



**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
OFFICE OF INTERNAL AUDIT**

Professional Audit and Advisory Service

FINAL REPORT

Audit of the Metropolitan Nashville
Human Relations Commission

Date Issued: June 20, 2011

Office Location and Phone Number

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*The Metropolitan Nashville Office of Internal Audit is an independent audit agency
reporting directly to the Metropolitan Nashville Audit Committee*

EXECUTIVE SUMMARY

June 20, 2011

Background

The Metropolitan Nashville Human Relations Commission was incorporated into the Metropolitan Nashville Code of Laws in 1994 with the mission to protect and promote the personal dignity of all people by protecting and promoting their safety, health, security, peace, and general welfare.

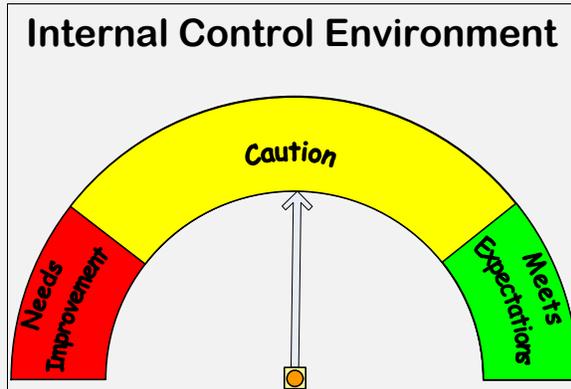
For fiscal years 2009 and 2010 expenditures were \$424,511 and \$386,242 respectively.

Internal Control Compliance Results

The Office of Internal Audit tested the Metropolitan Nashville Human Relations Commission compliance with applicable Metropolitan Nashville Code of Laws and Metro Nashville financial and operational policies for the following areas:

- Payroll and Leave Accounting.
- Procurement and Expenditures.
- Credit Card Use.
- Computer Inventory.
- Operations Under Metro Charter.
- Cell Phone Use.

Overall, compliance merits caution.



Management could further enhance its controls for:

- Credit card purchase approval and documentation.
- Employees leave time record keeping.
- Local restaurant purchase documentation.

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INTRODUCTION

AUDIT INITIATION

This compliance review was requested by the Executive Director of the Metropolitan Nashville Human Relations Commission, and approved by the Metropolitan Nashville Audit Committee.

BACKGROUND

The Metropolitan Nashville Human Relations Commission was incorporated into the Metropolitan Nashville Code of Laws in 1994. The mission of the Commission is to protect and promote the personal dignity of all people by protecting and promoting their safety, health, security, peace, and general welfare.

The Metropolitan Nashville Human Relations Commission has two programs, Civil Rights Compliance and Multicultural Education. The Civil Rights Compliance program entails receiving complaints from residents within Nashville and Davidson County related to violations of Federal Title VI (Prevents discrimination by government agencies that receive federal funds), and Title VII (prohibits discrimination by covered employers on the basis of race, color, religion, sex or national origin) laws. Compliance inspectors review complaints and decide whether to open a case for investigation, perform such investigation when necessary and issue reports on the results of investigation resolution of complaints. This function also serves as a mediator between employers and employees when conflicts occur due to issues related to various types of discrimination.

The Multicultural Education program entails providing diversity information, education and training opportunities to individuals and businesses in the Metropolitan Nashville area. Major activities include the Diversity Dialogue Study Circle for Metro Nashville employees and public forums held in various communities. This function also coordinates the City's Celebration of International Human Rights Day.

FINANCIAL HIGHLIGHTS

The Metropolitan Nashville Human Relations Commission does not generate any revenue from its operations. For fiscal years 2009 and 2010, its expenditures were \$424,511 and \$386,242 respectively. Expenditure summary for the last three fiscal years can be seen in Exhibit A below. A list of top five vendors/contractors used by the Human Relations Commission can be seen in Exhibit B below.

**Exhibit A – Metropolitan Nashville Human Relations Commission Financial Highlights
for Fiscal Years 2009, 2010 and 2011**

(\$ Dollars) Description	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011	
	Budget	Actual	Budget	Actual	Budget	Actual*
Personnel	332,000	326,378	257,100	270,027	260,300	243,480
Other Services	110,400	98,133	130,100	116,215	164,200	133,125
Total Expenditure	442,500	424,511	387,200	386,242	424,500	376,605

Source: Metro Nashville's EnterpriseOne Financial System

* - As of June 6, 2011

**Exhibit B – Top Five Paid Vendors/Contractors between January 1, 2009 and
March 31, 2011**

Vendor Name	Amount	Purpose
CUMULUS BROADCASTING-NASHVILLE	\$9,310	Radio Advertising
CARTER MOODY	7,781	Grant Consultant
RANDSTAD	7,201	Temporary Staffing
NASHVILLE PUBLIC RADIO	6,560	Radio Advertising
FISK UNIVERSITY WFSK	5,900	Radio Advertising

Source: Metro Nashville's EnterpriseOne Financial System

OBJECTIVES AND CONCLUSIONS

1. *Did the Metropolitan Nashville Human Relations Commission operate within the power established by Metropolitan Code of Laws §§ 2.132 - Metropolitan Human Relations Commission, 11.20 - Fair Employment and Housing?*

Yes. The Office of Internal Audit reviewed a sample of 20 cases for fiscal years 2009, 2010 and 2011. There were no significant issues or concerns noted with the cases reviewed and the mission of the Metropolitan Nashville Human Relations Commission.

However, the Metropolitan Nashville Human Relations Commission management should consider establishing a procedure for protecting sensitive personal identifiable information for public information requests (see Observation E).

Payroll

2. *Were payroll and leave records properly supported and in compliance with Metro Nashville Civil Service Rules?*

Generally no. The Office of Internal Audit reviewed payroll and leave accounting records for all four employees working during the audit scope. Vacation and sick time accounting test performed on all four employees showed multiple errors due to manual calculations. Metropolitan Nashville Human Relations Commission management should improve its internal timekeeping process (see Observation C).

Procurement and Expenditures

3. *Did purchases for material and services comply with Metro Procurement Regulations?*

Generally yes. The Office of Internal Audit performed analytical reviews and observed 47 purchasing transactions between January 1, 2009, and March 31, 2010. Purchases observed were consistent with the Metro Nashville Human Relations Commission mission. However, Metro Nashville Human Relations Commission management should improve its review process before purchases are approved for payment (see Observation B).

4. *Did credit card expenditures comply with Metro Nashville Finance Policy 19, Credit Card?*

No. Metro Human Relations Commission management should document, review and approve all credit card transactions. Additional attentions should be given to documenting the purpose and participants for local restaurant purchases (see Observation A).

5. *Were cell phone usage in accordance with Metro Nashville General Services Cell Phone and Pager Policy?*

Yes. Cell phone charges were reviewed for the period between January 1, 2009, and March 31, 2010. There were no significant issues or control observations noted.

Fixed and Tracked Assets

6. *Were all computers assigned to the Metropolitan Nashville Human Relations Commission accounted for and safeguarded?*

Generally yes. Metropolitan Nashville Human Relations Commission management should request Information Technology Services to update their tracked asset records with the current location and user assignment of personal computers assigned to the Commission (see Observation D).

OBSERVATIONS AND RECOMMENDATIONS

A – Improve Compliance with Metro Credit Card Procedures

Management control to prevent potential abuse of credit card usage should be improved. The Metropolitan Nashville Human Relations Commission made 262 credit card purchases totaling \$21,818 during the 27 months audit scope. For 46 credit card purchases reviewed (total amount of \$8,589), the Office of Internal Audit observed the following management control weaknesses:

- Documentation of Metropolitan Nashville Human Relations Commission management approval of credit card purchases was not available in the on-line credit card system or in other evidential format.
- Sixteen purchases (35% of purchases reviewed) totaling \$6,153 exceeded the \$250 maximum individual purchase amount.
- Ten purchases (22% of purchases reviewed) included Tennessee state sales taxes totaling \$61.
- Seven purchases (15% of purchases reviewed) totaling \$1,206 were not substantiated with documented government service delivery justification; four of these purchases were for restaurant expenses.
- Six purchases (13% of purchases reviewed) totaling \$1,088 were not supported by receipts.
- One purchase receipt did not match the credit card statement payment amount (\$67 difference).

Criteria:

Metro Nashville Finance Policy # 19, Credit Card
Metro Nashville Finance Delegation of Purchase

Risk:

With lack of proper management oversight, the risk of misappropriation of Metro Nashville assets increases.

Recommendation:

Metropolitan Nashville Human Relations Commission management should comply with Metro Finance Policy # 19, Credit Card by:

- Ensuring all credit card purchases are approved within the authority delegated by the Metro Nashville Purchasing Agent.
- Instructing cardholder through departmental procedure to retain all receipts and document the government service delivery purpose for credit card purchases.
- Attaching documents required for all purchases from local restaurants.

B – Strengthen Management Oversight of Disbursements

One duplicate payment for \$1,250 for radio advertisement services was observed during the Office of Internal Audit testing of procurement. Also, it was observed the vendor used to deliver drinking water routinely included Tennessee state sales tax on their invoices and sales tax was included in the total payment remitted to this vendor.

Criteria:

Prudent business practice.

Risk:

Metro Nashville may spend more money than necessary by paying invoices more than once. These dollars may be measured in the actual duplicate amount and the time and materials necessary to process the payment a second time and recover the duplicate amount.

Recommendation:

Metropolitan Nashville Human Relations Commission management should establish an effective way of tracking prepaid services to help prevent duplicate payments. Also, management during the invoice payment review process should ensure Tennessee state sales taxes are excluded from vendor invoices.

C –Improve Employee Time Keeping

During payroll test work, the Office of Internal Audit observed that some of the leave totals taken for Metropolitan Nashville Human Relations Commission employee's for vacation and sick time were inconsistent from the totals entered into Metro Nashville's EnterpriseOne Payroll module. For example differences observed included:

- Out of four employees leave balances tested, four employees' Metropolitan Nashville Human Relations Commission running leave balances did not agree with vacation and sick leave balances in Metro Nashville's EnterpriseOne Payroll module.
- Employee leave records were not consistently available to document approved sick and vacation leave taken for two different employees.
- One employee had a balance of 1,402 vacation hours as of 2008 calendar year end. This did not comply with the policy for maximum accrual (three times as the annual accrual rate). In this case, only 60 days or 480 vacation hours should have been the maximum hours allowed.

Criteria:

Civil Service Rule, Chapter 4 - Attendance and Leave

Risk:

Manual accrual and calculation are prone to mistakes and consequently, employees may suffer loss of leave time actually earned or gain leave time not earned.

Recommendation:

Metropolitan Nashville Human Relations Commission management should:

- Create a method to reconcile department leave totals with those totals in the EnterpriseOne Payroll module on a periodic basis or discontinue using leave pay type codes in the EnterpriseOne Payroll module.
- Document this reconciliation process and the leave accounting system of record in an agency administrative process manual.
- Annually, obtain documented acknowledgement of leave balances from employees.

D – Timely Update of Tracked Asset Records

While physically inspecting tracked assets the auditor observed two personal computers user assignments which were inconsistent with records maintained by Information Technology Services. Also, one laptop originally assigned to the Metropolitan Nashville Human Relations Commission had been transferred and not updated in the Information Technology Services computer tracked asset records.

Criteria:

Metropolitan Nashville Finance Department Policy #14, Capital Assets

Risk:

- Wrong location record of computers may lead to potential loss of equipment.
- Switching computers causes difficulty in identify inappropriate use of equipment.

Recommendation:

Metropolitan Nashville Human Relations Commission management should request Information Technology Services to update their tracked asset records with the current location and personal computer user assignments.

E – Develop Procedure for Requests for Public Information

The Metropolitan Nashville Human Relations Commission currently does not have an established procedure to protect personal identifiable information, contained in compliance case files, while satisfying request for public information. No release of such information was observed by the Office of Internal Audit.

Criteria:

- Tennessee Code Annotated § 10.7.503, Records Open to Public Inspection
- Metro Nashville Information Security Policy 7.2.1, Information Classification Policy (effective November 1, 2011).

Risk:

Sensitive information might be accidentally released with public records requests.

Recommendation:

Metropolitan Nashville Human Relations Commission management should establish an administrative procedure to properly protect personal identifiable information while answering public information requests.

GENERAL AUDIT INFORMATION

STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this compliance audit during April and May 2011 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 observations 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.

SCOPE AND METHODOLOGY

The audit period focused primarily on the period January 1, 2009, through March 31, 2011, financial balances, transactions, and compliance of the processes in place during the time of the audit. Certain analyses required the consideration of financial results, performance, and operations outside that period. The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, including written policies and procedures, financial information and various forms of data, reports and information maintained by the Metropolitan Nashville Human Relations Commission.

CRITERIA

In conducting this audit, the existing Metropolitan Human Relations Commission operations and processes were evaluated for compliance with:

- Metropolitan Code of Laws §§ 2.132 - Metropolitan Human Relations Commission, 11.20 - Fair Employment and Housing
- Tennessee Code Annotated §§ 10.7.501 to 515, Public Records
- Metro Nashville Finance Policy #19, Credit Card; #14, Capital Assets; Procurement Regulation; Purchasing Agent Delegation of Authority
- Metro Nashville General Services Policy, Cell Phones and Pagers
- Metro Nashville Civil Service Rules and Policy for Attendance and Leave
- Prudent government service delivery practices

STAFF ACKNOWLEDGEMENT

Qian Yuan, CISA, ACDA, In-Charge Auditor
Mark Swann, CPA (Texas), CIA, CISA, ACDA, Project Quality Assurance

APPENDIX A. MANAGEMENT RESPONSE

- Management's Responses Starts on Next Page -

METRO HUMAN RELATIONS COMMISSION

One City
All People



Caroline G. Blackwell
Executive Director

June 9, 2011

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Mr. Mark Swann
Metropolitan Auditor
Office of Internal Audit
222 3rd Avenue North, Suite 401
Nashville, TN 37201

RE: Compliance Audit of the Metropolitan Nashville
Human Relations Commission

Dear Mr. Swann:

On behalf of the Metro Human Relations Commission, I acknowledge receipt of the Internal Audit Working Paper for our requested Compliance Audit. We assent to all finding and recommendations, and as you will see in the accompanying report, have begun a series of responses to address each recommendation.

We appreciate and look forward to your continued support as we move full toward compliance in a timely and thorough manner. It truly has been a pleasure to work with you and your staff. Please let us know if you need additional information.

Sincerely yours,


Caroline G. Blackwell
Executive Director

**Audit of the Metropolitan Nashville Human Relations Commission
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p>A. Metropolitan Nashville Human Relations Commission management should comply with Metro Finance Policy # 19, Credit Card by:</p> <ul style="list-style-type: none"> Ensuring all credit card purchases are approved within the authority delegated by the Metro Nashville Purchasing Agent. Instructing cardholder through departmental procedure to retain all receipts and document the government service delivery purpose for credit card purchases. Attaching documents required for all purchases from local restaurants. 	<p>Accept</p> <ul style="list-style-type: none"> Contacted Metro Purchasing Department to review credit card procedures. Reinforced policies and procedures with staff and providing written documentation of same. Creating internal procedure for monitoring all credit card purchases and documentation to ensure consistency with Metro policies. 	<p>Management/Executive Director</p>	<p>August 1, 2011</p>
<p>B. Metropolitan Nashville Human Relations Commission management should establish an effective way of tracking prepaid services to help prevent duplicate payments. Also, management during the invoice payment review process should ensure Tennessee state sales taxes are excluded from vendor invoices.</p>	<p>Accept</p> <ul style="list-style-type: none"> Establish an internal file for all prepaid service receipts and checklist for monitoring monthly payments. Provide updated copies of MHRC tax exempt number/letter for staff with purchasing approval status. Initiate process for receiving tax reimbursement, if necessary. 	<p>Management/Executive Director (primary) Compliance/Admin Services Manager (support)</p>	<p>August 1, 2011</p>
<p>C. Metropolitan Nashville Human Relations Commission management should:</p> <ul style="list-style-type: none"> Create a method to reconcile department leave totals with those totals in the EnterpriseOne Payroll module on a periodic basis. Document this reconciliation process in an agency administrative process manual. Annually, obtain documented acknowledgement of leave balances from employees. 	<p>Accept</p> <ul style="list-style-type: none"> Investigate use of EnterpriseOne and other online databases to standardize the department's leave tracking process. Determine the most effective process for this agency and undertake training of necessary staff. Create an MHRC Administrative Processes Manual to document this and other internal control systems and procedures. 	<p>Management/Executive Director (primary) Compliance/Admin Services Manager (support)</p>	<p>December 1, 2011</p>

