



**A Report to the
Audit Committee**

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**Audit Recommendations Follow-up –
Audit of Nashville General Hospital
Procurement-to-Pay Process**

May 13, 2021

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

May 13, 2021



Why We Did This Audit

To evaluate management's implementation of previous audit recommendations as of May 13, 2021.

What We Recommend

Management should continue efforts to fully implement the remaining four recommendations issued.

Audit Recommendations Follow-Up - Audit of the Nashville General Hospital Procurement-to-Pay Process

BACKGROUND

On August 28, 2018, the Metropolitan Nashville Office of Internal Audit issued an audit report on the procurement-to-pay process at Nashville General Hospital between January 1, 2016, and December 31, 2017. The audit report included 11 recommendations, all of which were accepted by management for implementation. Office of Internal Audit guidelines require monitoring and follow-up to ensure that the recommendations assessed as high or medium risk are appropriately considered, effectively implemented, and yield intended results.

OBJECTIVES AND SCOPE

The objectives of this follow-up audit were to determine if the recommended action or an acceptable alternative was implemented.

The scope of the follow-up audit included all 11 accepted recommendations that management reported as implemented.

WHAT WE FOUND

Of the initial 11 recommendations made, Nashville General Hospital has implemented 7 recommendations and partially implemented 2 recommendations. One partially implemented recommendation is open because while vendor master reviews have been conducted, the reviews have not been documented. The second partially implemented recommendation is for the retention of paymaster approvals. The Nashville General Hospital Finance Department has maintained the paymaster approvals since the previous audit but still needs to draft a formal retention policy. The two recommendations not implemented include updating the purchasing and procurement procedures to include the retention of bidding documents and ensuring that sales tax is not paid on credit card purchases.

AUDIT FOLLOW-UP RESULTS

The initial audit report encompassed procurement process activities and transactions within the Nashville General Hospital between January 1, 2016, and December 31, 2017. The audit report included 11 recommendations all of which were accepted by management for implementation.

The Office of Internal Audit will close a recommendation only for one of the following reasons:

- The recommendation was effectively implemented.
- An alternative action was taken that achieved the intended results.
- Circumstances have so changed that the recommendation is no longer valid.
- The recommendation was not implemented despite the use of all feasible strategies or due to lack of resources. When a recommendation is closed for these reasons, a judgment is made on whether the objectives are significant enough to be pursued later in another assignment.

The scope of the follow-up audit included all 11 accepted recommendations that management reported as implemented. Of the 11 accepted recommendations, 7 recommendations were fully implemented, 2 recommendations were partially implemented, and 2 were not implemented. Implementation actions were evaluated, as well as progress being made on any open recommendations. Details of the implementation status and updated implementation dates can be seen in Appendix A.

METHODOLOGY

To achieve the audit objectives, auditors performed the following steps:

- Reviewed policies and procedures for the procurement and purchasing process.
- Reviewed and performed analytics on the Nashville General Hospital Vendor Master.
- Obtained and reviewed user access to the Paragon information system.
- Obtained and reviewed a sample of credit card purchase receipts.
- Reviewed approval documentation of a sample of invoices.

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.

AUDIT TEAM

Seth Hatfield, CPA, CIA, CFE, In-Charge Auditor

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

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

The following table shows the guidelines followed to determine the status of implementation.

Table 1

Recommendation Implementation Status	
Implemented	The department or agency provided sufficient and appropriate evidence to support the implementation of all elements of the recommendation and the recommendation's implementation caused or significantly influenced the benefits achieved.
Partially Implemented	The department or agency provided some evidence to support implementation progress but not of all elements of the recommendation were implemented.
Not Implemented	The department or agency did not implement a recommendation because: a) of lack of resources; b) an alternative action was taken that achieved the intended results; c) circumstances have so changed that the recommendation is no longer valid.

The following are the audit recommendations made in our original audit report dated August 28, 2018 and the current implementation status of each recommendation based on our review of information and documents provided by the Nashville General Hospital.

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
A.1 Add cost thresholds for bidding to the updated Metropolitan Hospital Authority Purchasing Policy. Ensure that bidding requirements are communicated to and followed by hospital departments.	The Contract Management Policy with attachment for the Procurement Policy was updated to include cost thresholds for bidding. The policy was supplied to the Office of Internal Audit for review.	None	Fully Implemented/ Closed
A.2 Establish a retention schedule and maintain bidding documentation for the specified period.	The Nashville General Hospital Purchasing and Procurement Policies and Procedures did not include a retention schedule for bidding documentation.	A retention schedule for bidding documentation should be developed. The Chief Compliance Officer is developing a hospital-wide document retention policy that will include payment approvals. Revised Date: 5/28/2021	Not Implemented/ Open

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

<p>A.3 Develop procedures for the competitive sealed bidding process at the Nashville General Hospital.</p>	<p>The Contract Management Policy with attachment for the Procurement Policy was updated to include procedures for the sealed bidding process. The policy was supplied to the Office of Internal Audit for review.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>B.1 Assign one employee and one backup employee to maintain (add, update, inactive) the vendor master listing. The employees assigned should be independent of the procurement-to-pay process.</p>	<p>Sharon Simmons, Executive Assistant to the Chief Financial Officer, is tasked with maintaining the vendor master listing.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>B.2 Periodically review the vendor master to identify duplicate entries, vendors needing a tax identification number (obtain W-9 for new vendors), or vendors that should be inactivated.</p>	<p>Reviews are being conducted on a quarterly basis and another biannual review is conducted by the Chief Financial Officer for tax purposes. However, the reviews were not documented to verify implementation.</p>	<p>Management of the Nashville General Hospital Finance Department communicated that moving forward the quarterly reviews will be documented and the documented reviews will be maintained.</p> <p>Note: Implementation occurred during the reporting phase of the audit (5/11/2021) and did not have sufficient implementation for testing.</p>	<p>Partially Implemented/ Open</p>
<p>C.1 Ensure that access to the Paragon information system is commensurate with the job responsibilities of employees.</p>	<p>Paragon access is controlled through Active Directory. A sample of 10 terminated employees were selected for review. All terminated employees were found to have disabled Active Directory accounts.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>D.1 Develop policies and procedures for credit card usage. Policies and procedures should address acceptable use, approvals, reconciliation of statements and receipts, transactions limits, travel, and retention of supporting documentation.</p>	<p>Policies and procedures for credit card usage were created and supplied to the Office of Internal Audit for review.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

<p>D.2 Ensure credit card holders possess the Nashville General Hospital sales tax exemption number and are instructed not to pay sales tax on credit card purchases.</p>	<p>Sales tax is being paid by the Nashville General Hospital on credit card purchases. Sales tax was paid on 4 out of 5 (80 percent) of reviewed credit card receipts.</p>	<p>Ensure sales tax is not paid on credit card purchases. This review found that sales tax was paid at Panera Bread, Target, and Jason’s Deli all of which would have accepted a sales tax exemption number.</p> <p>Note: Implementation occurred during the reporting phase of the audit (5/11/2021) and did not have sufficient implementation for testing.</p>	<p>Not Implemented/ Open</p>
<p>E.1 Ensure payments are approved within SoftCo prior to payment.</p>	<p>A review of invoices found that invoices are being approved within SoftCo prior to payment.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>E.2 Ensure payments are approved prior to payment.</p>	<p>The paymasters for a sample of invoices was reviewed and were found to be approved prior to payment.</p>	<p>None</p>	<p>Fully Implemented/ Closed</p>
<p>E.3 Establish a retention schedule and maintain payment approvals for the specified period.</p>	<p>The Nashville General Hospital Finance Department has retained the paymaster approvals since the last audit, but a formal retention policy is yet to be drafted.</p>	<p>A retention schedule for payment approval documentation should be developed. The Chief Compliance Officer is developing a hospital-wide document retention policy that will include payment approvals.</p> <p>Revised Date: 5/28/2021</p>	<p>Partially Implemented/ Open</p>