the appropriate company personnel.

**Modification made:** *Upon discussion with the Metro OIA, it was agreed that the work we performed thus far was sufficient for testing of subcontractor charges, and section iii would not be necessary.*

- I. Review of Vendor's General Business Records
  - a. Examine employee records.
    - i. Review Vendor payroll records (W-4, Tennessee Department of Labor and Workforce Development Wage Report, etc.) for potential conflicts of interests with Metropolitan Nashville Government employees on Watch List (i.e., company employees and relatives.)

**Modification made:** *BerryDunn could not gain access to the databases needed for this testing because the databases are restricted to state employees. Upon discussion with the Metro OIA, it was agreed that this examination would not be necessary.*

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## Reporting

- A. Prepare a preliminary report draft listing all significant observations and recommendations.
- B. Cross -reference the draft report to supporting work papers.
- C. An experienced auditor not involved in the engagement should verify the cross-reference report to the supporting work papers.
- D. Review the draft report with Metropolitan Nashville Government Office of Internal Audit management, Metropolitan Nashville Government management, and Vendor management as necessary.

## APPENDIX B: INTERVIEWS AND CONTRACTS

The table below shows the active contracts in place between Collier Engineering Inc. and Metropolitan Nashville Government during the review period from July 1, 2016 through February 28, 2019, and the representatives identified for interview.

Contracts	Responsible Metro Department	Metro Representatives			Collier Engineering Inc. Representatives		
		Name	Project Role	Interviewed Date	Name	Project Role	Interviewed Date
343097	Parks Project Management Services (Parks)	Terri Troup (Procurement)	Contract Buyer	6/12/2019	Michael Pavin	Senior Project Manager	6/10/2019
		Cindy Harrison	Director of the Greenways and Open Space Division  Evaluation Committee	6/12/2019			
		Monique Odam	Director of Parks  Evaluation Committee	6/12/2019			
		Rick Taylor	Assistant Director of Maintenance Division	6/12/2019			
		Tim Netsch	Assistant Director for Planning and Facilities Development	6/12/2019			
		Jim Hester	Assistant Director of Natural Resources & Cultural Arts, Special Events  Evaluation Committee	6/12/2019			
		363266	Paving Program Management Services (Public Works)	Terri Troup (Procurement)	Contract Buyer	6/12/2019	Chad Collier
Amy Schuler	Finance Administrator	6/13/2019		Ben Collier	Senior Project Manager	6/10/2019	
Kristin Kumrow	Finance Manager	6/13/2019					
Donald Reid	Contract Project Manager  Evaluation Committee	6/13/2019					



		Andrew Smith	Project Manager	6/13/2019			
		Darrell Moore	Project manager	6/13/2019			
		Chip Knauf	Evaluation Committee	6/13/2019			
		Jeffrey Hammond	Assistant Director of Public Works	6/13/2019			
		Thomas Jones	Field Inspector for Contract PM	6/13/2019			
		Katrina Jones	Capital Project Manager	6/13/2019			
		Lindsay Taylor	Technical Specialist I	6/13/2019			
		Sharon Wahlstrom	Deputy Director of Public Works	6/13/2019			
		Phillip Jones	Evaluation Committee	6/13/2019			
374887	Storm Water Engineering Services-A&E (Water)	Genario Pittman (Procurement)	Contract Buyer	6/12/2019	Ben Collier	Senior Project Manager	6/10/2019
		Matthew Tays	Evaluation Committee	6/12/2019			
		Ricky Swift	Contract Project Manager Evaluation Committee	6/12/2019			
421433	Structural Testing, Special Inspection, and Geotechnical Services (General Services)	Genario Pittman (Procurement)	Contract Buyer	6/12/2019	Samuel Vance	Manager	6/10/2019
		Velvet Hunter	Assistant Director of General Services	6/12/2019			
		Ava Elsaghir	Contract Project Manager Evaluation Committee	6/12/2019			

In addition, we interviewed the following individuals to gain understanding of general project oversight practice.

Organization	Name	Title	Interviewed Date
Metro Procurement	Michelle Lane	Chief Procurement Officer	6/12/2019
Collier Engineering Inc.	Alita Clarke	Chief Financial Officer	6/13/2019

## APPENDIX C: VENDOR BACKGROUND

Collier Engineering Company Inc. is a privately-owned consulting engineering firm based in Nashville, Tennessee. Their expertise is in planning, designing, and managing of construction projects in the fields of transportation, construction management, civil design, and geographic information systems (GIS). They employ 27 full-time engineers, technicians, GIS specialists, inspectors, surveyors and support personnel.

## APPENDIX D: RECCOMENDATION MATRIX

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<b><i>Recommendations for management of the Metropolitan Finance Department to:</i></b>		
<b>A.1</b> We recommend that management revisit responses to the 2018 internal audit, review management responses, and develop a timeline to implement the responses to audit findings. <b>(Not related to the Collier review)</b>	<b>Accept</b> – A timeline for the implementation of the Internal Audit recommendations is in place and has been previously shared with the Audit Committee. Implementation of the recommendations is ongoing and consistent with the established implementation timeline reported to Internal Audit.	
<b>B.1</b> We recommend the all procurement records should be stored within iProcurement on a go-forward basis.	<b>Accept</b> – Effective July 2017, the Purchasing Division began to include all procurement documents in the iProcurement System.	
<b>B.2</b> We recommend, in accordance with Metropolitan Nashville Government Procurement Regulation 4.12.200 — Retention of Procurement records, only sole source and emergency records are required to be retained by the Purchasing Agent for a three-year period. We recommend expanding the policy to include all procurement records for a period deemed appropriate by Metro Nashville. Having a formalized policy in place will encourage appropriate procurement record retention and organization.	<b>Accept</b> – Contracts includes language that records would be maintained for three years after final payment, however all procurement documentation is maintained for seven years consistent with the current records retention and destruction policy of Metro.	



<p><b>B.3</b> We recommend the Purchasing Division should consider creating departmental procedures for periodic audits to confirm all procurement records are stored in iProcurement for a sample of contracts.</p>	<p><b>Accept</b> – The Purchasing Division in July 2017 established procedures to ensure that all procurement documents are included in the iProcurement System. The Purchasing Division developed a Divisional Self-Assessment process which includes, among other items, ensuring that all solicitation supporting documentation is consistently stored in the iProcurement System. An auditor was hired in November 2019 the would be dedicated to auditing procurement processes and processes and compliance with the rules and regulations.</p>	
<p><b>C.1</b> We recommend Metro Water Services should consider reducing the number of reviewers on an invoice by having the invoices reviewed by key project stakeholders and one MWS Finance Officer. Thresholds could be set to establish dollar amounts that require further approvals. All approvals should be documented electronically with the use of the approval workflow within EBS. Metro Payment Services can be removed from the process by having MWS Finance Department staff scan the invoice into EBS. One system should be established as the sole source for all invoicing processing and payment procedures. <b>(Not related to the Collier review)</b></p>	<p><b>Accept</b> – Each review of invoices is purposeful and serves a different purpose checking previous work. The project managers are reviewing for contract task completion and general compliance, while the finance officers will provide quality assurance, reviewing rates, escalation, and other such allowable items. It is MWS’ opinion that this creates less likelihood for error and/or noncompliance.</p> <p>Invoices are entered into two systems. The Unifer System tracks invoices at the project level, allows for cash flow assessment, and assists in our budget management. Presently, EBS does not have that capability. The tracking between the two systems is linked via PO and invoice number so that errors can easily be identified.</p> <p>MWS welcomes the ability to scan documents into EBS. This would reduce much effort and room for error on the part of both departments. To our knowledge, Metro Payment Services has traditionally housed all invoice processing for all Metro Departments.</p> <p><b>Finance Comment:</b> All scanned documents load to the same system; Metro Finance supports MWS’ offer to scan directly to the “Scanned Docs”.</p>	<p>12/31/2019</p>



<p><b>C.2</b> We recommend all Metro Nashville Departments should record all approvals electronically, from both project managers and finance, in one system.</p>	<p><b>Partially Accept</b> – As noted in the audit observation, all Metro invoices are entered into a central financial management system for final approval and payment. Note that Metro has recently implemented a new financial management system (R12) in September 2019. The final approvals in R12 includes the appropriate departmental representatives.</p>	<p>12/31/2019</p>
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<p><b>C.3</b> We recommend document formalized policies and procedures on an efficient and consistent invoicing process. Policies should detail appropriate approvers, a system for all invoice data entry, and the use of Metro Payment Services in the invoicing process. Procedures should establish a step-by-step process on how to review invoices, enter the invoices in a designated system, and submit the invoice for approval and payment.</p>	<p><b>Accept</b> – As noted above, the system of record is EBS (soon to be upgraded to R12) and that is the only system through which Metro can make payments. All departmental personnel responsible for processing and approving invoices are trained by Finance.</p>	<p>12/31/2019</p>
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<p><b>C.4</b> We recommend Metro include language in each contract that specifies a reasonable time frame for Vendor billing to avoid payment for labor hours that occurred a long time ago and are thus unverifiable.</p>	<p><b>Accept:</b> Current Metro contracts includes language that states the specific timeframe for vendor invoicing.</p> <p><b>Department Specific Responses:</b>  <b>General Services:</b> General Services has made a request to our Vendors to use a template provided by us to submit their invoices for payment. Information in the template is included based on our approved SOW/PO. Also included are rates and budget category from contract so Vendor can only list the date of work, task completed, and number of hours. The sheet populates automatically based on the formula provided. Once the invoice is submitted for payment, our contract specialist reviews for compliance with contract terms and rates. If it is not correct, it is returned to the Vendor for correction. If it is correct, our contract specialist signs attached template and submits to project manager to confirm work has been completed as described in invoice. Once approval has been received from project manager, invoice is submitted to payment services for processing and payment.</p> <p><b>Parks:</b> I support the recommendation.</p> <p><b>Public Works:</b> Public Works Management agrees with this recommendation and will begin a process of periodic random reviews.</p> <p><b>Water:</b> Water Services Management agrees that timesheets should be checked for accuracy and consistency with work performed. MWS presently requires project managers to review invoices and verify accuracy of work performed and then send it to business and finance where the invoice is reviewed for contract compliance and general accuracy.</p>	<p>12/31/2019</p>
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	Vendors also complete the prescribed Excel worksheet so that time is crosschecked with timesheets coming from Vendor systems.	
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<p><b>C.5</b> We recommend Metro implement a process where invoices and their corresponding vendor timesheets are spot checked occasionally for accuracy. This will help ensure that hours billed on invoices are accurate based on what was actually performed by the Vendor. We recommend that a random sample is pulled periodically and timesheets are requested from the Vendor so a complete analysis can be performed.</p>	<p><b>Partially Accept:</b> Currently there is review by engineers and other technical staff that manage the various projects to check the accuracy of the billing at the department level prior to the invoices being sent to Metro Payment Services. Metro has hired a Procurement Accountability auditor that will periodically sample and test A&amp;E invoices randomly.</p>	<p>12/31/2019</p>
<p><b>D.1</b> We recommend Metro Nashville Purchasing and Contract should perform a review of the Metro Nashville Procurement Code to identify sections of the code that are out of date and develop updates to the code. <b>(Not related to the Collier review)</b></p>	<p><b>Accept</b> – At its last regularly scheduled meeting on May 30, 2019, the Procurement Standards Board approved staff action to present a modification to R4.08.080.01.B specific to the selection process outlined for Architects and Engineers. The recommended action was to modify the Regulations to mirror current practice. The proposed change to the Procurement Regulations will be presented for consideration and adoption at the next regularly scheduled meeting of the Procurement Standards Board, currently scheduled for February 2020.</p>	<p>2/29/2020</p>
<p><b>D.2</b> We recommend Metro Nashville Purchasing and Contract should document criteria and selection methodology of the Evaluation Committee. <b>(Not related to the Collier review)</b></p>	<p><b>Accept</b> – At its last regularly scheduled meeting on May 30, 2019, the Procurement Standards Board approved staff action to present a modification to R4.08.080.01.B specific to the selection process outlined for Architects and Engineers. The recommended action was to modify the Regulations to mirror current practice. The proposed change to the Procurement Regulations will be presented for consideration and adoption at the next regularly scheduled meeting of the Procurement Standards Board, currently scheduled for February 2020.</p>	<p>2/29/2020</p>

## **APPENDIX B – Report on Gresham Smith and Partners from BerryDunn**

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BerryDunn was hired to perform agreed-upon procedures with this engagement. The firm issued a report to the Office of Internal Audit with details on objectives, methodology, observations, and recommendations. The report begins on the next page.

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# Metropolitan Government of Nashville and Davidson County



## Independent Accountant's Report on Applying Agreed-Upon Procedures

Vendor Contract AUP – Gresham

**Prepared for:**  
Metropolitan Nashville Office of Internal Audit  
404 James Robertson Parkway, Suite 190  
Nashville, TN 37219

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**Metropolitan Government of Nashville and Davidson County**

**Independent Accountant’s Report on  
Applying Agreed-Upon Procedures  
Contracted Vendor Services by Gresham**

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## 1.0 EXECUTIVE SUMMARY

### A. Project Overview

BerryDunn applied agreed-upon procedures (AUP) on risk areas concerning procurement and compliance with policy, related to contracts between the Metropolitan Government of Nashville and Davidson County (Metro) and Gresham Smith (the Vendor).

### B. Objectives

The primary objective for the AUPs identified by Metro was to evaluate the design and effectiveness of internal controls related to contracted services between the Vendor and Metro. Areas of emphasis included:

- Vendor selection process;
- Vendor charges;
- Contract monitoring plan;
- Compliance with the Metro's policies and procedures; and
- Compliance with laws and regulations.

### C. Risks

The following inherent risks associated with Vendor contract procurement, invoicing, and monitoring were identified and considered by Metro in the AUP:

- Inherent risk of potential conflicts of interest between Metro employees and Vendor representatives
- Inherent risk of contracts not procured competitively
- Inherent risk of ineffective contract monitoring policies and procedures
- Inherent risk of Vendor charges not aligned with applicable agreements

### D. Scope and Procedures

The scope of the engagement was for the period July 1, 2016 through February 28, 2019. In order to achieve Metro's AUP objectives, BerryDunn performed the following procedures:

- Interviewed key personnel (Refer to Appendix B for list);
- Reviewed all seven contracts between the Metro and the Vendor during the review period. (Refer to Appendix B for list);
- Reviewed applicable laws and regulations identified as applicable by Metro;
- Gained an understanding of processes and controls in place during the AUP period; and
- Performed labor and invoice testing on sample transactions selected from four different months during the AUP period.

Refer to Appendix A for a detailed description of procedures performed.

## 2.0 INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

See the following pages for the Independent Accountant's Report on Applying Agreed-Upon Procedures.

# INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Metropolitan Nashville Audit Committee  
Mr. Brackney Reed, Chairman

We have performed the procedures enumerated below, which were agreed to by Metropolitan Nashville Office of Internal Audit (Metro), on making inquiries and observing specified attributes related to contracts between the Metro and Gresham Smith (Vendor) in place during the period July 1, 2016 through February 28, 2019.

The sufficiency of these procedures is solely the responsibility of the Metro. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures (including responses) and associated findings (results) are as follows:

## 1. Interviews

Procedure:

Identify key Metro employees and Vendor representatives involved with contracts during the period and conduct interviews to:

- a. Explain the purpose of the AUP.
- b. Seek input from Vendor representatives.
- c. Obtain information related to potential non-compliance with the Metro's employee ethics, conflicts of interest, acceptance of gifts, or standards of conduct policies between Metro employees and Vendor representatives.

	Response	Result
1a	Communicated with Metro to identify key Metro employees who are or were involved with the contracts at any point from procurement through completion, including Metro evaluation committee members.	<p>List obtained with no identified concerns.</p> <p>Interview list consisted of the following:</p> <p>Metro employees:</p> <p>Ben Adewuyi Bradley Wall Darrell Moore Doug Kinsey Genario Pitman Heather Crabtree Jennifer Knauf John Wonderly Justin Bowling Katrina Jones Laurel Creech Michelle Lane Rick Fussell Ron Taylor Terri Troup</p>

		<p>Interview list consisted of the following Gresham employees:</p> <p>Akeem Turner  Brian Donlon  Diane Regensburg  Don Williams  Dwayne West  Jeffrey Kuhnhenh  Jessica Lucyshyn  Joe Whitson  John Horst  John Reidy  Ken Baker  Lauren Seydewitz  Michael Flatt  Rebecca Clay  Rodney Chester</p>
1b	Scheduled and conducted interviews with identified key Metro employees and Vendor representatives to inquire whether they have knowledge of unethical practices, conflicts of interest, acceptances of gifts or behaviors considered in violation of Metro’s employee ethics, conflict of interest, acceptance of gifts, and standards of conduct policies (Metro policies).	Interviews of all individuals identified were completed. No policy violations noted.
1c	<p>Inquired with Vendor representatives regarding any knowledge of:</p> <ul style="list-style-type: none"> <li>• Operational problems.</li> <li>• Problems with Metro employees.</li> <li>• Scheduling or capacity issues to perform tasks.</li> <li>• Any personal or company ownership in any other business.</li> <li>• Inquired of Vendor representatives regarding who the officers and owners of the Vendor are.</li> <li>• Any undisclosed owners of Vendor’s business.</li> </ul>	Inquiries made of all identified Vendor representatives; no identified concerns.
1d	Obtained written assertions from key Metro employees and Vendor representatives concerning compliance with Metro’s policies using the Conflict of Interest assertion letter provided by the Metro Office of Internal Audit (OIA).	Assertion letters were obtained from all identified key Metro employees and Vendor representatives; no non-compliance indicated in assertion responses.

**2. Metropolitan Nashville Government Vendor Contract Administration**

Procedure:

- a. Determine compliance with the Metropolitan Nashville Government Procurement Code and Regulations concerning the competitive purchase of goods and/or services through observation and inquiry as follows:

	<b>Response</b>	<b>Result</b>
2a	<p>Observed compliance concerning the competitive purchase of goods and/or services as evidenced by the following documentation for the nine contracts (and 12 related amendments) occurring during the period:</p> <ul style="list-style-type: none"> <li>• Obtained supplier invitation to bid lists for verification of Vendors that appeared on the pre-approved Vendor listings.</li> <li>• Obtained pre-bid sign-in sheets documenting bid opening.</li> <li>• Obtained evaluation summaries, justification of award to bid, and the mayor’s selection to document the bid analysis and evaluate if the basis for selecting the bid is adequately documented.</li> <li>• Obtained the letter of intent to bid, documenting the award and acceptance of the bid.</li> </ul>	<p>Documentation was present in the contract files except as follows:</p> <ul style="list-style-type: none"> <li>• One contract lacked proof of mayor’s selection.</li> <li>• Six contracts and five contract amendments lacked a documented justification of award to bid.</li> <li>• Four contracts lacked letters of intent to bid.</li> </ul>
2b	<p>Interviewed Metro Procurement employees regarding procedures for handling returned invitations to bid.</p>	<p>Responses from all Procurement employees interviewed indicated that when bids or proposals are rejected, or a solicitation cancelled after bids or proposals are received, the bids or proposals which have been opened shall be retained in the procurement file, or if unopened, returned to the bidders or offerors upon request, or otherwise disposed of.</p>
2c	<p>Verified that written executed contracts were obtained from the Vendor selected to provide goods and/or services. Evaluated whether contracts were approved by managers who had sufficient authority based on job title comparison to Metro Code and Regulations.</p>	<p>Procedures completed with no identified discrepancies.</p>
2d	<p>Verified that the Vendor has complied with any non-financial terms of the contract, such as:</p> <ul style="list-style-type: none"> <li>• Proof of insurance.</li> <li>• Providing progress reports if required.</li> <li>• Providing price listings.</li> <li>• Providing support for any other contract terms.</li> </ul>	<p>Procedures completed with no identified concerns.</p>

**3. Metropolitan Nashville Government Vendor Monitoring**

Procedure:

- a. Determine whether key Metro employees, or consultants if identified in contracts, adequately monitored the operations and/or Vendor activity.
- b. Determine what inspections were made by Metro employees of the goods/services performed by the Vendor.
- c. Determine who monitors the Vendor daily activity related to the contract.

	<b>Response</b>	<b>Result</b>
3a	Interviewed key Metro employees and Vendor representatives to evaluate each contract’s overall monitoring, daily activity monitoring, and inspections. <ul style="list-style-type: none"> <li>• Performed additional verification of Metro contract monitoring described in the procedures below.</li> </ul>	Procedures completed with no identified concerns.

**4. Metropolitan Nashville Government Control of Vendor Costs**

Procedure:

- a. Inquire and test a sample of transactions to evaluate adherence to Metro’s required procedures for monitoring Vendor costs.

	<b>Response</b>	<b>Result</b>
4a	Interviewed key Metro employees and Vendor representatives to: <ul style="list-style-type: none"> <li>• Evaluate the commitment level for ordering goods/services.</li> <li>• Verify that goods and/or services were received in the ordered quantities.</li> <li>• Evaluate supervision of Vendors.</li> </ul>	Procedures completed with no identified concerns.
4b	Obtained monthly requisition reports and identified the four months with the highest billed amounts during the AUP period and reviewed the expenditures charged to assess whether: <ul style="list-style-type: none"> <li>• Payment was made from an original invoice, not a copy or statement.</li> <li>• Invoice extensions and footings were verified by Metro personnel.</li> <li>• Prices for goods and/or services agreed with contract terms or price lists.</li> <li>• Receiving report was received prior to payment.</li> <li>• Purchase of material and/or services were made with a purchase order, if required.</li> <li>• All applicable discounts were taken.</li> <li>• A comparison of other invoices was made to prevent duplicate payments.</li> <li>• Approval of invoice was in accordance with delegated authority limits, and was approved after a careful review of invoice terms.</li> </ul>	July 2016, April 2017, September 2017, and May 2018 were selected for testing. A total of 24 invoices were tested. Documentation was present, except as follows: <ul style="list-style-type: none"> <li>• Eight invoices did not contain a sign-off authorization from the Metro department project manager.</li> <li>• Three invoices had prices for services charged that did not agree with the contract terms or price lists.</li> <li>• For one invoice, the receiving report was received after the payment.</li> </ul>

## 5. Vendor Labor Charges

Procedure:

- a. Determine whether the billed labor hours by the Vendor were accurate and reasonable.
- b. Determine whether the billed labor rates were in accordance with the agreed-upon rates.

	Response	Result
5a	<p>Identified the four months with the highest billed amounts during the review period (July 2016 to February 2019).</p> <ul style="list-style-type: none"> <li>• One of the initially selected months was July 2016. However, we replaced this month with September 2018 because the labor hours billed in the July 2016 invoices incurred prior to our review period. As a result, the four months selected for the labor charge testing included: April 2017, September 2017, May 2018, and September 2018.</li> </ul> <p>Reviewed all invoices from these four months for labor charge testing.</p>	<p>We sampled and reviewed 24 invoices for labor charge testing.</p> <p>Procedures completed with no identified discrepancies.</p>
5b	<p>Obtained copies of all invoices containing billed labor hours from the four months selected for testing, including timesheets for the invoice month and two months prior.</p>	<p>Procedures completed with no identified discrepancies.</p>
5c	<p>Traced hours charged to the Metro on each of the selected Vendor's invoices to the Vendor's timesheets.</p> <p>Traced labor billings by Vendor employee to the payroll register to verify that actual labor costs were incurred.</p>	<p>Fourteen invoices lacked summary and/or detailed billed hour information.</p>
5d	<p>Verified that Vendor employees' work rates as billed on the invoice matched the work classifications and rates specified in the current agreement and/or rate schedule.</p>	<p>Fourteen invoices lacked summary and/or detailed billed hour information.</p>
5e	<p>For labor burden charges, calculated that rates have been reasonable based on each Vendor employee's actual experience and that the rates have been applied to the correct base labor costs.</p>	<p>Fourteen invoices lacked summary and/or detailed billed hour information.</p>
5f	<p>If applicable, conduct equipment/material charges testing.</p>	<p>N/A. Equipment/Material charges were not incurred within our sample months; therefore, testing was not applicable.</p>

## 6. Vendor Subcontractor Charges

Procedure:

- a. Determine that all subcontractor work under Vendor contracts during the period was approved by an authorized company representative, acting within his/her authority.
- b. Determine whether subcontractor billings are properly supported, detailed descriptively, and within agreed-upon terms.

	Response	Result
6a	<p>Reviewed a four-month period of Vendor invoices charged to Metro contracts and dated July 1, 2016 through February 28, 2019. Verified whether Vendor project manager sign-offs were on subcontractor invoices.</p>	<p>Five of the twenty-two invoices tested did not have a Vendor project manager sign-off for some or all of the submitted subcontractor invoices.</p>
6b	<p>Traced all invoices to corresponding payment by the Vendor. Verified whether rates as billed on the invoice matched the rates specified in the rate schedule.</p>	<p>Procedures completed with no identified concerns.</p>

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on contracted Vendor services by the Vendor. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Metro, and is not intended to be, and should not be, used by anyone other than this specified party.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
February 3, 2020

## 3.0 OBSERVATIONS AND RECOMMENDATIONS

This section details the assessment observations made during the agreed upon procedures engagement and provides recommendations to help remediate the identified risks:

### 1) Vendor Contract Administration

Observation	The Metro was unable to provide documentation relating to the mayor’s Vendor selection for contract #19572. The Metro explained that the mayor’s Vendor selection documentation could not be located mainly because all documentation was paper-based prior to the implementation of iProcurement, and was not centrally stored.
Possible Business Impact	Potential award of contracts to an unqualified Vendor.
Recommendation	Recommend improvements to Metro Procurement’s procedures to help ensure documentation of the mayor’s selection is included for future bids. We recommend the Metro add original contract support into the system for contracts that were awarded prior to the implementation of iProcurement and are still active.
Management Response	See Appendix D items B.1, B.2, and B.3

Observation	The basis for selecting a bid was not documented adequately for six out of eight reviewed contracts, and the basis for approving an amendment was not documented adequately for 5 out of 12 reviewed contract amendments.
Possible Business Impact	Potential award of contracts to an unqualified Vendor.
Recommendation	Recommend improvements to Metro Procurement’s procedures to help ensure the justification of award to bid and amendment approval is included for all future solicitations/contract amendments.
Management Response	See Appendix D items B.1, B.2, and B.3

Observation	The award and acceptance of a bid was not documented adequately for four out of eight reviewed contracts.
Possible Business Impact	Potential award of contracts to an unqualified Vendor.
Recommendation	Recommend improvements to Metro Procurement’s procedures to help ensure all documentation relating to procurement of a contract is included for future contracts.
Management Response	See Appendix D items B.1, B.2, and B.3

2) Control of Vendor Costs

Observation	<p>Eight out of 22 reviewed invoices did not have a Metro department project manager sign-off authorization.</p> <ul style="list-style-type: none"> <li>• Four General Services Department invoices.</li> <li>• Three Public Works Department invoices.</li> <li>• One Water Department invoice.</li> </ul>
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend stronger controls be implemented across departments to minimize the risk of unauthorized or erroneous payments to Vendors. We recommend that the Metro standardize invoice approval procedures across departments where possible.
Management Response	See Appendix D item C.2

Observation	<p>Three out of 22 reviewed invoices had billed hourly rates that did not match contract terms or price lists.</p> <p>Invoice #0697162: One of the transportation engineers was billed for \$190/hour, instead of the agreed-upon transportation engineer rate of \$185/hour. The Vendor explained that this particular transportation engineer was brought in for a very specific task on the project after the contract was executed, and that his specialty was not factored into the original agreed-upon hourly rates. However, it is not clear if this individual's hourly rate was approved by the Metro prior to the submission of this invoice.</p> <p>Invoice #0697348: The rates on the invoice did not agree with the contract terms. The Vendor explained that the Metro had verbally acknowledged a rate increase. By contract, for non-management roles (original rates below \$200), hourly rates are allowed to be adjusted annually based on Employment Cost Index (ECI) changes as reported by the U.S. Bureau of Labor and Statistics. The Vendor provided documentation of the request for a rate adjustment for the period, as allowed per the agreement. However, because the Metro's practice has been to verbally acknowledge the allowed increase, there is no supporting document for the Metro's approval.</p> <p>Invoice #0717496: This invoice included a billed 0.25 hour at the \$200/hour project manager rate. The Vendor explained that the billed 0.25 hour was actually for a Principal/Director whose agreed-upon rate was \$200; however, it was incorrectly entered under the project manager invoice line. BerryDunn was able to verify that the individual who billed the 0.25 hour was a vice president.</p>
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend stronger controls be implemented across departments to minimize the risk of erroneous payments to Vendors. We recommend that the Metro implement formal invoice approval procedures to help ensure rate change requests by Vendors and approvals by the Metro are documented prior to payment being made.
Management Response	See Appendix D item C.2

Observation	For one invoice, the date the transaction posted was after the general ledger date on the Receiving Transactions Register report pulled from iProcurement.
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend stronger controls be implemented across departments to minimize the risk of erroneous payments to Vendors. We recommend that the Metro implement formal invoice approval procedures to help ensure each invoice is reviewed and approved by a designated representative before the payment is made.
Management Response	See Appendix D item C.2

### 3) Vendor Labor Charges

Observation	Fourteen out of 23 reviewed invoices for labor charges did not have summaries or detailed billed hour information.
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend stronger controls be implemented across departments to minimize the risk of erroneous payments to Vendors. We recommend that the Metro implement a standardized invoice template across departments and projects that require certain information to be included—such as labor hour summaries and details—in a consistent format.
Management Response	See Appendix D item C.2

### 4) Vendor Subcontractor Charges

Observation	Five out of 10 reviewed invoices did not have a Vendor project manager sign-off for some or all of the submitted subcontractor invoices.
Possible Business Impact	Potential unauthorized or erroneous payments to Vendors.
Recommendation	Recommend stronger controls be implemented to minimize the risk of erroneous payments to Vendors. We recommend that the Metro implement formal invoice approval procedures to help ensure the Vendor project manager has reviewed and signed off on the invoice prior to its submission.
Management Response	See Appendix D item C.2

The Metro has an opportunity to enhance the overall Vendor procurement, invoicing, and monitoring process by considering the following:

- 1) Improving controls to better track and retain information supporting the entire cycle of contract procurement.
- 2) Implementing procedures to document rate change requests from the Vendors and approvals by the Metro.
- 3) Implementing stronger controls, consistent across departments, for processing invoices to minimize the risk of unauthorized or erroneous payments.

## APPENDIX A: PROCEDURES PERFORMED

### Overview

The plan below encompasses the agreed-upon procedures specified by the Metro OIA for the engagement. BerryDunn created a spreadsheet to document the completion of each AUP activity and the actions taken to evaluate compliance.

### Planning

#### A. Vendor Information

1. Perform a background review of the Vendor and prepare a Vendor Audit Check List Report which outlines the significant facts developed during the review (See B. below).

#### B. Vendor Audit Check List Report

1. See BerryDunn's AUP matrix detailing the Vendor Audit Check List.

#### C. Metropolitan Nashville Government Records Search

1. Obtain fully executed copies of Vendor Profiles, Contracts/Agreements including subsequent revisions and or amendments. Be sure to obtain copies of referenced schedules, procurement solicitation, Vendor's response to the solicitation, attachments, price lists, etc., prepare standard contract briefs on all agreements. Review Web Extender and iProcurement to identify contracts/agreements with the Vendor.
2. Obtain and review copies of the purchase orders released against the contract(s) using iProcurement Contract Status Report and order inquiry. Be sure to note any requisition attachments for the related purchase order. You can obtain a listing of purchase/delivery orders against a contract agreement using the iProcurement report Contract Status Report using the contract number as the purchase order agreement parameter.
3. Obtain and review copies of paid Vendor invoices and supporting documentation. Run and export the JD Edwards Vendor Ledger Inquiry – Supplier Ledger Inquiry for the AUP period to identify payments and supporting documentations. Determine if any payments were direct paid vouchers by searching for a null value in the purchase order field.
4. Determine which Metropolitan Nashville Government employees and consultants deal with the Vendor. Prepare a Watch List of these individuals requesting materials or services, approving invoices for payment, etc. Use the JD Edwards Workforce Management > Benefits Administration > Daily Processing> Dependent/Beneficiary by Employee – Dependents/Beneficiaries by EE inquiry to identify employees' dependents to add to the Watch List.
5. Obtain a copy of fully executed Certificate of Insurance that should be on file with the Finance Department Purchasing Division. Verify that levels of coverage are as agreed in the contracts /agreements. Obtain written confirmation from the insurance carrier that coverages are in force for the prescribed time period, and that the Metropolitan Nashville Government is named as a party-of-interest.

#### D. External Public Information Records Search

1. Obtain a LexisNexis Accurint Comprehensive Business Report on Vendor and all affiliated companies. Review the officers/owners listed and compare to and update industry and individual Watch List.
2. Review Secretary of State records and add new information to the individual Watch List.
3. Use LexisNexis Accurint, local court, and PACER U.S. Courts to identify records for filings (suits, etc.).
4. Review the U.S. Government System for Award Management ([www.sam.gov](http://www.sam.gov)) to determine if the Vendor has any exclusions (suspension or debarment) from receipt of federal government contract awards.
5. Review the State of Tennessee Debarred Vendor List from the Tennessee Department of General Services Procurement Information Internet site to determine if the Vendor has any exclusions (suspension or debarment) from receipt of State of Tennessee contract awards.

### Fieldwork

#### E. Interviews

1. Schedule interviews with Metropolitan Nashville Government employees and Vendor representatives that are involved with the Metropolitan Nashville Government contracts.
2. The purposes of interviews with the Vendor representatives and Metropolitan Nashville Government employees are:
  - a. To explain the purpose of the AUP:
    - i. Metropolitan Nashville Government written employee ethics, conflicts of interest, acceptance of gifts, and standards of conduct policies should be given to the Vendor. This AUP is an effort to ensure there are no conflicts of interests between Metropolitan Nashville Government employees and third-party individuals, as defined in the Metropolitan Nashville Government employee ethics, conflicts of interest, acceptance of gifts, and standards of conduct policies. These would include gifts and excessive entertainment and other business ventures between Metropolitan Nashville Government employees and Vendor representatives.
  - b. Seek input from Vendor representatives:
    - i. Operational problems.
    - ii. Problems with Metropolitan Nashville Government employees.
    - iii. Scheduling or capacity to perform tasks.
    - iv. Determine if the Vendor has a personal or company ownership in any other business.
    - v. Determine officers and owners of Vendor's business.
    - vi. Determine if there are any undisclosed owners of Vendor's business.
  - c. Obtain information related to potential non-compliance with the Metropolitan Nashville Government's employee ethics in purchasing, employee ethics, conflicts of interest, acceptance of gifts, or standards of conduct policies between Metropolitan Nashville Government employees and Vendor representatives.
    - i. Interview key Metropolitan Nashville Government employees and Vendor representatives to identify if they have knowledge of any meals, entertainment, gifts, conflicts of interest, etc.

- ii. Obtain written assertions from key Metropolitan Nashville Government employees and Vendor representatives to identify if they have knowledge of any meals, entertainment, gifts, conflicts of interest, etc., using the appropriate (Vendor versus Metropolitan Nashville Government employee) Ethics, Conflicts Of Interest, and Gifts and Entertainment Assertions Letter.

F. Metropolitan Nashville Government Vendor Contract Administration

1. Determine compliance with Metropolitan Nashville Government Procurement Code and Regulations concerning the competitive purchase of goods and/or services as evidenced by:
  - a. Invitation to bid list to Vendors that appear on the pre-approved Vendor listing.
  - b. Procedures for handling of returned invitations to bid.
  - c. Documentation of bid openings.
  - d. Bid analysis and basis for selecting bid is adequately documented.
  - e. Award and acceptance of bids.
  - f. For goods and services where competitive bids were not solicited, determine each of the following:
    - i. Why bids were not obtained
    - ii. Vendors contacted and their response
    - iii. Justification for selecting a sole supplier
  - g. Determine that written executed contracts were obtained from the Vendor selected to provide goods and/or services and that contract approval was by management having sufficient authority.
  - h. Verify that the contractor has complied with any non-financial terms of the contract such as:
    - i. Proof of insurance
    - ii. Providing progress reports if required
    - iii. Other terms of contract
    - iv. If a written executed contract was not required, has a price list been obtained for the purpose of monitoring Vendor costs?

G. Metropolitan Nashville Government Vendor Monitoring Activity

1. For the contracts reviewed determine:
  - a. Whether a Metropolitan Nashville Government employee or consultant monitored the operations and/or Vendor activity.
  - b. What inspections were made by Metropolitan Nashville Government employees of the goods/services performed by the Vendor?
  - c. Who monitors the Vendor daily activity related to the contract?

H. Metropolitan Nashville Government Control of Vendor Costs

1. Determine the adequacy of Metropolitan Nashville Government procedures for monitoring Vendor costs by evaluating each of the following:
  - a. Commitment level for ordering goods/services.
  - b. Verification that the goods and/or services were received in the ordered quantities.
  - c. Supervision of Vendors.

- d. From the invoice sample selected, review the expenditures charged and determine:
  - i. Payment was made from an original invoice, not a copy or statement.
  - ii. Invoice extensions and footings were verified by Metropolitan Nashville Government personnel.
  - iii. Prices for goods and/or services agreed to contract terms or price lists.
  - iv. Receiving report was received prior to payment.
  - v. Purchase of material and/or services were made with a purchase order, if required.
  - vi. All applicable discounts were taken.
  - vii. A comparison of other invoices was made to prevent duplicate payments.
  - viii. Approval of invoice was in accordance with delegated authority limits, and was approved after a careful review of invoice terms.
2. Vendor Charges
  - a. Schedule or obtain electronic files for a random sample of four complete months of labor, material, equipment, and subcontractor charges.
  - b. Labor Charges.
    - i. Trace hours charged to Metropolitan Nashville Government on the Vendor's invoice to the Vendor's time sheets.
    - ii. Verify employees' work classification as billed on the invoice and agree rates charged to the current agreed-upon rate schedule.
    - iii. Trace labor billings by employee to the payroll register to verify that actual labor costs were incurred.
    - iv. If applicable, for labor burden charges, calculated that rates have been reasonable based on Vendor's actual experience and that the rates have been applied to the correct base labor costs.

Note: We combined subsection i and subsection iii. Since Vendor employees are paid on a salary basis, we would not be able to trace billed hours to the payroll register. However, we were able to trace billed hours to their time entries.

For subsection iv, we provided high-level reviews of Vendor-provided experience and certification descriptions for each individual with billed hours in the invoices we reviewed for labor testing. We assessed if the individual's project role and billed rate were reasonable based on their company title, educational background, years of relevant experience, and professional certifications, if any. Our approach was agreed upon by the Metro OIA.

- c. Equipment/Material Charges (If applicable).
  - i. Determine that equipment/material used is reasonable for the type of work being performed.
  - ii. Compare equipment time billed to labor hours worked. This procedure can lead to possible findings in excessive equipment time billed. Determine how down-time is handled (e.g., prorated, etc.) industry average monthly equipment rental rate is based on 176 hours/month.

- iii. Trace all equipment rates billed to current agreed-upon rate schedules.
- iv. Determine that third-party equipment rental or material is supported by a detailed descriptively listed Vendor's invoice. Trace all invoices to the corresponding cancelled check/payment. Inquire about any rebates or discounts related to equipment rental or material purchases.

Note: Equipment/Material charges were not incurred within our sample months; therefore, testing was not applicable.

- d. Subcontractor's Charges (If applicable).
  - i. Determine that all subcontractor work is approved by an authorized company representative, acting within his/her authority.
  - ii. Determine whether subcontractor billings are properly supported by detailed descriptively listed invoice and are within agreed-upon terms. Trace all invoices to the corresponding cancelled check/payment. Inquire with the subcontractor about any rebates or payments back to the Vendor.

Note: For subsection ii, we tested whether subcontractor billings followed agreed-upon terms. Upon further discussion with the Metro OIA, it was agreed that the work we performed thus far was sufficient for testing of subcontractor charges, and that tracing invoices to the corresponding cancelled check/payment, and inquiring about rebates or payments back to the Vendor, would not be necessary.

- iii. Determine that lien waivers were obtained from all subcontractors prior to the release of final payment. Ensure that copies of all waivers were forwarded to the appropriate company personnel.

Note: Upon discussion with the Metro OIA, it was agreed that the work we performed thus far was sufficient for testing of subcontractor charges, and section iii would not be necessary.

- I. Review of Vendor's General Business Records
  - a. Examine employee records.
    - i. Review Vendor payroll records (W-4, Tennessee Department of Labor and Workforce Development Wage Report, etc.) for potential conflicts of interests with Metropolitan Nashville Government employees on Watch List (i.e., company employees and relatives.)

Note: BerryDunn could not gain access to the databases needed for this testing because the databases are restricted to state employees. Upon discussion with the Metro OIA, it was agreed that this examination would not be necessary.

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## Reporting

- A. Prepare a preliminary report draft listing all significant observations and recommendations.
- B. Cross-reference the draft report to supporting work papers.
- C. An experienced auditor not involved in the engagement should verify the cross-reference report to the supporting work papers.
- D. Review the draft report with Metropolitan Nashville Government Office of Internal Audit management, Metropolitan Nashville Government management, and Vendor management as necessary.

## APPENDIX B: INTERVIEWS AND CONTRACTS

The table below shows the active contracts in place between Gresham Smith and Metropolitan Nashville Government during the review period from July 1, 2016 through February 28, 2019, and the representatives identified for interview.

Contracts	Responsible Metro Department	Metro representatives			Gresham Smith representatives		
		Name	Project Role	Interviewed Date	Name	Project Role	Interviewed Date
19572	Metro Water Services Consent Decree/Overflow Abatement Construction Manager	Beth Douley (Procurement)	Contract Buyer (original)	N/A - No longer employed	John Reidy	Project Exec..	05/15/19
		Genario Pitman (Procurement)	Contract Buyer (current)	05/17/19	Brian Donlon	Project Mgr.	05/13/19
		Ron Taylor (Water)	Project Mgr.	05/15/19	Akeem Turner	Deputy Project Mgr.	05/14/19
		Greg Ballard (Water)	Project Mgr.	N/A – unavailable			
326265	Roadway and Bridge Design Services (Division Street Extension)	Terri Troup (Procurement)	Contract Buyer	05/17/19	Michael Flatt	Project Exec.	05/13/19
		Katrina Jones (Public Works)	Project Mgr.	05/14/19	Diane Regensburg	Project Mgr.	05/14/19
353740	Cumberland City Low Transmission Water Main Dual Feed Consultant	Terri Troup (Procurement)	Contract Buyer	05/17/19	Dale Mosley	Former Project Exec.	N/A - No longer employed
		John Wonderly (Water)	Project Mgr. - Design	05/17/19	Ken Baker	Project Exec.	05/15/19
		Rick Fussell (Water)	Project Mgr. - Construction	05/16/19	Akeem Turner	Deputy Project Mgr.	05/14/19
368942	Design Services for Main Library Parking Garage	Terri Troup (Procurement)	Contract Buyer	05/17/19	Jeffrey Kuhnhen	Project Exec.	05/16/19
		Doug Kinsey (General Services)	Project Mgr.	05/16/19	John Horst	Project Mgr.	05/13/19
412421	Pilot Plant Study for K.R. Harrington Water Treatment Plant	Terri Troup (Procurement)	Contract Buyer	05/17/19	Dale Mosley	Former Project Exec.	N/A - No longer employed
		Justin Bowling (Water)	Project Mgr.	05/20/19	Ken Baker	Project Exec.	05/15/19
					Rebecca Clay	Project Mgr.	05/15/19
421708	Consultant for Technical Design Review of Water, Sewer, and Storm Water	Bradley Wall (Procurement)	Contract Buyer	05/20/19	Don Williams	Project Exec.	05/16/19
		Jennifer Knauf (Water)	Project Coordinator	05/17/19	Jessica Lucyshyn	Project Mgr.	05/14/19
		Hal Balthrop (Water)	Supervisor	N/A – unavailable			
423521	Gallatin Pike Complete Streets BRT Lite A&E Services	Terri Troup (Procurement)	Contract Buyer	05/17/19	Michael Flatt	Project Exec.	05/13/19
		Darrell Moore (Public Works)	Project Mgr.	05/15/19	Diane Regensburg	Project Mgr.	05/14/19

In addition, we interviewed the following individuals to gain understanding of general project oversight practice.

Organization	Name	Title	Interviewed Date
Metro Procurement	Michelle Lane	Chief Procurement Officer	05/15/19
Gresham Smith	Rodney Chester	Chief Financial Officer	05/16/19
Gresham Smith	Dwayne West	Chief Operating Officer	05/13/19

## APPENDIX C: VENDOR BACKGROUND

Gresham Smith is a Nashville based engineering/architectural firm that has provided full-service construction management and design services for a broad range of public and private sector clients throughout the Southeastern United States since 1967. The firm is headquartered in Nashville and employs over 1,000+ professionals across the United States.

## APPENDIX D: RECOMMENDATION MATRIX

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<b><i>Recommendations for management of the Metropolitan Finance Department to:</i></b>		
<b>A.1</b> We recommend that management revisit responses to the 2018 internal audit, review management responses, and develop a timeline to implement the responses to audit findings. <b>(Not related to the Gresham review)</b>	<b>Accept</b> – A timeline for the implementation of the Internal Audit recommendations is in place and has been previously shared with the Audit Committee. Implementation of the recommendations is ongoing and consistent with the established implementation timeline reported to Internal Audit.	
<b>B.1</b> We recommend the all procurement records should be stored within iProcurement on a go-forward basis.	<b>Accept</b> – Effective July 2017, the Purchasing Division began to include all procurement documents in the iProcurement System.	
<b>B.2</b> We recommend, in accordance with Metropolitan Nashville Government Procurement Regulation 4.12.200 — Retention of Procurement records, only sole source and emergency records are required to be retained by the Purchasing Agent for a three-year period. We recommend expanding the policy to include all procurement records for a period deemed appropriate by Metro Nashville. Having a formalized policy in place will encourage appropriate procurement record retention and organization.	<b>Accept</b> – Contracts includes language that records would be maintained for three years after final payment, however all procurement documentation is maintained for seven years consistent with the current records retention and destruction policy of Metro.	



<p><b>B.3</b> We recommend the Purchasing Division should consider creating departmental procedures for periodic audits to confirm all procurement records are stored in iProcurement for a sample of contracts.</p>	<p><b>Accept</b> – The Purchasing Division in July 2017 established procedures to ensure that all procurement documents are included in the iProcurement System. The Purchasing Division developed a Divisional Self-Assessment process which includes, among other items, ensuring that all solicitation supporting documentation is consistently stored in the iProcurement System. An auditor was hired in November 2019 the would be dedicated to auditing procurement processes and processes and compliance with the rules and regulations.</p>	
<p><b>C.1</b> We recommend Metro Water Services should consider reducing the number of reviewers on an invoice by having the invoices reviewed by key project stakeholders and one MWS Finance Officer. Thresholds could be set to establish dollar amounts that require further approvals. All approvals should be documented electronically with the use of the approval workflow within EBS. Metro Payment Services can be removed from the process by having MWS Finance Department staff scan the invoice into EBS. One system should be established as the sole source for all invoicing processing and payment procedures. <b>(Not related to the Gresham review)</b></p>	<p><b>Accept</b> – Each review of invoices is purposeful and serves a different purpose checking previous work. The project managers are reviewing for contract task completion and general compliance, while the finance officers will provide quality assurance, reviewing rates, escalation, and other such allowable items. It is MWS’ opinion that this creates less likelihood for error and/or noncompliance.</p> <p>Invoices are entered into two systems. The Unifer System tracks invoices at the project level, allows for cash flow assessment, and assists in our budget management. Presently, EBS does not have that capability. The tracking between the two systems is linked via PO and invoice number so that errors can easily be identified.</p> <p>MWS welcomes the ability to scan documents into EBS. This would reduce much effort and room for error on the part of both departments. To our knowledge, Metro Payment Services has traditionally housed all invoice processing for all Metro Departments.</p> <p><b>Finance Comment:</b> All scanned documents load to the same system; Metro Finance supports MWS’ offer to scan directly to the “Scanned Docs”.</p>	<p>12/31/2019</p>



<p><b>C.2</b> We recommend all Metro Nashville Departments should record all approvals electronically, from both project managers and finance, in one system.</p>	<p><b>Partially Accept</b> – As noted in the audit observation, all Metro invoices are entered into a central financial management system for final approval and payment. Note that Metro has recently implemented a new financial management system (R12) in September 2019. The final approvals in R12 includes the appropriate departmental representatives.</p>	<p>12/31/2019</p>
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<p><b>C.3</b> We recommend document formalized policies and procedures on an efficient and consistent invoicing process. Policies should detail appropriate approvers, a system for all invoice data entry, and the use of Metro Payment Services in the invoicing process. Procedures should establish a step-by-step process on how to review invoices, enter the invoices in a designated system, and submit the invoice for approval and payment.</p>	<p><b>Accept</b> – As noted above, the system of record is EBS (soon to be upgraded to R12) and that is the only system through which Metro can make payments. All departmental personnel responsible for processing and approving invoices are trained by Finance.</p>	<p>12/31/2019</p>
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<p><b>C.4</b> We recommend Metro include language in each contract that specifies a reasonable time frame for Vendor billing to avoid payment for labor hours that occurred a long time ago and are thus unverifiable. <b>(Not related to the Gresham review)</b></p>	<p><b>Accept:</b> Current Metro contracts includes language that states the specific timeframe for vendor invoicing.</p> <p><b>Department Specific Responses:</b></p> <p><b>General Services:</b> General Services has made a request to our Vendors to use a template provided by us to submit their invoices for payment. Information in the template is included based on our approved SOW/PO. Also included are rates and budget category from contract so Vendor can only list the date of work, task completed, and number of hours. The sheet populates automatically based on the formula provided. Once the invoice is submitted for payment, our contract specialist reviews for compliance with contract terms and rates. If it is not correct, it is returned to the Vendor for correction. If it is correct, our contract specialist signs attached template and submits to project manager to confirm work has been completed as described in invoice. Once approval has been received from project manager, invoice is submitted to payment services for processing and payment.</p> <p><b>Parks:</b> I support the recommendation.</p> <p><b>Public Works:</b> Public Works Management agrees with this recommendation and will begin a process of periodic random reviews.</p> <p><b>Water:</b> Water Services Management agrees that timesheets should be checked for accuracy and consistency with work performed. MWS presently requires project managers to review invoices and verify accuracy of work performed and then send it to business and finance where the invoice is reviewed for contract compliance and general accuracy.</p>	
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	Vendors also complete the prescribed Excel worksheet so that time is crosschecked with timesheets coming from Vendor systems.	
<b>C.5</b> We recommend Metro implement a process where invoices and their corresponding Vendor timesheets are spot checked occasionally for accuracy. This will help ensure that hours billed on invoices are accurate based on what was actually performed by the Vendor. We recommend that a random sample is pulled periodically and timesheets are requested from the Vendor so a complete analysis can be performed. <b>(Not related to the Gresham review)</b>	<b>Partially Accept:</b> Currently there is review by engineers and other technical staff that manage the various projects to check the accuracy of the billing at the department level prior to the invoices being sent to Metro Payment Services. Metro has hired a Procurement Accountability auditor that will periodically sample and test A&E invoices randomly.	12/31/2019
<b>D.1</b> We recommend Metro Nashville Purchasing and Contract should perform a review of the Metro Nashville Procurement Code to identify sections of the code that are out of date and develop updates to the code. <b>(Not related to the Gresham review)</b>	<b>Accept</b> – At its last regularly scheduled meeting on May 30, 2019, the Procurement Standards Board approved staff action to present a modification to R4.08.080.01.B specific to the selection process outlined for Architects and Engineers. The recommended action was to modify the Regulations to mirror current practice. The proposed change to the Procurement Regulations will be presented for consideration and adoption at the next regularly scheduled meeting of the Procurement Standards Board, currently scheduled for August 2019.	2/29/2020
<b>D.2</b> We recommend Metro Nashville Purchasing and Contract should document criteria and selection methodology of the Evaluation Committee. <b>(Not related to the Gresham review)</b>	<b>Accept</b> – At its last regularly scheduled meeting on May 30, 2019, the Procurement Standards Board approved staff action to present a modification to R4.08.080.01.B specific to the selection process outlined for Architects and Engineers. The recommended action was to modify the Regulations to mirror current practice. The proposed change to the Procurement Regulations will be presented for consideration and adoption at the next regularly scheduled meeting of the Procurement Standards Board, currently scheduled for February 2020.	2/29/2020

## **APPENDIX C – Report on Civic Engineering and Information Technologies, Inc.**

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Independently contracted employees were hired to follow a defined audit program with this engagement. The group issued a report to the Office of Internal Audit with details on objectives, methodology, observations, and recommendations. The report begins on the next page.

**Metropolitan Nashville Government**

**Vendor Contract Audit – Civic Engineering and Information Technologies,  
Inc.**

**Observations and Recommendations Report**

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# EXECUTIVE SUMMARY

## A. Project Overview

Metro Nashville Government (“Metro”) Internal Audit performed a review of processes and procedures related to vendor contracts, including procurement, invoicing, and monitoring of contracts and invoices from **Civic Engineering and Information Technologies, Inc. (“Civic”)** from July 1, 2016 to February 28, 2019.

## B. Objectives

The objectives of the audit were to evaluate the following areas:

- Procurement of contracts
- Accuracy of invoices
- Appropriateness of invoices (for services within the scope of the contract)
- Vendor monitoring procedures

## C. Risks

The following inherent risks associated with vendor contract procurement, invoicing, and monitoring were covered during the audit:

- Procurement of contracts is not in line with Metro Nashville Government policies and procedures
- Invoices from the vendor do not reflect actual time worked and services performed
- Invoices from the vendor do not include accurate rates for employees providing service
- Invoices are not properly monitored by Metro employees
- Vendor services provided are not in line with the vendor contract
- Vendors are not aware or knowledgeable of the Metro Nashville Government code of conduct or policies regarding acceptance of gifts
- Conflicts of interest exist between the vendor and Metro Nashville Government

The failure to mitigate the risks above could lead to inaccurate or inappropriate costs to Metro Nashville Government and compliance issues due to nonadherence to requirements or conflicts of interest.

## D. Scope and Procedures

Our audit was limited in scope to the risks and objectives noted above. Our procedures included interviews with key Metro and vendor personnel and inspection of supporting documentation evidencing procedures performed.

Refer to Appendix A for a detailed listing of procedures performed.

## **E. Project Results**

Metro Nashville Government and its vendor, Civic Engineering and Information Technologies, Inc., have established certain procedures regarding their contracts. These apply to the procurement, invoicing, and monitoring of contracts with the vendor. Specifically:

1. All Metro contracts follow a defined procurement process. Within our testing of Civic contracts, we did not identify any contracts that were procured outside of the defined process.
2. The Purchasing and Contracts Office has preventive controls in place to monitor all purchase orders above \$10,000 that are created against the established contracts in iProcurement. All purchase orders above \$10,000 are reviewed and approved by the purchasing agent or a delegated procurement officer.
3. The Metro Nashville Finance Department is in the process of implementing back-end monitoring controls to review purchase orders below \$10,000. Per our discussion with the Purchasing Agent, a monitoring process has been developed and the Finance Department has conducted an initial audit as of May 2019.
4. Invoices received from Civic are reviewed in detail by the specific department overseeing the work. Each department is knowledgeable of the invoice review requirements; however, not all departments have formalized policies or documented procedures detailing review protocols. Based on our interviews, the employees responsible for reviewing invoices had a clear understanding of what they should be looking for in each contract and the appropriate level of detail. Every invoice tested had appropriate approval.
5. Based on interviews and inspection of documentation provided by Metro employees, the project status is continuously communicated between Metro and Civic employees. Metro project managers are monitoring the work performed by Civic to confirm it is in line with the established project timeline and the work completed is accurately reflected in the hours charged by Civic. Metro and Civic project managers appear to have a strong working relationship.
6. Based on our testing procedures, Civic invoices contain the appropriate amount of support, including support for time billed and project status reports. All invoices were appropriately approved by project manager and the department's Finance personnel.
7. Based on interviews, the contacts at Civic who work directly with members of Metro were knowledgeable regarding their own company's policies and procedures regarding codes of conduct, as well as Metropolitan Nashville Government's policies regarding gifts and entertainment from vendors. Per our discussion with Metro Nashville and Civic Engineering personnel, Civic has not offered any gift, gratuity, service, favors, entertainment, lodging, transportation, loan, loan guarantee, or any other thing of monetary value that would be considered a violation of Chapter 2.222 of the Metro Code.
8. Based on a search of public records, Civic Engineering is appropriately certified in the State of Tennessee and has no history of suspensions or disbarments.
9. No conflicts of interest were identified through our interview procedures with Metro and Civic employees.

Although the above procedures are in place, Metro has an opportunity to enhance the overall vendor procurement, invoicing, and monitoring process by considering the following:

1. The Purchasing and Contracts office and the Metro Nashville Finance Department are in the process of implementing certain corrective action plans detailed in the 2018 internal audit of the department. These

process improvements were not in place during the scope of our review, as the initial due date had not been reached; however, management has asserted that certain improvements have been implemented or are on track to be implemented.

2. All procurement records are not stored in iProcurement, Metro's procurement application, increasing the risk of missing contracts or other documentation. Currently, no monitoring is done to confirm all documents are appropriately uploaded to iProcurement.
3. The invoice approval process related to Civic Engineering invoices is a multi-step process that includes approvals from multiple departments. Currently, some of these approvals are manual and tracked only via physical sign-off instead of within the system. This increases processing time and risk of manual error.
4. There is an opportunity to update Metropolitan Nashville Government Procurement Code and Regulations to reflect the current procurement process regarding the Review Board cited in the policy. The policy does not reflect the current process used by Purchasing and Contracts Office, as the evaluation team may vary based on the proposal instead of being evaluated by a consistent review board. There is no written policy and procedure that establishes how Evaluation Committee members are selected.

Please refer to the Observations and Recommendations section for a more detailed description of these observations as well as detailed recommendations.

## **F. Other Matters**

We have not sought to confirm the accuracy of the data or the information and explanations provided by management. Our work has been limited in scope and time, and we stress more detailed procedures may reveal issues this engagement has not. Management is responsible for designing, implementing, and monitoring the adequacy of the policies and procedures with regard to the vendor contract process. We were responsible for performing certain procedures as outlined in this report. This report is intended solely for the information and use of the management of Metro and is not intended to be and should not be used by anyone other than these specified parties.

# OBSERVATIONS AND RECOMMENDATIONS

This section details the assessment observations and provides recommendations to help remediate the identified risks.

## 1. Monitoring

Internal audit observation	The Purchasing Division within the Metro Nashville Finance Department is in the process of implementing certain corrective action plans detailed in the 2018 internal audit of the department. Some of these process improvements were not in place during the scope of our review; however, management has asserted that certain improvements have been implemented.
Business impact	Failure to implement improvements identified in the prior audit could lead to continued inefficiencies within the process and increase the risk of inappropriate purchases or payments due to lack of effective controls.
Recommendation	We recommend that management revisit responses to the 2018 internal audit, review management responses, and develop a timeline to implement the responses to audit findings.
<i>Management response</i>	A timeline for the implementation of the Internal Audit recommendations is in place and has been previously shared with the Audit Committee. Implementation of the recommendations is ongoing and consistent with the established implementation timeline reported to Internal Audit

## 2. Procurement

Internal audit observation	iProcurement does not contain all procurement records for contracts Metro Nashville has entered into with Civic Engineering. Per discussion with the Purchasing Division, procurement records that are not in iProcurement are stored in department share drives and will be uploaded into iProcurement when there is a request for the procurement records. The Purchasing and Contract Office acknowledges the need to have the procurement records in one repository but cites the lack of available staff as a barrier to consolidate the data. Per our testing procedures, we determined that all procurement records were available for the contracts in our scope, and we did not identify deviations of the procurement process.
Business impact	Maintaining records outside of the central repository increases the risk of lost or misplaced records. Lost or misplaced records could expose Metro to legal or compliance risk. This also creates inefficiencies when records are needed for audits, legal proceedings, or other reasons.

<p>Recommendation</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> <li>1) All procurement records should be stored within iProcurement on a go-forward basis.</li> <li>2) In accordance with Metropolitan Nashville Government Procurement Regulation 4.12.200 – Retention of Procurement records, only sole source and emergency records are required to be retained by the Purchasing agent for a three-year period. We recommend expanding the policy to include all procurement records for a period deemed appropriate by Metro Nashville. Having a formalized policy in place will encourage appropriate procurement record retention and organization.</li> <li>3) The Purchasing Division should consider creating departmental procedures for periodic audits to confirm all procurement records are stored in iProcurement for a sample of contracts.</li> </ol>
<p><i>Management response</i></p>	<ol style="list-style-type: none"> <li>1) Effective July 2017, the Purchasing Division began to include all procurement documents in the iProcurement System.</li> <li>2) Contracts includes language that records would be maintained for three years after final payment, however all procurement documentation is maintained for seven years consistent with the current records retention and destruction policy of Metro.</li> <li>3) The Purchasing Division in July 2017 established procedures to ensure that all procurement documents are included in the iProcurement System. The Purchasing Division developed a Divisional Self-Assessment process which includes, among other items, ensuring that all solicitation supporting documentation is consistently stored in the iProcurement System. An auditor was hired in November 2019 the would be dedicated to auditing procurement processes and processes and compliance with the rules and regulations.</li> </ol>

3. Invoicing

<p>Internal audit observation</p>	<p>All Metro Nashville Departments are knowledgeable and perform an adequate review of invoices received from Civic Engineering. There were commonalities among the invoicing review procedures performed by each department. Project contacts or project managers perform an initial review of the invoice received by Civic. The project manager review is performed manually or within the department’s local project tracking system. The department’s finance personnel perform a financial review of the invoices, which entails a review of the rates to make sure they are in line with the cost tables associated to that contract. The department’s Finance Director or officer approves the invoice payment and sends the invoice to Metro Payment Services so the invoice can be paid. All departments use EBS, Metro Nashville’s Accounting System, to record final electronic approval of the invoice; however, some departments record the invoice and associated approval in their departmental project tracking system as well. Per inspection of evidence and the inquiries performed with Metro Nashville departments, we identified three opportunities for improvement:</p> <ol style="list-style-type: none"> <li>1) At the departmental level, certain invoice reviews are performed manually instead of within the system, increasing processing time.</li> </ol>
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	<p>2) Invoice data is manually entered into multiple systems, increasing the risk of data discrepancies due to input errors.</p> <p>3) Policies and procedures related to invoice reviews are not consistently documented at each Metro Department.</p>
<p><b>Business impact</b></p>	<p>The manual nature of the approval process increases the risk of human error and of payment of invoices without appropriate approval.</p> <p>Metro Nashville Payment Services and the departments are inputting invoice data into the same system, which leads to inefficiencies and increases the risk of inaccurate data.</p> <p>Having two departments, Metro Nashville Payment Services and the departments receiving the invoice, input data into EBS related to the same invoice leads to an increase in labor and time used to process invoices.</p>

<p><b>Recommendation</b></p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> <li>1) All Metro Nashville Departments should record all approvals electronically, from both project managers and finance, in one system.</li> <li>2) Document formalized policies and procedures on an efficient and consistent invoicing process. Policies should detail appropriate approvers, a system for all invoice data entry, and the use of Metro Payment Services in the invoicing process. Procedures should establish a step-by-step process on how to review invoices, enter the invoices in a designated system, and submit the invoice for approval and payment.</li> </ol>
<p><i>Management response</i></p>	<ol style="list-style-type: none"> <li>1) As noted in the audit observation, all Metro invoices are entered into a central financial management system for final approval and payment. Note that Metro has recently implemented a new financial management system (R12) in September 2019. The final approvals in R12 includes the appropriate departmental representatives.</li> <li>2) As noted above, the system of record is EBS (soon to be upgraded to R12) and that is the only system through which Metro can make payments. All departmental personnel responsible for processing and approving invoices are trained by Finance.</li> </ol>

**4. Metro Nashville Procurement Code**

<p><b>Internal audit observation</b></p>	<p>There is an opportunity to update Metropolitan Nashville Government Procurement Code and Regulations to reflect the current procurement process regarding the Review Board cited in the policy. The policy does not reflect the current process used by Purchasing and Contracts Office. Currently, the procurement officer assigned to the solicitation will evaluate and approve the Review Board suggested by the Procuring Department as the department will provide a listing of qualified individuals to review the bid. The Metro Nashville Procurement Code currently states the Review Board may include a defined list of members (see procurement regulation 4.08.080). Per discussion with the procurement officers and our inspection of the evaluation, the Review Board is not a consistent committee, but rather an Evaluation Committee solicited separately for each RFP. We consider this to be appropriate and within the purchasing guidelines; however, the Procurement Code should be updated to reflect this.</p>
<p><b>Business impact</b></p>	<p>The Metro Nashville Procurement Code does not accurately reflect the current procurement process, leading to an appearance of noncompliance.</p>
<p><b>Recommendation</b></p>	<p>Metro Nashville Purchasing and Contract should perform a review of the Metro Nashville Procurement Code to identify sections of the code that are out of date and develop updates to the code.</p> <p>Metro Nashville Purchasing and Contract should document criteria and selection methodology of the Evaluation Committee.</p>
<p><i>Management response</i></p>	<p>At its last regularly scheduled meeting on May 30, 2019, the Procurement Standards Board approved staff action to present a modification to R4.08.080.01.B specific to the selection process</p>

	<p>outlined for Architects and Engineers. The recommended action was to modify the Regulations to mirror current practice. The proposed change to the Procurement Regulations will be presented for consideration and adoption at the next regularly scheduled meeting of the Procurement Standards Board, currently scheduled for February 2020.</p>
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# APPENDIX A: PROCEDURES PERFORMED

Procedures performed to achieve the audit objectives included:

- 1) Planning
  - a. Reviewing vendor information
  - b. Review of vendor services provided
  - c. Review of contract and other relevant information
- 2) Fieldwork
  - a. Interview of Metro personnel who have direct contact with the vendor during procurement, invoicing, and contract execution and monitoring
  - b. Interview of vendor personnel who have direct contact with Metro for the contract execution and invoicing
  - c. Testing of compliance with contract administration policies. For our testing procedures, we judgmentally selected 8 out of 10 contracts as they were within our audit period. We excluded 2 contracts as they were with Metro Water Services and we performed testing on all Metro Water Services contracts with Brown and Caldwell to gain coverage. We tested the contracts against the established testing attributes provided by Metro Nashville Internal Audit.
  - d. Testing of vendor monitoring procedures
  - e. Testing of a sample of vendor costs for compliance with the contract. Per the audit plan provided by Metro Nashville Internal Audit, we selected 4 months during the audit period. We selected the months with the judgment criteria listed below. Within the 4 months, there were 76 total invoices, from which we sub-selected 9 invoices for detailed testing. Judgment criteria is as follows:
    - i. Months with the highest gross amount and fewest count of invoices because that would indicate larger invoices
    - ii. Months that have multiple large invoices
    - iii. Selected months that would sufficiently cover our audit period
- 3) Reporting
  - a. Preparation and review of draft report with relevant stakeholders
  - b. Finalization and delivery of report

## **APPENDIX B: VENDOR BACKGROUND**

Civic Engineering and Information Technologies, Inc. is a multi-discipline engineering firm specializing in civil engineering design, construction management, surveying, and information technologies in Nashville, Tennessee. Metro Nashville has contracted Civic Engineering and Information Technologies, Inc. for services on 10 contracts during the audit period, 7/1/2016 - 2/28/2019, totaling \$27,943,952 billed to Metro Nashville over 699 invoices. Parameters used to generate the listing of invoices were obtained directly from EBS, Metro Nashville's Accounting system, and total number of lines were verified for the completeness and accuracy of the listing. These contracts span the Metro Nashville Departments of Public Works, Information Technology Services, Water Services, Arts Commission, and Metro-wide services.

## **APPENDIX D – Report on Brown and Caldwell**

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Independently contracted employees were hired to follow a defined audit program with this engagement. The group issued a report to the Office of Internal Audit with details on objectives, methodology, observations, and recommendations. The report begins on the next page.

**Metropolitan Nashville Government**  
**Vendor Contract Audit – Brown and Caldwell**  
**Observations and Recommendations Report**

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# EXECUTIVE SUMMARY

## A. Project Overview

Metro Internal Audit performed a review of processes and procedures related to vendor contracts, including procurement, invoicing, and monitoring of contracts and invoices from **Brown and Caldwell** from July 1, 2016 to February 28, 2019.

## B. Objectives

The objectives of the audit were to evaluate the following areas:

- Procurement of contracts
- Accuracy of invoices
- Appropriateness of invoices (for services within the scope of the contract)
- Vendor monitoring procedures

## C. Risks

The following inherent risks associated with vendor contract procurement, invoicing, and monitoring were covered during the audit:

- Procurement of contracts is not in line with Metro Nashville Government policies and procedures
- Invoices from the vendor do not reflect actual time worked and services performed
- Invoices from the vendor do not include accurate rates for employees providing service
- Invoices are not properly monitored by Metro employees
- Vendor services provided are not in line with the vendor contract
- Vendors are not aware or knowledgeable of the Metro Nashville Government code of conduct or policies regarding acceptance of gifts
- Conflicts of interest exist between the vendor and Metro Nashville Government

The failure to mitigate the risks above could lead to inaccurate or inappropriate costs to Metro Nashville Government and compliance issues due to nonadherence to requirements or conflicts of interest.

## D. Scope and Procedures

Our audit was limited in scope to the risks and objectives noted above. Our procedures included interviews with key Metro and vendor personnel and inspection of supporting documentation evidencing procedures performed.

Refer to Appendix A for a detailed listing of procedures performed.

## E. Project Results

Metro Nashville Government and its vendor, Brown and Caldwell, have established certain procedures regarding their contracts. These apply to the procurement, invoicing, and monitoring of contracts with the vendor. Specifically:

1. All Metro contracts follow a defined procurement process. Within our testing of Brown and Caldwell contracts, we did not identify any contracts that were procured outside of the defined process.
2. The Purchasing and Contracts Office has preventive controls in place to monitor all purchase orders above \$10,000 that are created against the established contracts in iProcurement. All purchase orders above \$10,000 are reviewed and approved by the purchasing agent or a delegated procurement officer.
3. The Metro Nashville Finance Department is in the process of implementing back-end monitoring controls to review purchase orders below \$10,000. Per our discussion with the Purchasing Agent, a monitoring process has been developed and the Finance Department has conducted an initial audit as of May 2019.
4. Per inspection of the Brown and Caldwell contracts entered with Metro Nashville within our audit period of 7/1/2016 – 02/28/2019, we determined the contracts were for services needed by the Water Department of Metro Nashville. As such, all invoices tested were reviewed and approved by the Metro Water Services (MWS) department. Invoices received by the MWS undergo review before being approved for payment. Based on interviews with MWS and inspection of invoices, we determined invoices are manually reviewed and signed off by 1-2 project managers and a finance officer. Metro Payment Services then scans the invoice into EBS, Metro Nashville's accounting system, for further approvals. It is approved in EBS by a separate MWS finance officer. The approval in EBS indicates to Metro Payment Services the invoice is approved to be paid.
5. Based on our testing procedures, Brown and Caldwell invoices contain the appropriate amount of support, including support for time billed and project status reports. All invoices were appropriately approved by project manager and the department's Finance personnel.
6. MWS has documented detailed procedures on how to process invoices that are communicated to all relevant MWS employees.
7. Based on interviews and inspection of documentation provided by Metro employees, the project status is continuously communicated between MWS and Brown and Caldwell employees. MWS project managers are monitoring the work performed to confirm it is in line with the established project timeline and the work completed is accurately reflected in the hours charged by Brown and Caldwell. MWS and Brown and Caldwell project managers appear to have a strong working relationship. Monthly meetings are held between Brown and Caldwell and the project manager at Metro Water Services in addition to meetings on established milestones. Metro receives progress reports which accompany the invoices.
8. Based on interviews, the contacts at the vendor who work directly with members of Metro were knowledgeable regarding their own company's policies and procedures regarding codes of conduct, as well as Metropolitan Nashville Government's policies regarding gifts and entertainment from vendors. They have internal periodic meetings where these items are regularly discussed. Per our discussion with Metro Nashville and Brown and Caldwell personnel, Brown and Caldwell has not offered any gift, gratuity, service, favors, entertainment, lodging, transportation, loan, loan guarantee, or any other thing of monetary value that would be considered a violation of Chapter 2.222 of the Metro Code.
9. Based on a search of public records, Brown and Caldwell is appropriately certified in the state of Tennessee and has no history of suspensions or disbarments.

10. No conflicts of interest were identified through our interview procedures with Metro and Brown and Caldwell employees.

Although the above procedures are in place, Metro has an opportunity to enhance the overall vendor procurement, invoicing, and monitoring process by considering the following:

5. The Purchasing and Contracts Office and the Metro Nashville Finance Department are in the process of implementing certain corrective action plans detailed in the 2018 internal audit of the department. These process improvements were not in place during the scope of our review, as the initial due date had not been reached; however, management has asserted that certain improvements have been implemented or are on track to be implemented.
6. All procurement records are not stored in iProcurement, Metro's procurement application, increasing the risk of missing contracts or other documentation. Currently, no monitoring is done to confirm all documents are appropriately uploaded to iProcurement.
7. The invoicing process used by Metro Water Services is thorough and well documented. However, the process is performed in multiple systems and departments, requires various manual steps, and the movement of the invoice in hard copy format through various levels of review. There is an opportunity to streamline the process through the reduction of data entry and use of manual review of hard copy invoices.
8. There is an opportunity to update Metropolitan Nashville Government Procurement Code and Regulations to reflect the current procurement process regarding the Review Board cited in the policy. The policy does not reflect the current process used by the Purchasing and Contracts Office, as the evaluation team may vary based on the proposal instead of being evaluated by a consistent Review Board. There is no written policy and procedure that establishes how Evaluation Committee members are selected.

Please refer to the Observations and Recommendations section for a more detailed description of these observations as well as detailed recommendations.

## **F. Other Matters**

We have not sought to confirm the accuracy of the data or the information and explanations provided by management. Our work has been limited in scope and time, and we stress more detailed procedures may reveal issues this engagement has not. Management is responsible for designing, implementing, and monitoring the adequacy of the policies and procedures regarding the vendor contract process. We were responsible for performing certain procedures as outlined in this report. This report is intended solely for the information and use of the management of Metro and is not intended to be and should not be used by anyone other than these specified parties.

# OBSERVATIONS AND RECOMMENDATIONS

This section details the assessment observations and provides recommendations to help remediate the identified risks.

## 1. Monitoring

Internal audit observation	The Purchasing Division within the Finance Department is in the process of implementing certain corrective action plans detailed in the 2018 internal audit of the department. Certain of these process improvements were not in place during the scope of our review; however, management has asserted that certain improvements have been implemented.
Business impact	Failure to implement improvements identified in the prior audit could lead to continued inefficiencies within the process and increase the risk of inappropriate purchases or payments due to lack of effective controls.
Recommendation	We recommend that management revisit responses to the 2018 internal audit, review management responses, and develop a timeline to implement the responses to audit findings.
<i>Management response</i>	A timeline for the implementation of the Internal Audit recommendations is in place and has been previously shared with the Audit Committee. Implementation of the recommendations is ongoing and consistent with the established implementation timeline reported to Internal Audit.

## 2. Procurement

Internal audit observation	<p>iProcurement is used to store Metro Nashville contracts and create POs against the contracts. However, iProcurement does not contain all procurement records for contracts Metro Nashville has entered into with Brown and Caldwell.</p> <p>Per discussion with the Purchasing Division, procurement records that are not in iProcurement are stored in department shared drives and will be uploaded into iProcurement when there is a request for the procurement records. The Purchasing and Contract Office acknowledges the need to have the procurement records in one repository but cites the lack of available staff as a barrier to consolidate the data. Per our testing procedures, we determined that all procurement records were available for the contracts in our scope, and we did not identify deviations of the procurement process.</p>
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<p><b>Business impact</b></p>	<p>Maintaining records outside of the central repository increases the risk of lost or misplaced records. Lost or misplaced records could expose Metro to legal or compliance risk. This also creates inefficiencies when records are needed for audits, legal proceedings, or other reasons.</p>
<p><b>Recommendation</b></p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> <li>1) All procurement records should be stored within iProcurement on a go-forward basis.</li> <li>2) In accordance with Metropolitan Nashville Government Procurement Regulation 4.12.200 – Retention of Procurement records, only sole source and emergency records are required to be retained by the Purchasing Agent for a three-year period. We recommend expanding the policy to include all procurement records for a period deemed appropriate by Metro Nashville. Having a formalized policy in place will encourage appropriate procurement record retention and organization.</li> <li>3) The Purchasing Division should consider creating departmental procedures for periodic audits to confirm all procurement records are stored in iProcurement for a sample of contracts.</li> </ol>
<p><b>Management response</b></p>	<ol style="list-style-type: none"> <li>1) Effective July 2017, the Purchasing Division began to include all procurement documents in the iProcurement System.</li> <li>2) Contracts includes language that records would be maintained for three years after final payment, however all procurement documentation is maintained for seven years consistent with the current records retention and destruction policy of Metro.</li> <li>3) The Purchasing Division in July 2017 established procedures to ensure that all procurement documents are included in the iProcurement System. The Purchasing Division developed a Divisional Self-Assessment process which includes, among other items, ensuring that all solicitation supporting documentation is consistently stored in the iProcurement System. An auditor was hired in November 2019 the would be dedicated to auditing procurement processes and processes and compliance with the rules and regulations.</li> </ol>

### 3. Invoicing

<p>Internal audit observation</p>	<p>Metro Water Services (MWS) has a thorough and well-documented invoicing process. The documentation of procedures includes details on how to use the various systems, the key reviewers of the invoice, and the interaction with Metro Payment Services. Currently, MWS is using Unifer and EBS to process invoices. Unifer doesn't interface with EBS or iProcurement. EBS and iProcurement are interfaced. MWS enters data into EBS and Unifer manually.</p> <ul style="list-style-type: none"> <li>• Unifer is MWS' departmental project and financial tracking system.</li> <li>• EBS is Metro Nashville's Accounting System.</li> </ul> <p>All invoices are received via hard-copy format from Brown and Caldwell. Once the invoice is received, it is reviewed manually by 1-2 project managers and one Finance Officer. The invoice is entered into EBS by MWS Finance staff. The physical invoice is sent to the Metro Payment Services to scan into EBS. There is no electronic copy of the physical invoice until it has been scanned into EBS, which is one of the last steps in processing the invoice. The scanning is only to keep a record of the invoice. The system does not read anything from the scan.</p> <p>Once in EBS, the invoice processing is resumed by MWS to initiate the approval and payment process in EBS. Per inspection of evidence and the inquiries performed with MWS, we identified three opportunities for improvement:</p> <ol style="list-style-type: none"> <li>1) Invoices may be approved by more personnel than necessary and the initial review performed is completely manual (opportunities to improve process efficiency).</li> <li>2) Invoice data is manually entered into multiple systems, increasing the risk of data discrepancies due to input errors.</li> <li>3) The role of Metro Payment Services in invoice processing appears unnecessarily duplicative of MWS.</li> </ol>
<p>Business impact</p>	<p>There is a risk of data loss with the manual hand-off of the invoice.</p> <p>Inputting the same invoice data into different systems leads to inefficiencies and increases the risk of inaccurate data.</p> <p>Having two departments, Metro Payment Services and MWS, inputting data into EBS related to the same invoice leads to an increase in labor and time used to process invoices.</p>
<p>Recommendation</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> <li>1) Metro Water Services should consider reducing the number of reviewers on an invoice by having the invoices reviewed by key project stakeholders and one MWS Finance Officer. Thresholds could be set to establish dollar amounts that require further approvals. All approvals should be documented electronically with the use of the approval workflow within EBS.</li> <li>2) Metro Payment Services can be removed from the process by having MWS Finance Department staff scan the invoice into EBS.</li> </ol>

	<p>3) One system should be established as the sole source for all invoicing processing and payment procedures.</p>
<p>Management response</p>	<p>Each review of invoices is purposeful and serves a different purpose checking previous work. The project managers are reviewing for contract task completion and general compliance, while the finance officers will provide quality assurance, reviewing rates, escalation, and other such allowable items. It is MWS' opinion that this creates less likelihood for error and/or noncompliance.</p> <p>Invoices are entered into two systems. The Unifer System tracks invoices at the project level, allows for cash flow assessment, and assists in our budget management. Presently, EBS does not have that capability. The tracking between the two systems is linked via PO and invoice number so that errors can easily be identified.</p> <p>MWS welcomes the ability to scan documents into EBS. This would reduce much effort and room for error on the part of both departments. To our knowledge, Metro Payment Services has traditionally housed all invoice processing for all Metro Departments.</p> <p>Finance Comment: All scanned documents load to the same system; Metro Finance supports MWS' offer to scan directly to the "Scanned Docs".</p>

#### 4. Metro Nashville Procurement Code

<p><b>Internal audit observation</b></p>	<p>There is an opportunity to update Metropolitan Nashville Government Procurement Code and Regulations to reflect the current procurement process regarding the Review Board cited in the policy. The policy does not reflect the current process used by the Purchasing and Contracts Office. Currently, the procurement officer assigned to the solicitation will evaluate and approve the Review Board suggested by the procuring department as the department will provide a listing of qualified individuals to review the bid. The Metro Nashville Procurement Code currently states the Review Board may include a defined list of members (see procurement regulation 4.08.080). Per discussion with the procurement officers and our inspection of the evaluation, the Review Board is not a consistent committee, but rather an Evaluation Committee solicited separately for each RFP. We consider this to be appropriate and within the purchasing guidelines; however, the Procurement Code should be updated to reflect this.</p>
<p><b>Business impact</b></p>	<p>The Metro Nashville Procurement does not accurately reflect the current procurement process, leading to an appearance of noncompliance.</p>
<p><b>Recommendation</b></p>	<p>Metro Nashville Purchasing and Contract should perform a review of the Metro Nashville Procurement Code to identify sections of the code that are out of date and develop updates to the code.</p> <p>Metro Nashville Purchasing and Contract should document criteria and selection methodology of the Evaluation Committee.</p>
<p><b>Management response</b></p>	<p>At its last regularly scheduled meeting on May 30, 2019, the Procurement Standards Board approved staff action to present a modification to R4.08.080.01.B specific to the selection process outlined for Architects and Engineers. The recommended action was to modify the Regulations to mirror current practice. The proposed change to the Procurement Regulations will be presented for consideration and adoption at the next regularly scheduled meeting of the Procurement Standards Board, currently scheduled for February 2020.</p>

# APPENDIX A: PROCEDURES PERFORMED

Procedures performed to achieve the audit objectives included:

- 4) Planning
    - a. Reviewing vendor information
    - b. Review of vendor services provided
    - c. Review of contract and other relevant information
  - 5) Fieldwork
    - a. Interview of all Metro personnel who have direct contact with the vendor during procurement, invoicing, and contract execution and monitoring
    - b. Interview of all vendor personnel who have direct contact with Metro for the contract execution and invoicing
    - c. Testing of compliance with contract administration policies. For our testing procedures, we tested all 8 contracts in our scope against the established testing attributes provided by Metro Nashville Internal Audit.
    - d. Testing of vendor monitoring procedures
    - e. Testing of a sample of vendor costs for compliance with the contract. Per the audit plan provided by Metro Nashville Internal Audit, we selected 4 months during the audit period and sampled all invoices within the selected months. We sampled 21 out of 145 invoices. We selected the months with the judgment criteria listed below:
      - i. Months with the highest gross amount and fewest count of invoices because that would indicate larger invoices
      - ii. Months that have multiple large invoices
      - iii. Selected months that would sufficiently cover our audit period
  - 6) Reporting
    - a. Preparation and review of draft report with relevant stakeholders
    - b. Finalization and delivery of report
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## **APPENDIX B: VENDOR BACKGROUND**

Brown and Caldwell is a privately held engineering and construction firm serving the U.S. water and environmental sectors. They are headquartered in California with an office in Nashville, TN. Metro Nashville has contracted Brown and Caldwell for services on 8 contracts during the audit period, totaling \$15,625,503 billed to Metro Nashville in over 146 invoices. Parameters used to generate the listing of invoices were obtained directly from EBS, Metro Nashville's Accounting system, and total number of lines were verified for the completeness and accuracy of the listing. These contracts are all executed with the Metro Nashville Department of Water Services.

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## APPENDIX E – MANAGEMENT ACCEPTANCE AND CORRECTIVE 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 Corrective Action Plan	Proposed Completion Date
<i>Recommendations for management of the Metropolitan Finance Department to:</i>		
<p><b>A.1</b> We recommend that management revisit responses to the 2018 internal audit, review management responses, and develop a timeline to implement the responses to audit findings.</p>	<p><b>Accept</b> – A timeline for the implementation of the Internal Audit recommendations is in place and has been shared with the Audit Committee. Implementation of the recommendations is ongoing and consistent with the established implementation timeline reported to Internal Audit</p>	<p>Outlined in <i>Finance Department Procurement Division Audit Report</i></p>
<p><b>B.1</b> We recommend the all procurement records should be stored within iProcurement on a go-forward basis.</p>	<p><b>Accept</b> – Effective July 2017, the Purchasing Division began to include all procurement documents in the iProcurement System.</p>	<p>Completed</p>
<p><b>B.2</b> We recommend, in accordance with Metropolitan Nashville Government Procurement Regulation 4.12.200 – Retention of Procurement records, only sole source and emergency records are required to be retained by the Purchasing Agent for a three-year period. We recommend expanding the policy to include all procurement records for a period deemed appropriate by Metro Nashville. Having a formalized policy in place will encourage appropriate procurement record retention and organization.</p>	<p><b>Accept</b> – Contracts include language that records would be maintained for three years after final payment, however all procurement documentation is maintained for seven years consistent with the current records retention and destruction policy of Metro.</p>	<p>Completed</p>
<p><b>B.3</b> We recommend the Purchasing Division should consider creating departmental procedures for periodic audits to confirm all procurement records are stored in iProcurement for a sample of contracts.</p>	<p><b>Accept</b> – The Purchasing Division in July 2017 established procedures to ensure that all procurement documents are included in the iProcurement System. The Purchasing Division developed a Divisional Self-Assessment process which includes, among other items, ensuring that all solicitation supporting documentation is consistently stored in the iProcurement System. An auditor was hired in November 2019 that would be dedicated to auditing procurement processes and processes and compliance with the rules and regulations.</p>	<p>Completed</p>

## APPENDIX E – MANAGEMENT ACCEPTANCE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p><b>C.1</b> We recommend Metro Water Services should consider reducing the number of reviewers on an invoice by having the invoices reviewed by key project stakeholders and one MWS Finance Officer. Thresholds could be set to establish dollar amounts that require further approvals. All approvals should be documented electronically with the use of the approval workflow within EBS. Metro Payment Services can be removed from the process by having MWS Finance Department staff scan the invoice into EBS. One system should be established as the sole source for all invoicing processing and payment procedures.</p>	<p><b>Accept</b> - Each review of invoices is purposeful and serves a different purpose checking previous work. The project managers are reviewing for contract task completion and general compliance, while the finance officers will provide quality assurance, reviewing rates, escalation, and other such allowable items. It is MWS' opinion that this creates less likelihood for error and/or noncompliance.</p> <p>Invoices are entered into two systems. The Unifer System tracks invoices at the project level, allows for cash flow assessment, and assists in our budget management. Presently, EBS does not have that capability. The tracking between the two systems is linked via PO and invoice number so that errors can easily be identified.</p> <p>MWS welcomes the ability to scan documents into EBS. This would reduce much effort and room for error on the part of both departments. To our knowledge, Metro Payment Services has traditionally housed all invoice processing for all Metro Departments.</p> <p><b>Finance Comment:</b> All scanned documents load to the same system; Metro Finance supports MWS' offer to scan directly to the "Scanned Docs".</p>	<p>12/31/2019</p>
<p><b>C.2</b> We recommend all Metro Nashville Departments should record all approvals electronically, from both project managers and finance, in one system.</p>	<p><b>Partially Accept</b> - As noted in the audit observation, all Metro invoices are entered into a central financial management system for final approval and payment. Note that Metro has recently implemented a new financial management system (R12) in September 2019. The final approvals in R12 includes the appropriate departmental representatives.</p>	<p>12/31/2019</p>
<p><b>C.3</b> We recommend document formalized policies and procedures on an efficient and consistent invoicing process. Policies should detail appropriate approvers, a system for all invoice data entry, and the use of Metro Payment Services in the invoicing process. Procedures should establish a step-by-step process on how to review invoices, enter the invoices in a designated system, and submit the invoice for approval and payment.</p>	<p><b>Accept</b> - As noted above, the system of record is EBS (soon to be upgraded to R12) and that is the only system through which Metro can make payments. All departmental personnel responsible for processing and approving invoices are trained by Finance.</p>	<p>12/31/2019</p>

**APPENDIX E – MANAGEMENT ACCEPTANCE AND CORRECTIVE ACTION PLAN**

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p><b>C.4</b> We recommend Metro include language in each contract that specifies a reasonable time frame for vendor billing to avoid payment for labor hours that occurred a long time ago and are thus unverifiable.</p>	<p><b>Accept:</b> Current Metro contracts includes language that states the specific timeframe for vendor invoicing.</p> <p><b>Department Specific Responses:</b>  <b>General Services:</b> General Services has made a request to our Vendors to use a template provided by us to submit their invoices for payment. Information in the template is included based on our approved SOW/PO. Also included are rates and budget category from contract so Vendor can only list the date of work, task completed, and number of hours. The sheet populates automatically based on the formula provided. Once the invoice is submitted for payment, our contract specialist reviews for compliance with contract terms and rates. If it is not correct, it is returned to the Vendor for correction. If it is correct, our contract specialist signs attached template and submits to project manager to confirm work has been completed as described in invoice. Once approval has been received from project manager, invoice is submitted to payment services for processing and payment.</p> <p><b>Parks:</b> I support the recommendation.</p> <p><b>Public Works:</b> Public Works Management agrees with this recommendation and will begin a process of periodic random reviews.</p> <p><b>Water:</b> Water Services Management agrees that timesheets should be checked for accuracy and consistency with work performed. MWS presently requires project managers to review invoices and verify accuracy of work performed and then send it to business and finance where the invoice is reviewed for contract compliance and general accuracy. Vendors also complete the prescribed Excel worksheet so that time is crosschecked with timesheets coming from Vendor systems.</p>	<p>12/31/2019</p>

## APPENDIX E – MANAGEMENT ACCEPTANCE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p><b>C.5</b> We recommend Metro implement a process where invoices and their corresponding vendor timesheets are spot checked occasionally for accuracy. This will help ensure that hours billed on invoices are accurate based on what was actually performed by the vendor. We recommend that a random sample is pulled periodically and timesheets are requested from the vendor so a complete analysis can be performed.</p>	<p><b>Partially Accept:</b> Currently there is review by engineers and other technical staff that manage the various projects to check the accuracy of the billing at the department level prior to the invoices being sent to Metro Payment Services. Metro has hired a Procurement Accountability auditor that will periodically sample and test A&amp;E invoices randomly.</p>	<p>12/31/2019</p>
<p><b>D.1</b> We recommend Metro Nashville Purchasing and Contract should perform a review of the Metro Nashville Procurement Code to identify sections of the code that are out of date and develop updates to the code.</p>	<p><b>Accept</b> - At its last regularly scheduled meeting on May 30, 2019, the Procurement Standards Board approved staff action to present a modification to R4.08.080.01.B specific to the selection process outlined for Architects and Engineers. The recommended action was to modify the Regulations to mirror current practice. The proposed change to the Procurement Regulations will be presented for consideration and adoption at the next regularly scheduled meeting of the Procurement Standards Board, currently scheduled for February 2020.</p>	<p>2/29/2020</p>
<p><b>D.2</b> We recommend Metro Nashville Purchasing and Contract should document criteria and selection methodology of the Evaluation Committee.</p>	<p><b>Accept</b> - At its last regularly scheduled meeting on May 30, 2019, the Procurement Standards Board approved staff action to present a modification to R4.08.080.01.B specific to the selection process outlined for Architects and Engineers. The recommended action was to modify the Regulations to mirror current practice. The proposed change to the Procurement Regulations will be presented for consideration and adoption at the next regularly scheduled meeting of the Procurement Standards Board, currently scheduled for February 2020.</p>	<p>2/29/2020</p>