

# METROPOLITAN NASHVILLE OFFICE OF INTERNAL AUDIT



**INTERNAL AUDIT PERFORMANCE REPORT**  
February 1, 2020, through January 31, 2021



## Report to Metropolitan Nashville Audit Committee

February 9, 2021

Members of the Metropolitan Nashville Audit Committee  
Metropolitan Government of Nashville and Davidson County  
Metro Courthouse  
Nashville, TN 37201

Members of the Metropolitan Nashville Audit Committee:

The Metropolitan Nashville Office of Internal Audit is pleased to present its performance report highlighting accomplishments and audit work completed between February 1, 2020, and January 31, 2021. During this period the Office finished 16 performance audits, 4 hotel tax audits, and 3 investigations.

Since the Office reconstituted as an independent agency in 2007, over 1,804 audit recommendations have been reported to improve the Metropolitan Nashville Government. This past year 98 percent of the 81 recommendations to improve government services were accepted by management with implementation plans. Also, the Office accommodated five requests for audit services from Metropolitan Nashville Government management and the Metropolitan Nashville Council.

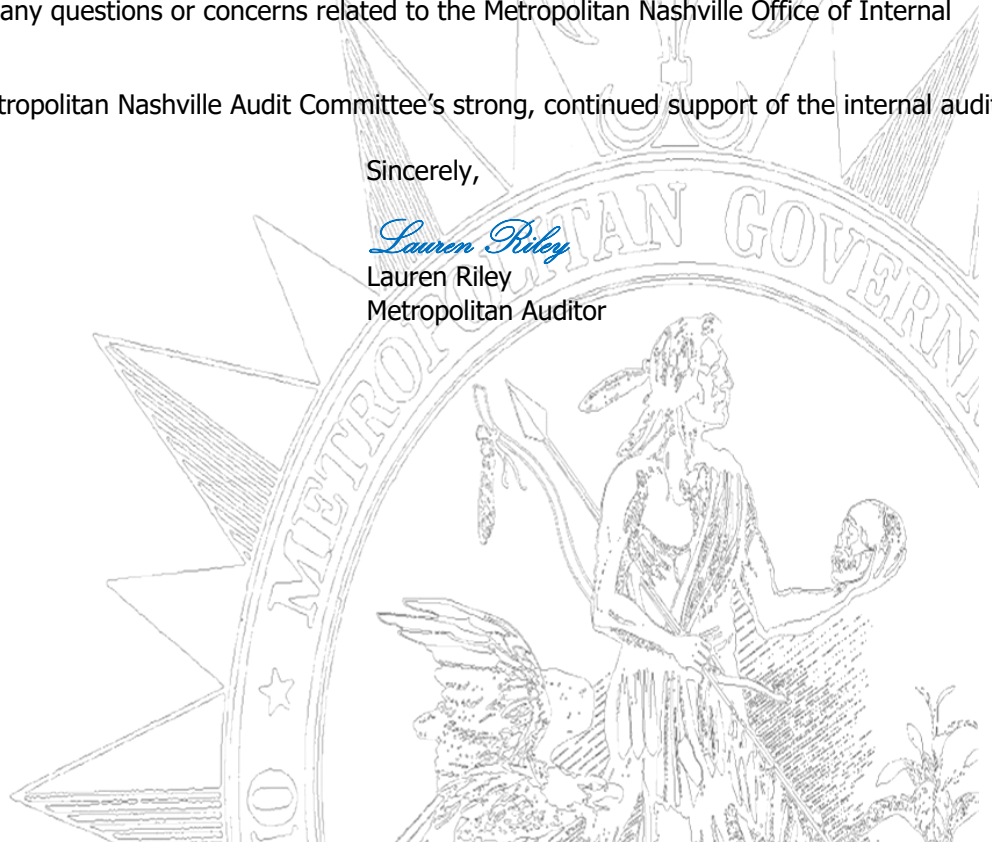
The content of these reports are at [www.nashville.gov/internal\\_audit](http://www.nashville.gov/internal_audit). A summary of the audit projects completed starts on page 7. Please note the breadth of audit coverage accomplished over the past five years as shown on page 15. It is my hope that you find this report to be a valuable resource and you will contact us with any questions or concerns related to the Metropolitan Nashville Office of Internal Audit.

I appreciate the Metropolitan Nashville Audit Committee's strong, continued support of the internal audit function.

Sincerely,

*Lauren Riley*

Lauren Riley  
Metropolitan Auditor





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### Our Mission

The Office of Internal Audit is an independent appraisal agency established to ensure and enhance the integrity, equality, accountability, effectiveness, and efficiency of service activities and to pursue an atmosphere of honesty and mutual trust within the Metropolitan Nashville Government.





### Our Accomplishments

- Conducted 16 audits where 81 recommendations were identified with a 98 percent acceptance rate.
- Implemented a recommendation follow-up process which resulted in open recommendations dropping from 158 to 64.
- Completed 3 requests for investigation of fraud, waste, and abuse matters.
- Accommodated 5 Metropolitan Nashville Council and management requests pertaining to:
  - Four Architectural and Engineering Vendor Audits
  - State Trial Courts - Drug Court (DC4)
  - Metro Water Services Billing
  - Hotel Occupancy Tax
  - Office of the Metropolitan Trustee

### Reporting Structure





## Metropolitan Nashville Audit Committee Members

| Representing                                       | 2019 – 2021     |
|--|-----------------|
| Vice Mayor   | Jim Shulman     |
| Council Representative                             | Thom Druffel    |
| Council Representative                             | Zulfat Suara    |
| Director of Finance                                | Kevin Crumbo    |
| Nashville Chapter of the Tennessee Society of CPAs | Charles Frasier |
| Nashville Area Chamber of Commerce                 | Brackney Reed   |

### Metropolitan Nashville Audit Committee

The Office of Internal Audit reports directly to the Metropolitan Nashville Audit Committee. This reporting structure fully complies with independence standards required by the American Institute of Certified Public Accountants, the Institute of Internal Auditors, and United States Government Accountability Office.

The Office of Internal Audit strives to meet the Committee’s expectations for integrity, objectivity, and independence by applying professional auditing standards to all engagements. This office is committed to functioning professionally and efficiently in all business matters.

The Metropolitan Auditor meets with the Metropolitan Nashville Audit Committee at least quarterly to discuss audit reports released during the previous quarter. The Committee also approves the annual internal audit work plan and reviews the Metropolitan Nashville Government annual financial reports with the external auditors.

Meeting agendas and minutes are posted on the Metropolitan Nashville Audit Committee’s website at: <https://www.nashville.gov/Government/Boards-and-Committees/Committee-Information/ID/51/Metropolitan-Nashville-Audit-Committee.aspx>



## Internal Audit Staff



Lauren Riley, CPA, CIA, ACDA, CMFO  
Metropolitan Auditor  
Mississippi State University,  
BS-Accounting; University of Alabama,  
MAcc



Bill Walker, CPA, CIA, CFE  
Principal Auditor  
Middle Tennessee State University,  
BS-Public Administration



Seth Hatfield, CPA, CIA, CFE  
Senior Auditor  
Lipscomb University, BS-Accounting;  
Middle Tennessee State University, MAcc



Innocent Dargbey, CPA, CMFO, CICA  
Senior Auditor  
Higher Institute of Economics, BS  
Finance & MS Finance; University of  
Oklahoma, MBA



James Carson, CIA, CFE  
Senior Auditor  
University of Tennessee, BS-Finance;  
Louisiana Tech at Ruston, MBA



Mary Cole, CPA, CISA, CFE, CGFM  
Senior Auditor  
Western Kentucky University,  
BS-Accounting and Masters Public  
Accountancy



Nan Wen, CPA  
Internal Auditor II  
Hefei Economy & Technology Institute,  
BS-Accounting; University of Sydney, MS-  
Accounting; Saint Joseph's University, MS-  
Computer Science



Laura Henry, CFE  
Internal Auditor II  
St. Ambrose University, BA-  
Management; Roosevelt University,  
MS-Accounting Forensics

## Professional Credentials

- |   |  |
|---|--|
| <b>CPA</b> - Certified Public Accountant          | <b>CISA</b> - Certified Information Systems Auditor  |
| <b>CIA</b> - Certified Internal Auditor           | <b>CGFM</b> - Certified Government Financial Manager |
| <b>CFE</b> - Certified Fraud Examiner             | <b>ACDA</b> - ACL Certified Data Analyst             |
| <b>CMFO</b> - Certified Municipal Finance Officer | <b>CICA</b> - Certified Internal Control Auditor     |





## Summary of Performance Audit Projects



### Architectural and Engineering Vendor Audits (Gresham Smith, Collier Engineering, Brown & Caldwell, and Civic Engineering)

(02/19/2020)

#### Why Audited:

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 Found:

The Office of Internal Audit utilized contractors to complete and issue four separate vendor audit reports. Each audit found similar observations of needs for additional procurement controls and document retention.

### Nashville Public Library Building Security (05/29/2020)

#### Why Audited:

The audit was conducted due to the importance of ensuring the safety of library patrons and employees and the security of valuable library collections.

#### What We Found:

The Nashville Public Library has controls in place to ensure a safe work environment for employees and safety of patrons. There are policies and procedures in place to ensure library building security, valuable asset safety, and disaster responsiveness. However, badge access for terminated employees, volunteers, and library foundation staff was not removed timely. Additionally, there were no policies in place to give guidance on what should be considered as valuable items requiring safe storage in special collections or archives in the Nashville Public Library.



### State Trial Courts - Drug Court (DC4) (02/20/2020)

#### Why Audited:

The audit was performed because incoming Criminal Court, Division IV, Judge Jennifer Smith, who is also the Presiding Judge of the Drug Court, requested this transition audit to review the finances and operations of the Drug Court.

#### What We Found:

Some case management files lacked required signatures. Additionally, wood shop revenues were deposited into the petty cash fund for internal use on items disallowed by the Metropolitan Nashville Procurement Code. Fuel purchases were not being monitored regularly, and money orders were not being deposited timely. Payroll and leave balances were manually maintained, which resulted in leave time and payroll payment errors.





**Audit of the Metro Parks and Recreation Department's Relationships with Nonprofits (08/17/2020)**

**Why Audited:**

The audit was conducted to determine the appropriateness of relationships between the Metro Parks and Recreation Department and affiliated partners or nonprofits and to ensure the relationships are beneficial to the Metro Parks and Recreation Department.

**What We Found:**

Opportunities to improve compliance with the Metropolitan Board of Parks and Recreation Policy exist. Requirements for nonprofits to provide specific documentation to the Metro Parks and Recreation Department was not consistently adhered to or monitored.

**Audit of the Davidson County Election Commission Operations (09/04/2020)**

**Why Audited:**

The audit was conducted due to the importance of ensuring the integrity and fairness of elections conducted in Davidson County.

**What We Found:**

The Davidson County Election Commission has controls in place to ensure elections are conducted according to applicable laws and regulations. Policies and procedures are in place to ensure sound financial operations. However, poll worker assignment could be improved to better comply with State of Tennessee election law. Additionally, sales tax exemptions should be applied more diligently and manual errors in recording employee leave time may be avoided with the use of technology.



**Audit of the Department of Finance Treasury Collections Office (09/03/2020)**

**Why Audited:**

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 Found:**

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.







**Davidson County Election Commission Information Systems Audit (09/04/2020)**

**Why Audited:**

The audit was conducted due to the importance of ensuring the integrity and fairness of elections conducted in Davidson County. KraftCPAs PLLC was retained to evaluate the design and effectiveness of the internal controls related to the Election Commission for the period March 1, 2019 through February 29, 2020.

**What We Found:**

The audit identified one high risk, six medium risk, and one low risk observations related to information systems. These included password configuration, documentation of training, and removal of access for terminated employees.

**Audit of the Davidson County Criminal Justice Center Construction Project (11/04/2020)**

**Why Audited:**

The audit was conducted due to the important role capital projects play in the financial health of the Metropolitan Nashville Government and the significant funding required to complete the project.

**What We Found:**

The audit identified areas for improvement. The guaranteed maximum price was not established until late in the life cycle of the project. The final contract did not require the prime contractor to disclose related parties. General conditions costs could be more detailed in contractual agreements to ensure lowest possible cost. Lastly, background check documentation requirements for contractor personnel were not consistent between contractual agreements and internal policy. Inconsistency in requirements led to noncompliance with contractual terms.



**Audit of Metropolitan Nashville Public Schools Capital Projects Process (09/29/2020)**

**Why Audited:**

The audit was conducted due to the high amount of funding that goes into Metropolitan Nashville Public Schools capital projects, and since the program has not been audited by the Metropolitan Nashville Office of Internal Audit.

**What We Found:**

While policies and procedures are in place to inspect and score schools to request funding for facilities, Metropolitan Nashville Public Schools does not utilize a project management system to organize and track capital projects. Metropolitan Nashville Public Schools could benefit by using a project management software to organize and maintain documentation.







**Audit of the Office of the  
Metropolitan Trustee  
(01/12/2021)**

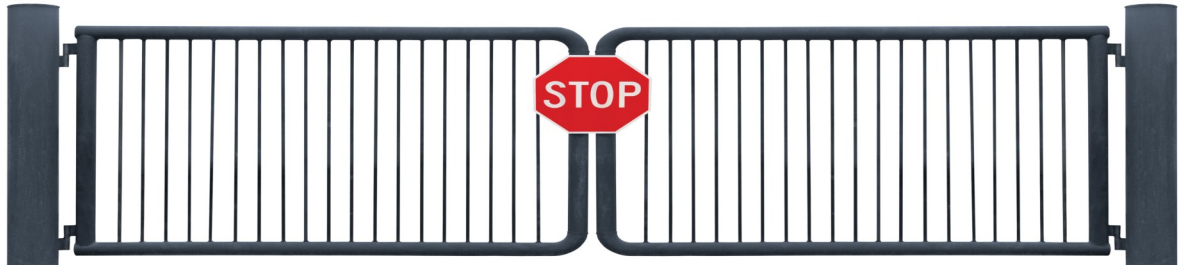
**Why Audited:**

Metropolitan Trustee, Erica Gilmore, requested this transition audit to review the finances and operations of the Office of the Trustee.

**What We Found:**

Two-person integrity should be consistently used and documented when counting cash receipts. Policies and procedures are outdated and do not represent current practices for some critical business processes. Users within eGovernment Solutions had permissions exceeding their job responsibilities. Some employees could process voids and add or edit users unnecessarily. The Office of the Trustee also lacks segregation of duties between collecting cash receipts and adjusting property tax bills.





### **Organizational Impairments**

There were no unwarranted restrictions on the staffing of the internal audit activity or on access by internal auditors to organization activities, records, property, and personnel during this period.

### **Risk Safeguards**

The Metropolitan Nashville Audit Committee, along with the Office of Internal Audit and Metropolitan Nashville Government's external auditor, Crosslin, PLLC is constantly scanning the horizon for dangerous situations, such as breakdowns in management internal controls that may lead to financial misstatement, fraud, waste, or abuse of government resources.

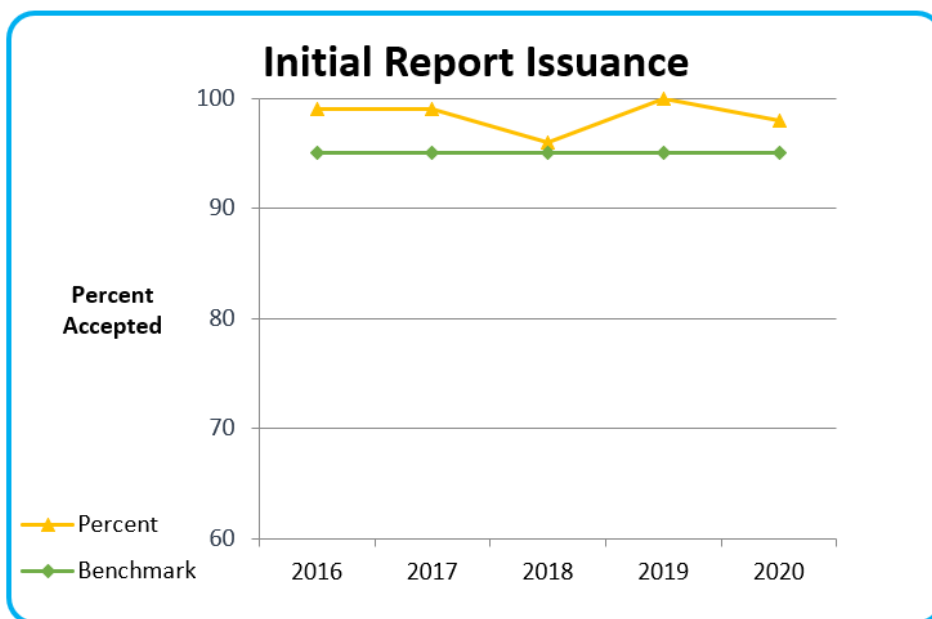
Other groups helping identify emerging risks include:

- State of Tennessee Comptroller's Audit Divisions.
- Office of Financial Accountability within the Metropolitan Nashville Finance Department.
- Metropolitan Nashville Public Schools Internal Audit.
- State of Tennessee and United States Government grant compliance reviewers.
- Contract audit service from KraftCPAs, BerryDunn, and other professional service firms.

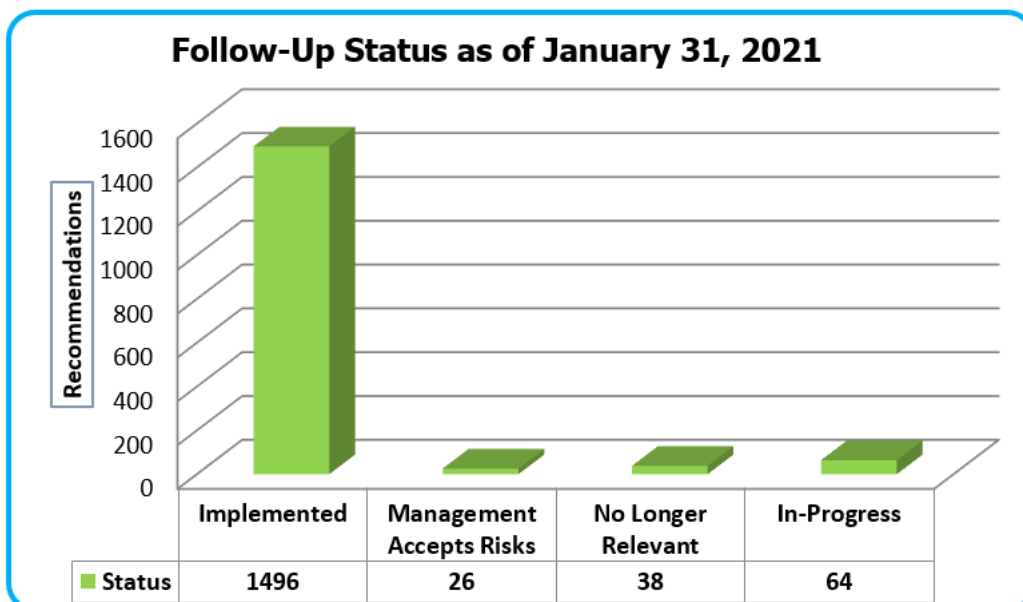


## Audit Recommendations Implementation Status

The Office of Internal Audit has issued over 200 audit reports since being reorganized as an independent audit organization in March 2007. Internal audits in the 2020 reporting period identified 81 recommendations for improvement, with 79 (98 percent) of the recommendations being accepted when the report was issued. The Association of Local Government Auditors benchmark is a 95 percent acceptance rate.



As of January 31, 2021, departments were asked to provide implementation status for accepted audit report recommendations. Out of the 1,624 accepted recommendations, 1,496 (92 percent) were implemented and 64 recommendations were in-progress pending corrective action tasks. In-progress recommendations open in excess of one year totaled 43. Common delays were attributed to the necessity for budget funding, implementation of computer applications, or follow-up response delayed due to other pressing management priorities.





| Performance Measures   | 2020 Goal | -----Actuals for Plan Year----- |      |      |
|--|-----------|---------------------------------|------|------|
|  |           | 2020                            | 2019 | 2018 |
| Percentage of Direct Time to Available Time<br>(Excludes Metropolitan Auditor and Management Time) | 85%       | 81%                             | 84%  | 83%  |
| Percentage of Recommendations Accepted   | 90%       | 98%                             | 100% | 96%  |
| Number of Audit Projects Completed   | 17        | 16                              | 14   | 17   |
| Percentage of Recommendations Implemented within 1 Year of Report Issuance                         | 85%       | 73%                             | 63%  | 36%  |

**Metro Nashville Red Flag  
Fraud, Waste, and Abuse Hotline**

**Call 877-270-8334**

or

**<https://www.redflagreporting.com/nashville>**



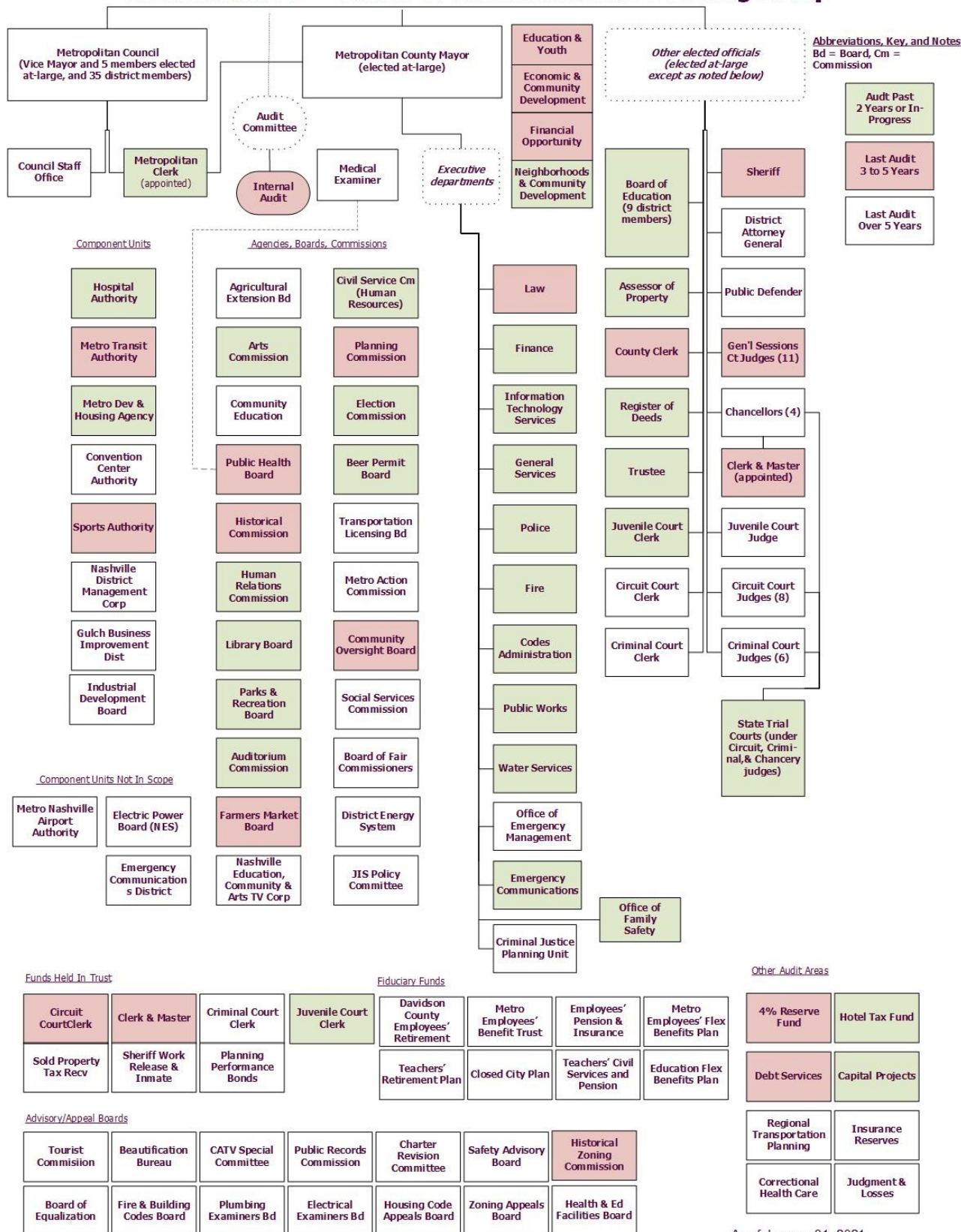
**Metro Nashville Hotline Statistics**

From February 1, 2020, through January 31, 2021, the Office of Internal Audit received 3 calls on the Metro Nashville Waste and Abuse Hotline that required further attention.





## Attachment D - Office of Internal Audit Coverage Map



As of January 31, 2021

Metropolitan Nashville & Davidson County



### **TRANSPARENCY**

The Office of Internal Audit reports directly to the Metropolitan Nashville Audit Committee throughout the year. All final reports are available on the Office of Internal Audit's website.

### **WEBSITE**

Visit us online: [www.nashville.gov/internal\\_audit](http://www.nashville.gov/internal_audit)

### **ADDRESS**

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PO Box 196300  
Nashville, TN 37219-6300

### **PHONE**

(615) 862-6111

Pictures included in the report are copyrighted and can only be used for official government purposes. Pictures were obtained from:

- Metro Nashville Photographer
- Canstockphoto.com

### **NOTE**

This is a performance report of the Office of Internal Audit's achievements and accomplishments and should not be considered an audit report. Generally accepted government auditing standards were not used in the preparation of this report.