



**A Report to the  
Audit Committee**

**Mayor**  
John Cooper

**Finance Director**  
Kevin Crumbo

**Treasurer**  
Tom Eddlemon

**Audit Committee Members**

Thom Druffel  
Charles Frasier  
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Jim Shulman  
Zulfat Suara

# Audit of the Department of Finance Treasury Collections Office

September 3, 2020

Metropolitan  
Nashville  
Office of  
Internal Audit

## EXECUTIVE SUMMARY

September 3, 2020



### Why We Did This Audit

The audit was conducted due to the high volume of transactions and large dollar amounts of taxes and fees collected by the Treasury Collections Office.

### What We Recommend

- Replace the Microsoft Access database with a payment software that offers an online payment option and includes strong access and change controls.
- Establish a full population of taxpayers and monitor it regularly to ensure payments are received.
- Document and implement stronger controls around receiving, recording, and tracking payments received.

# Audit of the Department of Finance Treasury Collections Office

## BACKGROUND

The *Metropolitan Nashville Government Code of Ordinances* No. BL2012-156 designates the Department of Finance as the collection official for tourist accommodation taxes, alcohol privilege taxes, wholesale beer and liquor taxes, and franchise fees. The Treasury Collections Office, within the Office of the Treasurer, has been designated as the collection agent.

Treasury Collections is a three-person office responsible for collecting, recording, and ensuring proper fund disbursement of all designated monies received. Monies collected by Treasury Collections for fiscal years 2017, 2018, and 2019 are presented in Exhibit A.

### Exhibit A – Treasury Collections Office Recorded Funds

	FY 2017	FY 2018	FY 2019
<b>Total Collections</b>	<b>\$ 116,196,183</b>	<b>\$ 126,599,149</b>	<b>\$ 142,291,150</b>

Sources: *Metropolitan Nashville Comprehensive Annual Financial Reports* and *Treasury Collections Office Microsoft Access Database (Franchise Fees)*

## OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Controls are in place and effective to ensure all payments received are recorded accurately and deposited timely.
- Processes are in place to ensure up to date and complete populations for collections.
- Processes are in place to ensure all amounts owed are tracked and collected.

The scope of this audit includes Treasury Collections office tax collections from July 1, 2017, through June 30, 2019.

## WHAT WE FOUND

The Collections Office followed uniform procedures to record the collected revenues into the database. The recorded collections were setup to be allocated correctly to the appropriate funds.

However, due in part to a small staff, the audit found a lack of controls around timely deposits, segregation of duties, and logging of receipts to the correct accounts. Additionally, the use of a Microsoft Access database to record payments resulted in a lack of controls around changes to data. No processes were in place to identify full populations of payors or to track receipts to ensure complete collections.

## GOVERNANCE

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The *Metropolitan Nashville Government Code of Ordinances* No. BL2012-156 designates the Department of Finance as the collection official for tourist accommodation taxes, alcohol privilege taxes, wholesale beer and liquor taxes, and franchise fees. The Treasury Collections Office, within the Office of the Treasurer, has been designated as the collection agent.

## BACKGROUND INFORMATION

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The Treasury Collections office is composed of three employees who process all collections received. Tourist accommodation taxes, alcohol privilege taxes, wholesale beer and liquor taxes, and franchise fees all have the same manual collection procedures.

Taxpayers are required to self-report each month, and the majority receive no reminder, invoice, or notification of missed payments. For commercial rental vehicles, the Nashville Airport Authority sends a monthly report listing the number of commercial vehicles that exited the airport. Treasury Collections invoices based on the report. For the Alcohol Beverage Retail Sales Consumption on Premises tax, Treasury Collections invoices based on a weekly report from the state Alcoholic Beverage Commission that has the state license expiration dates. All other collections are completely self-reported. Total collections received by category are shown in Exhibit B.

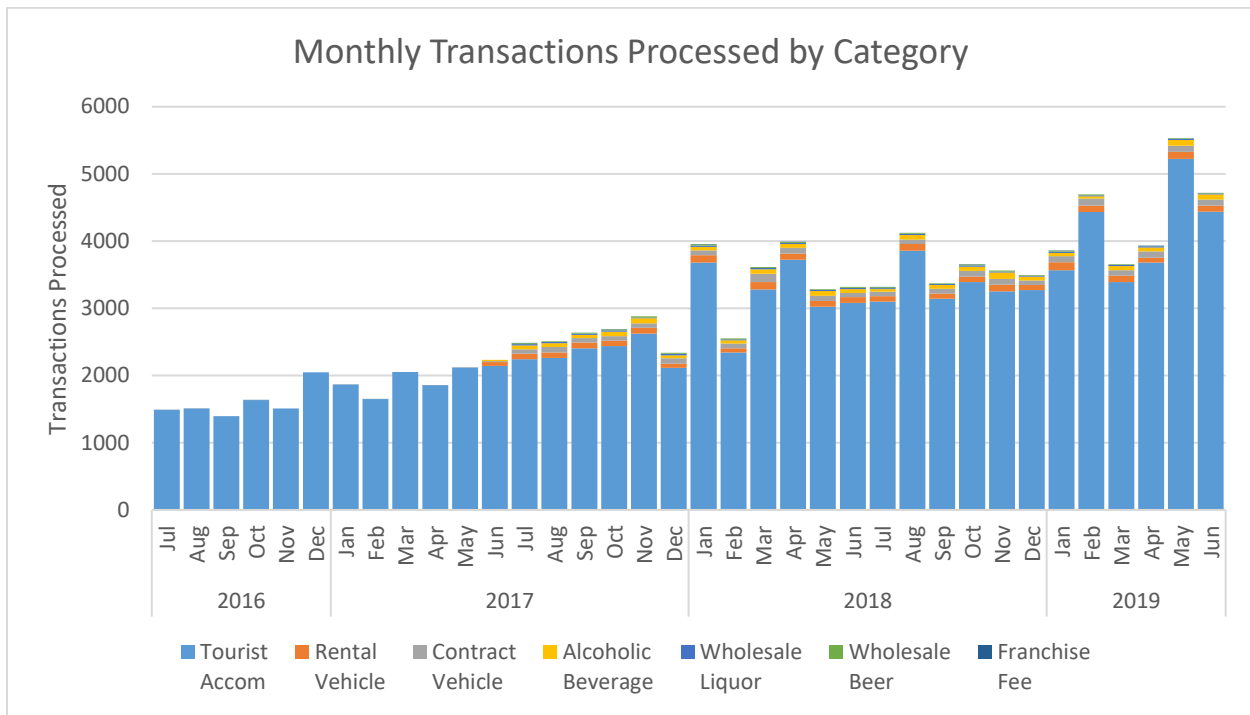
### Exhibit B: Total Treasury Collections Office Monies Received by Category

Category	FY2017	FY2018	FY2019
<b>Tourist Accommodations</b>	\$ 85,982,722	\$ 95,136,962	\$ 107,552,051
<b>Alcoholic Beverage</b>	996,839	1,418,004	2,577,042
<b>Contracted Vehicle</b>	1,767,234	2,117,452	3,020,626
<b>Rental Vehicle</b>	1,580,504	1,688,082	1,922,977
<b>Wholesale Beer</b>	19,630,123	19,820,617	20,206,924
<b>Wholesale Liquor</b>	6,116,568	6,318,746	6,927,799
<b>Franchise Fees</b>	122,193	99,286	83,731
<b>Total Collected</b>	<b>\$ 116,196,183</b>	<b>\$ 126,599,149</b>	<b>\$ 142,291,150</b>

Sources: *Metropolitan Nashville Comprehensive Annual Financial Reports and Treasury Collections Office Microsoft Access Database (Franchise Fees)*

Payments in Treasury Collections are accepted in cash, check, or credit card, either mailed in or paid in person. Taxpayers include printed tax return forms from the Finance Department Collections Office website with their payments. Each payment and details from the related form are entered as a separate transaction within a Microsoft Access Database. The number of transactions processed per month are shown in Exhibit C.

**Exhibit C: Monthly Transactions Processed by Collections Category**



Source: Department of Finance Collections Office Microsoft Access Database

When the collections process was moved to the Department of Finance in 2012, an Information Technology Systems advisor, in conjunction with the Treasury Collections Office supervisor, created a database for taxpayer accounts. The Microsoft Access database is used to capture the tax amounts paid for each taxpayer account. The allocation of the tax amounts per fund is programmed into the database. The resulting amount to be credited per fund is calculated. Fund amounts must then be manually entered into the general ledger system.

## OBJECTIVES AND CONCLUSIONS

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1. *Are controls in place and effective to ensure all payments received are recorded accurately and deposited timely?*

**Generally, no.** Although the Treasury Collections Office staff follows standard procedures, the procedures in place do not ensure all payments received are recorded accurately and deposited timely.

A sample of hotel tax payment confirmations uncovered recording errors. Errors were primarily payments applied to incorrect accounts but were correctly recorded as Metropolitan Nashville revenues. (See Observation A).

The Microsoft Access database used by Treasury Collections lacks the ability to limit user permissions. Sixty accounts had access to the database and the ability to perform all actions. (See Observation B.)

There is not a reconciliation of all payments received to the amount of revenue recorded and amount deposited. Tax payments received were not always recorded into the database promptly nor were they deposited timely. Additionally, the change fund was short of the stated balance. (See Observation C.)

2. *Are processes in place to ensure updated and complete populations for collections?*

**No.** The taxes are self-reported. The Treasury Collections Office only performs limited procedures to account for all possible taxpayers, such as a third-party electronic search for short term rentals. For the contracted vehicle tax and some alcohol taxes, reports are received, and invoices are sent. Other Metropolitan Nashville Government agencies maintain populations that could be leveraged to determine the completeness of revenue reporting. Although the Treasury Collections Office is not mandated by municipal code to monitor for entities that may owe these taxes, no Metropolitan Nashville department is performing this duty. (See Observation C.)

3. *Are processes in place to ensure all amounts owed are tracked and collected?*

**Generally, no.** There is no tracking to determine which self-reporting entities paid each month and no follow-up when invoices are sent for other types of taxes. Additionally, hotel confirmations sent uncovered one hotel payment for \$19,009.78 from November 2018 that was fraudulently endorsed and cashed. Receipt of the payment could not be determined due to a lack of controls around payment receipts. The missing payment was not noticed due to a lack of payment tracking. (See Observations A and D.)

## AUDIT OBSERVATIONS

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Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (*COSO*), *Internal Control – Integrated Framework*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observation listed is offered to assist management in fulfilling their internal control responsibilities. See Appendix B for a description of the observation *Assessed Risk Rating*.

### **Observation A – Tax Payment Accuracy and Monitoring**

Monitoring of tax payment accuracy and occurrence could be improved. Testing performed uncovered numerous errors in recording of payments collected by Treasury Collections. All collections received and the related payor information are manually input into the Microsoft Access database. Data accuracy may be hindered by illegible or incorrect information provided or third-party payments that do not properly identify on whose behalf they are paying.

A testing population of 168 open hotels, which had not been audited recently by the Office of Internal Audit, was identified. Confirmations were sent to 30 randomly selected hotels and 2 judgmentally selected hotels. Confirmations included all payments recorded for the audit period and requested the hotel operator respond in agreement or note discrepancies. Responses were received for 31 of the 32 confirmations (97 percent).

Fourteen of the 31 hotels (45 percent) noted at least one inaccuracy in the tax payments recorded. Discrepancies were generally payments credited to an incorrect account or incorrect month. One discrepancy noted was a check fraudulently endorsed and never recorded in the Treasury Collections Office’s database. Exhibit D displays the discrepancies identified within the confirmations.

### **Exhibit D – Hotel Confirmations Discrepancies**

Discrepancy Description	Number of Hotels Reported	Total Amount
Payments reported but not recorded	1	\$ 19,010
Payments credited to incorrect account	12	\$ 277,453
Payments credited to incorrect month	2	\$ 73,116
Error in business name, mailing name, or address	3	

Source: Office of Internal Audit Confirmations

### Check Fraudulently Endorsed

One hotel owner reported a missing payment of \$19,009.78. A copy of the cancelled check made payable to the Collections Office, dated November 16, 2018, was provided. However, the check was not endorsed with the Treasury Collections endorsement nor was the check deposited into the Metropolitan Nashville bank account. The endorsement on the check was illegible. Due to a lack of controls, there is no way to determine if the check was ever received by the Treasury Collections Office. (See Observation D.)

The Office of the Treasurer notified the Tennessee Comptroller’s Office of the potential fraud. An Affidavit of Forgery was filed by the Office of the Treasurer to the bank on which the check was drawn. The hotel owner was reimbursed by the bank and will pay the taxes owed. The hotel owner is filing a police report with the Metropolitan Nashville Police Department, and the status and results of the investigation will be followed.

### Additional Audit Procedures

Due to the potential fraud, additional procedures were performed. From the original population, an additional 12 hotels were judgmentally selected based on having at least one missing payment during the audit period. Confirmations were sent to the selected hotels, and 8 hotels (67 percent) responded. For the remaining four hotels, multiple unsuccessful attempts were made to contact the business and obtain a response.

Four of the eight confirmations returned (50 percent) reported discrepancies. Discrepancies were similar in nature to the initial sample. Exhibit E details the discrepancies reported in the expanded sample.

### **Exhibit E: Expanded Confirmations Discrepancies**

Discrepancy Description	Number of Hotels Reported	Total Amount
Payments credited to incorrect account	5	\$ 245,211
Payments credited to incorrect month	1	\$ 189,497

Source: *Office of Internal Audit Confirmations*

In all instances of errors reported, the taxpayer was unaware of misapplied payments or incorrect contact information. Treasury Collections does not monitor for unpaid accounts, and they do not provide receipts for mailed in payments unless requested.

Most discrepancies recorded were due to input errors. The manual procedures of inputting taxpayer information and collected amounts increases the risk of mistakes. Lack of taxpayer ability to pay online and receive a receipt has intensified these risks.

#### *Criteria:*

- *Committee of Sponsoring Organizations of the Treadway Commission – Principle 10* – The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- *Tennessee Code Annotated §8-4-503 (a) Reporting unlawful conduct – Method of Making Report* – A public official with knowledge based upon available information that reasonably causes the public official to believe that unlawful conduct has occurred shall report the information in a reasonable amount of time to the Office of the Comptroller of the Treasury.

#### *Assessed Risk Rating:*

**High**

#### *Recommendations for management of the Finance Department to:*

1. Implement an online taxpayer system that allows taxpayers to set up accounts, input tax form information, pay taxes due, and receive a receipt upon payment.
2. Perform periodic checks of taxpayer account information and payments to ensure they are properly recorded.
3. Implement procedures to ensure numbered receipts are issued to taxpayers for all payments received.

### **Observation B – Treasury Collections Microsoft Access Database Controls**

Controls around the Microsoft Access Database used to record payments could be improved. Payments that enter the Treasury Collections Office are recorded in a Microsoft Access database. When the Treasury Collections Office assumed the collections in 2012, they created the database to record the A revenue.

Information Technology Services controls the assignment of access to the folder housing the Microsoft Access database. The Treasury Collections Office may request users be added or removed. Only the three Treasury Collections Office staff members need daily access to write to the database. Anyone else needing the database information typically requires read only access. However, specific permissions cannot be assigned to Microsoft Access database users. Thus, all users are given the ability to read and write to the database. Sixty accounts had access to the database. Account owners were as shown in Exhibit F.

**Exhibit F: Microsoft Access Database User Accounts by Department**

Department	Number of Accounts
Information Technology Services	37
Department of Finance	10
Codes Department	9
Internal Audit	4

*Source: Information Technology Services Department*

A review of users that entered transactions showed only authorized Treasury Collections Office staff created transactions.

Transactions entered into the database are sequentially assigned a transaction number. All staff have the ability to delete transactions, but procedures and acceptable reasons for deleting are verbally communicated. Database tables were reviewed for missing transaction numbers. A total of 5,277 transaction numbers were missing during the audit period. Treasury Collections attributed the gaps to system errors or a few requested deletions. However, since there are no audit logs and all accounts have the ability to remove transactions, there is no way to determine the reasons for the missing transactions. The Treasury Collections' daily reconciliations would identify same day deleted transactions, but lost data after a day may not be discovered. .

The lack of controls around the Microsoft Access database increases the risk of not detecting accidental errors or intentional theft. There is also a risk of revenue being deliberately overstated.

#### *Criteria:*

*Committee of Sponsoring Organizations of the Treadway Commission – Principle 10 – The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.*

#### *Assessed Risk Rating:*

**High**

#### *Recommendations for management of the Finance Department to:*

1. Implement a collections system that has the capabilities to limit user access, create an audit log, and provide validation checks on data entered.
2. Work with the Information Technology Services department to review the Microsoft Access database user list and remove users that do not need to review or write to the database. Determine read-only users that may request reports and data as needed instead of having direct access.



3. Implement policies and procedures prohibiting the deletion of transactions and requiring a void of any erroneous transactions. Routinely perform checks of transaction numbers and document the reason for any missing transactions.

### ***Observation C – Receiving and Depositing Controls***

Processes to ensure payments received are entered timely could be enhanced. Payments are primarily mailed to the Treasury Collections Office. During peak times of the month, Treasury Collections may receive hundreds of mailed in payments daily. Payments are opened and sorted by one staff member. Check and credit card payments are distributed in unlogged piles amongst the Treasury Collections staff. Cash payments are put into the Treasury Collections cash drawer.

Treasury Collections staff enter the payments throughout the day into the Treasury Collections Microsoft Access database. Any payments not entered during the day are left on desks overnight to be entered the next business day. At the end of each day, staff reconcile their own deposits to their own transactions entered. Since there is not a log of payments received, there is no way to determine all payments received by mail are recorded.

On January 3, 2020, a backlog of mailed in payments from, December 27, 2019, and January 2, 2020, was observed in the Treasury Collections Office. Backlogs totaled \$1,048.55 from December 27, 2019, and \$7,237.73 from, January 2, 2020. The December 27, 2019, payments were deposited on January 3, 2020. The January 2, 2020, payments were deposited on January 7, 2020. Treasury Policy #9 requires funds to be deposited into Metropolitan Nashville depository accounts within one business day of receipt.

During a cash count on January 3, 2020, two tax returns with cash payments of \$73 and \$12 were noted. The \$85 in payments was deposited one week later on January 10, 2020. The \$73 was deposited 12 business days late. The \$12 was deposited 10 business days late. These payments were also not recorded timely to the taxpayers' accounts in the Microsoft Access database. The receipts were entered into the database the day they were deposited and not the day they were each received.

Additionally, the change fund contained \$60.60, which is \$39.40 less than its required \$100 balance. The shortage existed since at least February 22, 2019. The Treasury Collections Office Supervisor was aware of the shortage but did not know the reason. The fund was not counted at regular intervals.

#### ***Criteria:***

- *Committee of Sponsoring Organizations of the Treadway Commission – Principle 10* – The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- *Metropolitan Government of Nashville Davidson County, Treasury Policy 9, Cash Deposits, Revision Date July 1, 2016*—Funds collected at agency locations must be deposited into the metropolitan depository bank account within one business day of receipt.

#### ***Assessed Risk Rating:***

**High**

#### ***Recommendations for management of the Finance Department to:***

1. Document and implement procedures to properly segregate the duties of receiving, recording, and depositing payments received.
2. Maintain a daily log of payments received prepared by two staff members opening the mail, stamping it received, and initialing the log.

3. Deposit all payments received within one business day of receipt and record all receipts into the Microsoft Access database daily.
4. Implement procedures for an independent staff member to reconcile the mail log to the daily receipts in the Microsoft Access database.
5. Count the change fund at regular intervals and maintain the complete documentation with signatures of who counted it, the amount, and have an independent person review and sign it.

### ***Observation D –Population Determinations and Monitoring***

Measures to ensure complete collection populations could be improved. Treasury Collections does not maintain a full population of entities required to pay related taxes. If a taxpayer does not make a payment, there are limited controls to identify it. If an entity does not request an account number to setup tax payments, Treasury Collections will not be aware of the taxpayer’s existence.

Limited procedures are in place to search third-party sites for short-term rentals, receive notifications from the County Clerk for new hotels, and some notifications are sent from outside agencies for liquor taxes and contracted vehicle taxes. Other Metropolitan Nashville agencies, such as the Beer Board or Planning Department, have registration or permit lists that may be leveraged to ensure complete populations are reporting. However, there is no coordinated effort among different Metropolitan Nashville departments to compare records to ensure all entities have self-reported.

Analytics to review the overall collection amounts over time were performed. Analysis on an entity level basis was not possible due to known recording errors in data. (See Observation A.) Overall analytics showed expected cyclical and increasing collections over time. However, the numbers of reporting entities for most all categories did not follow expectations. There was variation from month to month that indicated either reports were recorded to the wrong entity or entities did not report at all. There was no way to determine the underlying cause as the recording issues within the database are pervasive.

#### ***Criteria:***

Committee of Sponsoring Organizations of the Treadway Commission – Principle 10 – The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

#### ***Assessed Risk Rating:***

**High**

#### ***Recommendations for management of the Finance Department to:***

1. Coordinate with other Metropolitan Nashville agencies to obtain population listings for collections. Implement procedures to compare taxpaying entities to the full population listings on a routine basis.
2. Document and implement procedures to monitor account payments and determine procedures for notifying entities of missed payments.

## **GOVERNMENT AUDITING STANDARDS COMPLIANCE**

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We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives. We meet the generally accepted government auditing requirements for internal auditors.

## **METHODOLOGY**

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To accomplish our audit objectives, we performed the following steps:

- Interviewed key personnel within the Department of Finance Treasury Collections Office.
- Reviewed Metropolitan Nashville Code of Laws and other applicable laws, regulations, and policies.
- Evaluated internal controls that were significant to our objectives.
- Reviewed the Microsoft Access Database and performed analytics on data it contained.
- Sent confirmations of taxes paid to hotel owners.
- Considered risk of fraud, waste, and abuse.

## **AUDIT TEAM**

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Mary Cole, CPA, CFE, CISA, CGFM, Audit In-Charge

Lauren Riley, CPA, CIA, ACDA, CMFO, Metropolitan Auditor

JOHN COOPER  
MAYOR



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**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

Lauren Riley  
Metropolitan Auditor  
Office of Internal Audit  
Metropolitan Government of Nashville and Davidson County  
PO Box 196300  
Nashville, TN 37219-6300

Re: Audit of the Finance Department Treasury Collections Office

Dear Ms. Riley,

This letter acknowledges the Finance Department's receipt of the report for the above referenced project. We have reviewed your observations and recommendations and actions will be taken as indicated in the Management Response.

In addition, and as a result of the audit, a thorough review of processes has been undertaken to identify interim solutions until an online tax system is in place. Like so many other organizations, the Metro Finance Department has faced numerous obstacles and disruptions to its workflow, including the health of staff and their loved ones, remote working arrangements, limited functionality and access to normal business tools, and sharply reduced opportunities for in-person interviews and interactions. Even with these obstacles, actions such as manual logs discussed in the audit and use of a bank lockbox process were thoroughly vetted against existing capabilities without producing workable solutions to completely address some of the findings. While understanding the findings are identified as high risk, the following actions have been taken to provide controls that have been implemented in the current environment.

These actions include:

- Mail unable to be processed daily is logged into an online spreadsheet and tracked until complete.
- Enhanced physical security of mail
- Daily log of returned mail
- Providing receipt upon request for all payments

As the audit highlights, the Collections Office has been severely hampered by lack of a comprehensive tax collection system with robust online filing and payment capabilities.

## APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

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JOHN COOPER  
MAYOR



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### METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

Many of the findings are directly tied to a manual process using Microsoft Access database to manage thousands of monthly filings. The access database is old software that is no longer supported by Microsoft. As users continue to share the database, processing times increasingly slow down, further impacting productivity. In coordination with Metro ITS, and as part of the R12 implementation, a system with online capabilities is being finalized for rollout. Development in R12 is scheduled to be finished by the end of September. Once completed and training provided, a data conversion from the Access database to R12 and rollout to taxpayers will be scheduled. Current plan is to have a functional online system on or about October 31<sup>st</sup>.

We appreciate the cooperative effort in developing the report and considering our input during the entire process.

Regards,

*Kevin Crumbo*

Kevin Crumbo  
Director of Finance

## APPENDIX A – MANAGEMENT RESPONSE 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.

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations for the management of the Finance Department to:</i>			
H	A.1 – Implement an online taxpayer system that allows taxpayers to set up accounts, input tax form information, pay taxes due, and receive a receipt upon payment.	Concur – An assessment of system needs, and scope of services was provided to the ITS Department. On July 9, 2020 ITS presented a plan for using capabilities of the R-12 system to provide online tax payment processing. Follow-up action items are being addressed with system design completion expected on or about Sep. 30 <sup>th</sup> and system rollout by Oct 31.	October 31, 2020
H	A.2 – Perform periodic checks of taxpayer account information and payments to ensure they are properly recorded.	Concur – Procedures will be developed and implemented for regular testing of taxpayer filings against recorded information	October 31, 2020
H	A.3 – Implement procedures to ensure numbered receipts are issued to taxpayers for all payments received.	Concur – An assessment of system needs, and scope of services was provided to the ITS Department. On July 9, 2020 ITS presented a plan for using capabilities of the R-12 system to provide online tax payment processing. Follow-up action items are being addressed with system design completion expected on or about Sep. 30 <sup>th</sup> and system rollout by Oct 31. Receipts are currently provided on request.	October 31, 2020
H	B.1 – Implement a collections system that has the capabilities to limit user access, create an audit log, and provide validation checks on data entered.	Concur – An assessment of system needs, and scope of services was provided to the ITS Department. On July 9, 2020 ITS presented a plan for using capabilities of the R-12 system to provide online tax payment processing. Follow-up action items are being addressed with system design completion expected on or about Sep. 30 <sup>th</sup> and system rollout by Oct 31.	October 31, 2020

## APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
H	B.2 – Work with the Information Technology Services department to review the Microsoft Access database user list and remove users that do not need to review or write to the database. Determine read-only users that may request reports and data as needed instead of having direct access.	ITS has updated security to the Access Database to include access for only Collection's office staff, the Treasurer and 1 member of ITS admin.	June 3, 2020
H	B.3 – Implement policies and procedures prohibiting the deletion of transactions and requiring a void of any erroneous transactions. Routinely perform checks of transaction numbers and document the reason for any missing transactions.	Concur – An assessment of system needs, and scope of services was provided to the ITS Department. On July 9, 2020 ITS presented a plan for using capabilities of the R-12 system to provide online tax payment processing. Follow-up action items are being addressed with system design completion expected on or about Sep. 30 <sup>th</sup> and system rollout by Oct 31.	October 31, 2020
H	C.1 – Document and implement procedures to properly segregate the duties of receiving, recording, and depositing payments received.	Concur – Current procedures were reviewed for improvements. Based on limitations resulting from COVID 19, staffing and mail volume during peak tax filing, a limited number of improvements were implemented. Reduced mail volume once a new comprehensive system is implemented will greatly improve internal control capabilities.	October 31, 2020  Will be fully addressed when staff returns from current workplace restrictions
H	C.2. – Maintain a daily log of payments received prepared by two staff members opening the mail, stamping it received, and initialing the log.	Concur – Current procedures were reviewed for improvements. Based on limitations resulting from COVID 19, staffing and mail volume during peak tax filing, a limited number of improvements were implemented. Reduced mail volume once a new comprehensive system is implemented will greatly improve internal control capabilities.	October 31, 2020  Will be fully addressed when staff returns from current workplace restrictions
H	C.3 – Deposit all payments received within one business day of receipt and record all receipts into the Microsoft Access database daily.	Concur – Deposits will be made timely. An updated system will improve the payment process and significantly reduce the number of deposits required.	October 31, 2020  Will be fully addressed when staff returns from current workplace restrictions

## APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
H	C.4 – Implement procedures for an independent staff member to reconcile the mail log to the daily receipts in the Microsoft Access database.	Concur – Current procedures were reviewed for improvements. Based on limitations resulting from COVID 19, staffing and mail volume during peak tax filing, a limited number of improvements were implemented. Reduced mail volume once a new comprehensive system is implemented will greatly improve internal control capabilities.	October 31, 2020  Will be fully addressed when staff returns from current workplace restrictions
H	C.5 – Count the change fund at regular intervals and maintain the complete documentation with signatures of who counted it, the amount, and have an independent person review and sign it.	Concur – Procedures have been implemented and an independent documented verification process is in place.	April 1, 2020
H	D.1 – Coordinate with other Metropolitan Nashville agencies to obtain population listings for collections. Implement procedures to compare taxpaying entities to the full population listings on a routine basis.	Concur – will expand collaboration with Metro agencies and other entities to help identify potential taxpayer information.	Ongoing
H	D.2 – Document and implement procedures to monitor account payments and determine procedures for notifying entities of missed payments.	Concur – An assessment of system needs, and scope of services was provided to the ITS Department. On July 9, 2020 ITS presented a plan for using capabilities of the R-12 system to provide online tax payment processing. Follow-up action items are being addressed with system design completion expected on or about Sep. 30 <sup>th</sup> and system rollout by Oct 31.	October 31, 2020



## APPENDIX B – ASSESSED RISK RANKING

Observations identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government. Items deemed “Low Risk” will be considered “Emerging Issues” in the final report and do not require a management response and corrective action plan.

Rating	Financial	Internal Controls	Compliance	Public
<b>HIGH</b>	Large financial impact >\$25,000  Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metropolitan Nashville Government policies	High probability for negative public trust perception
<b>MEDIUM</b>	Moderate financial impact \$25,000 to \$10,000	Partial controls  Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metropolitan Nashville Government policies	Potential for negative public trust perception
<b>LOW/ Emerging Issues</b>	Low financial impact <\$10,000	Internal controls in place but not consistently efficient or effective  Implementing / enhancing controls could prevent future problems	Generally complies with Federal, state, and local laws, or Metropolitan Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
<b>Efficiency Opportunity</b>	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			