



**A Report to the
Audit Committee**

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Audit of Metropolitan Nashville Police Department Revenue Sources

September 14, 2021

(Revised November 4, 2021)

Metropolitan
Nashville
Office of
Internal Audit

Audit of Metropolitan Nashville Police Department Revenue Sources

EXECUTIVE SUMMARY

September 14, 2021



Why We Did This Audit

The audit was conducted due to the importance of ensuring revenues are properly collected and recorded.

What We Recommend

Management should reinforce existing procedures to ensure deposits and subsequent general ledger entries are made in accordance with applicable financial and departmental policies.

BACKGROUND

The Metropolitan Nashville Police Department generates revenue from a variety of sources. These sources include agreements with the Metropolitan Development and Housing Authority, local hospitals, churches, and other businesses to provide security or traffic control.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if selected revenue streams managed by the Metropolitan Nashville Police Department are complete, properly recorded, monitored, safeguarded, and deposited in accordance with Metropolitan Finance Treasury Policy #9 and other applicable departmental policies.

The three revenue streams audited were:

- Secondary Employment Unit
- Microfilm or Photostat
- Metropolitan Development and Housing Authority collections

The scope of this audit included revenues between July 1, 2018, and June 30, 2020.

WHAT WE FOUND

The processes surrounding the collection, accounting, and reporting of revenues are properly designed and generally well executed. Controls help to ensure that revenue collected is complete, properly recorded, monitored, safeguarded, and deposited.

Procedures related to timely deposit and recording in the general ledger are not being followed consistently for all revenue streams reviewed.

GOVERNANCE

Revenue collections are received and managed by various process owners within the Metropolitan Nashville Police Department. Financial operations within the Metropolitan Nashville Police Department are administered by the Office of Police Fiscal Affairs. Accordingly, the management of revenue collections is handled by the respective process owners while reviewed and monitored by the Office of Police Fiscal Affairs.

BACKGROUND

The Metropolitan Nashville Police Department collected approximately \$18.2 million in revenue during the scope period. The Metropolitan Nashville Police Department receives revenue from a variety of sources. This revenue is collected by various process owners throughout the department. The most significant revenue stream relates to the Metropolitan Nashville Police Department's Secondary Employment Unit. Other revenues include areas such as gambling forfeitures, confiscated cash, vendor operated impound lot, and confiscated property. Exhibit A provides a summary of each revenue source and the amounts collected.

Exhibit A – MNPD Revenue Sources, July 2018 through June 2020

Source	Amount	% of Total Revenue
Secondary Employment Unit	\$11,909,261	65%
Confiscated Cash	2,710,790	15%
Metropolitan Development and Housing Agency	1,518,271	8%
URT Base Police Impound	1,000,000	5.5%
Gambling Forfeitures	324,780	2%
Sale-Confiscated Property	309,102	2%
Offender Program Income	217,050	1%
Photostat and Microfilm	182,449	1%
Special Police Commission	26,285	< 1%
Total Revenue:	\$18,197,986	

Source: Oracle R12

Based on a risk assessment, audit effort focused on three specific revenue streams. The three areas audited were the Police Secondary Employment Unit, photostat and microfilm, and Metropolitan Development and Housing Agency agreement receipts.

OBJECTIVE AND CONCLUSION

Are select revenues received by the Metropolitan Nashville Police Department complete, properly recorded, monitored, safeguarded, and deposited in accordance with Metropolitan Finance Treasury Policy #9 and other applicable departmental policies?

Generally, yes. Revenues received by the selected areas appeared to be complete, properly recorded, monitored, safeguarded, and deposited. A sample of 25 events managed by the Secondary Employment Unit were reviewed. Revenue received from each event had supporting documentation to ensure the amounts received adhered to the requirements set forth in the applicable contracts. Additionally, the amounts received were complete, properly monitored, and deposited and recorded in accordance with Metropolitan Finance Treasury Policy #9.

A sample of five monthly payments pertaining to revenue collected by the Metropolitan Development and Housing Authority were reviewed. Revenue received from each statement had supporting documentation to ensure the amounts received agreed to the requirements set forth in the applicable memorandum of understanding. Additionally, the amounts received were complete, properly monitored, and deposited and recorded in accordance with Metropolitan Finance Treasury Policy #9.

A sample of 25 daily deposits pertaining to revenue collected by the microfilm and photostat area were reviewed. Amounts received per internal systems agreed to the Shift Reconciliation Form and the amounts deposited. Additionally, the amounts received were complete, properly monitored, and generally deposited and recorded in accordance with Metropolitan Finance Treasury Policy #9. However, deposits and Oracle R12 general ledger entries were not entered timely. (See Observation A.)

AUDIT OBSERVATION

Internal control helps entities achieve important objectives to 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. See **Appendix B** for a description of the observation *Assessed Risk Rating*.

Observation A – Deposits and General Ledger Entries Not Timely

Deposits and Oracle R12 general ledger transactions were not consistently performed in a timely manner in the microfilm and photostat area. All 25 deposits tested were made 3 to 15 business days from the date funds were received. Subsequent general ledger entries were made from 3 to 13 days from the date funds were deposited.

Criteria:

- *COSO, Control Activities—Principle 10—*The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- *COSO, Control Activities—Principle 11—*The organization selects and develops control activities through policies that establish what is expected and procedures that put policies into action.
- *Metro Nashville Finance Department—Treasury Policy # 9—*Funds must be deposited within one business day of receipt and associated general ledger entry must be made within two days of deposit date.
- *Metropolitan Nashville Police Department —Department Policy—*The general ledger entry should be made within 24 hours of deposit date.

Assessed Risk Rating:

Low

Recommendation for management of the Metropolitan Nashville Police Department to:

Management should ensure existing policies and procedures for deposits and subsequent general ledger entries are consistently performed in a timely manner for all revenue streams.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

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.

METHODOLOGY

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

- Interviewed key personnel within the Metropolitan Nashville Police Department.
- Reviewed relevant Tennessee Code Annotated, Metropolitan Nashville Code of Laws, and other applicable laws, regulations, policies, and statutory requirements.
- Evaluated internal controls currently in place and their effectiveness.
- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

James Carson, CIA, CFE, In-Charge Auditor

Bill Williams, CPA, CIA, CFE, Audit Manager

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

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.

Risk	Recommendation	Concurrence and Action Plan	Expected Completion Date
<i>Recommendations for the management of Metropolitan Nashville Police Department to:</i>			
L	Management should ensure existing policies and procedures for deposits and subsequent general ledger entries are consistently performed in a timely manner for all revenue streams.	<p>Accept: Reporting and entry timelines have been discussed with appropriate MNPD personnel to ensure receipts and associated general ledger entries are made within two (2) days of the deposit date.</p> <p>Additionally, to ensure deposits and subsequent journal entries are done in a timely manner, MNPD Fiscal will meet with the microfilm and photostat unit in the Records Division to better understand the current revenue processes. Following this meeting, the microfilm and photostat unit shall submit monthly reports to MNPD Fiscal with dates and amounts for related deposits and journal entries. This report will result in more closely monitored revenue collection processes, while also confirming timeliness.</p>	Implemented

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
HIGH	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 Metro Nashville Government policies	High probability for negative public trust perception
MEDIUM	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 Metro Nashville Government policies	The potential for negative public trust perception
LOW/ Emerging Issues	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 Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
Efficiency Opportunity	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			