



**A Report to the
Audit Committee**

Mayor
John Cooper

Metropolitan Trustee
Erica Gilmore

Audit Committee Members
Tom Bates
Kelly Flannery
Sharon Hurt
Jim Shulman
Kyonzte Toombs

**Investigation Recommendations
Follow-up –
Investigation of the Trustee’s Office
Cash Shortage**

June 1, 2023

Metropolitan
Nashville
Office of
Internal Audit

Investigation Follow-up – Investigation of the Trustee’s Office Cash Shortage

EXECUTIVE SUMMARY

June 1, 2023



Why We Did This Review

To evaluate management’s implementation of previous recommendations as of February 28, 2023.

What We Recommend

Management should continue efforts to implement the one remaining recommendation that is partially implemented.

BACKGROUND

On May 31, 2022, the Metropolitan Nashville Office of Internal Audit issued an investigation report regarding the possible misappropriation of cash from the Metropolitan Trustee’s Office. The scope of the investigation included all cash collection activities between February 14, 2022, and February 28, 2022. The investigation report included eight recommendations. The 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 were to determine if the recommended actions or an acceptable alternative were implemented.

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

WHAT WE FOUND

Of the eight recommendations made, the Metropolitan Trustee has fully implemented seven recommendations and partially implemented one recommendation. The partially implemented recommendation is in relation to the cash counting procedure for large cash payments from a single taxpayer. Details of the implementation statuses can be seen in **Appendix A**.

FOLLOW-UP RESULTS

The initial investigative report encompassed the processes surrounding tax collections for the approximate period of February 14, 2022, through February 28, 2022, when two instances of a cash shortage occurred. The report included eight 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 included all eight accepted recommendations that management reported as implemented. Of the eight accepted recommendations, seven were fully implemented, and one was partially implemented. Details of the implementation status and updated implementation dates, if applicable, can be seen in **Appendix A**.

METHODOLOGY

To achieve the objectives, we performed the following steps:

- Interviewed the Metropolitan Trustee and key staff.
- Performed onsite observations of tax collection procedures and security of receipts.
- Reviewed applicable policies and procedures.
- Tested a sample of cash transactions.

We conducted this follow-up audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our objectives.

AUDIT TEAM

Jim Carson, CIA, CFE, In-Charge Auditor

Seth Hatfield, CPA, CIA, CFE, CCFO, Quality Assurance

Lauren Riley, CPA, CIA, CFE, 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 / Closed	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 / Open	The department or agency provided some evidence to support implementation progress but not of all elements of the recommendation were implemented.
Not Implemented or No Longer 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 recommendations for the Office of Trustee made in the original report dated May 31, 2022, and the current implementation status of each recommendation based on our review of information and documentation provided by the Office of the Metropolitan Trustee.

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
<p>1. Ensure that two-person integrity is always maintained when performing end of day cash counts.</p> <p>Assessed Risk Level: High</p>	Two-person integrity was in place as evidenced by a review of cash collection documentation for a random selection of seven business days.	None.	Implemented / Closed
<p>2. For large cash payments, utilize two-person integrity and count by hand as well as with the cash counting machine. Cash should be run through the cash counting machine more than once for extra verification.</p> <p>Assessed Risk Level: High</p>	The Office of Trustee has procedures in place including two-person integrity with the cashiers and observations from a third-party and recordings from high-resolution cameras. Management stated that verification was completed for all two-person integrity count cash payments and for every irregular cash payment. These procedures could not be verified by the Office of Internal Audit. However, an additional layer of verification was added to require signatures from the staff involved with the large cash payment process to allow the verification in the future.	The Office of the Trustee has committed to having sign-off documentation for both individuals to show two-person integrity. The Office of Internal Audit will verify the implementation of this recommendation at later time.	Partially Implemented / Open

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
<p>3. Ensure that only one employee per day uses each cash till, and all transactions are conducted by a cashier on their own eGov login.</p> <p>Assessed Risk Level: High</p>	<p>An examination of the current policies and procedures and observation on December 21, 2022, noted each employee is assigned their own cash drawer. Closing documentation for a random sample of seven business days showed only activity for one cashier on each drawer.</p>	<p>None.</p>	<p>Implemented / Closed</p>
<p>4. Lock computers and drawers when stepping away from the station, and have the cashier keep the key to their drawer on their person.</p> <p>Assessed Risk Level: High</p>	<p>Procedures within the Office of the Metropolitan Trustee require cash drawers to be always secured.</p>	<p>None.</p>	<p>Implemented / Closed</p>
<p>5. If mid-day cash counts are necessary to remove excess cash, utilize two-person integrity, and have the cashier count their own cash. Mid-day cash count totals should be recorded and acknowledged by both the cashier and a senior staff member.</p> <p>Assessed Risk Level: High</p>	<p>Procedures are in place for mid-day cash counts. A sample of six business days with the highest cash collections were reviewed. Evidence of two-person integrity was provided on the days where a mid-day cash count was needed.</p>	<p>None.</p>	<p>Implemented / Closed</p>
<p>6. Video surveillance should extend to include the walkway between the cashier's station and the safe, as well as the entire area around the cash counting machine.</p> <p>Assessed Risk Level: High</p>	<p>Auditors observed camera installation on December 21, 2022. The camera vendor reviewed diagram of new camera layout with the auditors.</p>	<p>None.</p>	<p>Implemented / Closed</p>

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
<p>7. Ensure that cash tills are counted in the morning prior to the first transaction to ensure accuracy.</p> <p>Assessed Risk Level: High</p>	<p>Procedures are in place to ensure cash drawers are verified with a starting balance of \$500.00 and verified again at the end of the day to be no more than \$500.00.</p>	<p>None.</p>	<p>Implemented / Closed</p>
<p>8. Ensure that no cash transactions take place after a cash till is closed for the day.</p> <p>Assessed Risk Level: High</p>	<p>Closing documentation was reviewed for a random sample of seven business days and only showed activity for one business day.</p>	<p>None.</p>	<p>Implemented / Closed</p>