

**THE METROPOLITAN GOVERNMENT OF NASHVILLE  
AND DAVIDSON COUNTY, TENNESSEE**

Letter of Recommendations to Management

June 30, 2015

October 31, 2015

To the Honorable Mayor and Members of Council  
The Metropolitan Government of Nashville and Davidson County, Tennessee  
Nashville, Tennessee

Ladies and Gentlemen:

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Government") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We have also audited the financial statements of the Sports Authority Fund and the Industrial Development Board Fund, which are discretely presented component units of the Government, and the financial statements of each of the Government's nonmajor governmental, nonmajor enterprise, internal service and fiduciary funds, and have issued our report thereon dated October 31, 2015. We have also audited and reported on separately the financial statements of the following discretely presented component units: Metropolitan Nashville General Hospital and Bordeaux Long-Term Care (funds of the Hospital Authority), and the Metropolitan Transit Authority. We did not audit the financial statements of the following discretely presented component units: the Nashville District Management Corporation, the Gulch Business Improvement District, Inc., the Metropolitan Development and Housing Agency, the Electric Power Board, Metropolitan Nashville Airport Authority, the Emergency Communications District, and the Convention Center Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

In planning and performing our audit of the aforementioned financial statements, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Government's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control.



Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

\* \* \* \* \*

During our audit, we noted the following matters that are opportunities for strengthening internal controls and operating efficiency and are presented for your consideration. This letter does not affect our report dated October 31, 2015, on the aforementioned financial statements. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

## **CENTRAL GOVERNMENT**

### ***Timely Preparation of Bank Reconciliations***

#### **Observation**

In testing the Government's internal controls over bank reconciliations, we identified certain bank accounts that were not reconciled on a timely basis. Specifically, the Concentration and Operating and Water and Sewer customer refunds checking accounts were not reconciled timely for several months of the fiscal year. The Government does have certain compensating controls in place to timely detect significant misstatements in the financial statements. However, the risk of not identifying cash errors and possible fraud related to cash increases greatly when bank accounts are not reconciled timely during the year.

#### **Recommendation**

All bank accounts should be reconciled timely on a monthly basis by the Government and all reconciling items should be promptly investigated, adjusted and documented with adequate explanations. This will reduce the likelihood of cash errors and fraud, provide for more timely and accurate financial information, and assist in the effective management of cash flow.



### **Management's Response**

#### *Concentration and Operating Account*

Management agrees with this recommendation. Most routine accounting tasks fall behind at the beginning of the new fiscal year as a result of year end reporting for the prior fiscal year and certain set up that is required at the beginning of each new fiscal year. Additionally, staff turnover in FY15 contributed to delays in the timeliness of bank reconciliations. An additional staff person was hired in December 2015 and is assigned to the bank reconciliation process, which will enhance the timeliness of bank reconciliations going forward.

#### *Metro Water Services Customer Refunds Account*

Management agrees with this recommendation. We have been working to resolve outstanding issues and will be focusing on completing our monthly reconciliations timely throughout the year.

### ***Old Outstanding Items on Bank Reconciliations***

#### **Observation**

Reconciliations for the Water and Sewer Customer Refunds Account include many reconciling items that have been outstanding in excess of one year.

#### **Recommendation**

Though none of the items identified are significant, either individually or in the aggregate for the bank account, the Government should periodically evaluate the propriety of reconciling items over one year old. The Government's evaluation of reconciling items should occur on at least an annual basis and include adequate explanations for any resulting adjustments.

### **Management's Response**

#### *Metro Water Services Customer Refunds Account*

Management agrees with this recommendation. There are still accounts requiring additional research. We continue to research and clear outstanding items and will maintain focus on the Customer Refund Account through fiscal year 2016.

### ***Authorization of Credit Card Transactions***

#### **Observation**

During testing, it was noted that 4 of 40 P-Card transactions tested did not have documentation of proper authorization of the purchase from the department head or manager.



**Recommendation**

Through none of the items identified are significant individually or in the aggregate, the Government should ensure that department head approvals for credit card disbursements are obtained timely and documented.

**Management's Response**

Management agrees with this recommendation. The Finance Department will remind all departments of the proper credit card procedures. Additionally, the Finance Department's Office of Financial Accountability (OFA) will be conducting a Government-wide credit card audit beginning in FY16. The specific exceptions noted will be provided to OFA as they consider their scope of work.

***Infrastructure Reported Using the Modified Approach***

**Observation**

The Government has adopted the alternative to recording depreciation expense on selected infrastructure assets. Under this method, referred to as the modified approach, the Government expenses certain maintenance and preservation costs and does not report depreciation expense. Roads and bridges are accounted for using the modified approach. The Government's Condition Rating of Transportation Network showed that the percentage of lane miles in fair or better condition for fiscal 2015 was lower than the required percentage under the Government's established policy.

**Recommendation**

In order to continue using the modified approach for selected infrastructure assets, we recommend that the Government maintain its roads and streets in accordance with its established policy of at least 70 percent of its road and street system at a fair or better condition.

**Management's Response**

Management agrees with this recommendation. For assessment purposes, the county is divided into 5 groups with groups 1, 3 and 4 assessed in one year and groups 2 and 5 assessed in the alternate year. Groups 2 and 5 were assessed in 2015, and the percentage of lane miles in fair or better condition increased compared to 2013, despite excessive snow and ice during the 2014-15 winter. Additionally, road conditions were severely impacted by the May 2010 flood. The Government continues to recover from that major catastrophe as evidenced by improvements over the 2011 condition. Maintaining the condition of the roads and streets in accordance with the policy continues to be a priority as evidenced by an increase in budgeted maintenance in 2015. Finally, actual spending in the last two years was approximately double to that spent in the prior two years. Roads and streets are expected to be back up to the standard of 70% in fair or better condition over the next two to three years.



To the Honorable Mayor and Members of Council  
The Metropolitan Government of Nashville and Davidson County, Tennessee  
Page 5

\* \* \* \* \*

Management's responses to the comments identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the audit committee, management, and others within the Government, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Crosslin & Associates, PLLC*

CROSSLIN & ASSOCIATES, PLLC