



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

Professional Audit and Advisory Service

**Audit of the Agricultural Extension Service
Compliance with Financial and Operational Policies**

Date Issued: June 15, 2010

Office Location and Phone Number

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Nashville, Tennessee 37201
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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 15, 2010

Background

The Agricultural Extension Service is a cooperative partnership with the Metropolitan Government of Nashville and Davidson County, the University of Tennessee's Institute of Agriculture, and Tennessee State University. For fiscal years 2008, 2009, and 2010 the total budget for the Agricultural Extension Service was \$1.4 million, \$1.4 million, and \$1.3 million (Metro Nashville's contribution was \$396,500 (27.5%), \$370,100 (26.4%), and \$324,800 (24.5%)) respectively.

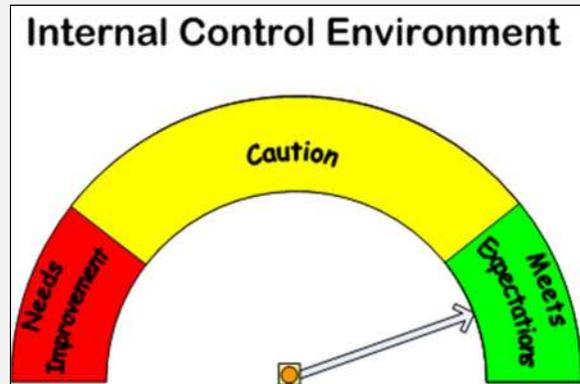
The Agricultural Extension Service delivers research-based information from the universities to the citizens of Nashville and Davidson County. They offer several programs to Davidson County that includes Agriculture and Horticulture, Family and Consumer Sciences, Community Resource Development, and 4-H/Youth Development. The Agricultural Extension Service has 18 employees, eight (8) Metro Nashville (fully or partially paid) employees and ten (10) University of Tennessee or Tennessee State University employees, that are divided into program areas of interest.

Internal Control Compliance Results

The Office of Internal Audit tested the Agriculture Extension Office's compliance with applicable Metro Nashville financial and operational policies for the following areas:

- Ethics
- Safety
- Payroll and Leave Accounting
- Computer Security
- Capital and Tracked Assets
- Procurement and Expenditures

Overall, compliance met expectations.



However, management needs to be attentive to:

- Timely deactivation of computer user ids of employees no longer working at the Agricultural Extension Service.
- Ensuring employees receiving reimbursed mileage successfully complete training in defensive driving.

Table of Contents

INTRODUCTION.....	1
AUDIT INITIATION.....	1
BACKGROUND.....	1
METRO NASHVILLE FINANCIAL HIGHLIGHTS.....	1
OBJECTIVES AND CONCLUSIONS.....	2
OBSERVATIONS AND RECOMMENDATIONS.....	5
A – Former Employees User Ids Still Active	5
B – Defensive Driving Training	5
GENERAL AUDIT INFORMATION.....	7
STATEMENT OF COMPLIANCE WITH GAGAS.....	7
SCOPE AND METHODOLOGY	7
CRITERIA	7
STAFF ACKNOWLEDGEMENT	7
APPENDIX A. MANAGEMENT RESPONSE.....	8

INTRODUCTION

AUDIT INITIATION

The approved Office of Internal Audit annual Audit Work Plan included an audit of the Agricultural Extension Service. The audit was initiated due to the length of time (in excess of five years) that has elapsed since the last audit was performed of this function.

BACKGROUND

The Agricultural Extension Service is a cooperative partnership with the Metropolitan Government of Nashville and Davidson County, the University of Tennessee's Institute of Agriculture, and Tennessee State University.

The Agricultural Extension Service delivers research-based information from the universities to the citizens of Nashville and Davidson County. They offer several programs to Davidson County that includes Agriculture and Horticulture, Family and Consumer Sciences, Community Resource Development, and 4-H/Youth Development. The Agricultural Extension Service has 18 employees, eight (8) Metro Nashville (fully or partially paid) employees and ten (10) University of Tennessee or Tennessee State University employees, that are divided into program areas of interest.

METRO NASHVILLE FINANCIAL HIGHLIGHTS

For fiscal years 2008, 2009, and 2010 the total budget for the Agricultural Extension Service was \$1.4 million, \$1.4 million, and \$1.3 million (Metro Nashville's contribution was \$396,500 (27.5%), \$370,100 (26.4%), and \$324,800 (24.5%)) respectively. Metro's contribution to the total budget is detailed in Exhibit A below.

Exhibit A – Metro Nashville's Portion of the Agricultural Extension Service Budget versus Actual Expenditure

	Fiscal Year 2008			Fiscal Year 2009		
	Budget	Actual	Difference	Budget	Actual	Difference
Personal	\$296,400	\$239,288	\$57,112	\$286,900	\$224,806	\$62,094
Other Services	23,100	20,400	2,700	21,400	20,272	1,128
Internal Service Fees	77,000	77,370	630	61,800	62,155	<355>
Total	\$396,500	\$336,058	\$60,442	\$370,100	\$307,233	\$62,867

Source: Metro Nashville's EnterpriseOne Financial System

Exhibit B - Top Five Metro Nashville Paid Vendors/Contractors

Vendor/Contractor Name	Amount Paid March 1, 2008 to February 28, 2010	Purpose
1. University of Tennessee Agricultural Extension Service	\$20,594	Pension contribution for portion of salary paid by Metro Nashville for University of Tennessee Extension Agents
2. Tennessee State University Extension Pensions	7,871	Pension contribution for portion of salary paid by Metro Nashville for Tennessee State University Extension Agents
3. Employee Local Travel	3,151	Mileage reimbursements for use of personal vehicle
4. International Office Products	998	Office supplies purchased on procurement card
5. Employee-Out-of-Town Travel	468	Expense reimbursements for out of town travel

Source: Metro Nashville's EnterpriseOne Financial System

OBJECTIVES AND CONCLUSIONS

Ethics

1. *Have employees received ethics training?*

Yes. No significant issues or control observations were noted. The Agricultural Extension Service employees received ethics training and signed the *Ethics Policy* acknowledgement forms.

Safety

2. *Does the department have a building evacuation plan?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure employees' safety.

3. *Does the department have a Business Continuity or Disaster Recovery plan?*

Yes. The Agricultural Extension Service provides programs that were not considered critical for immediate recovery in case of an unplanned disruption of services. A minimal Base Formation plan encompassing employee communication had been developed.

Payroll and Leave Accounting

4. *Was employee payroll properly calculated?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure payroll was properly calculated and processed.

5. *Was employee leave time applied according to Civil Service rules?*

Yes. No significant issues or control observations were noted for the two full-time Metro employees. Controls and processes were in place to ensure employee requests for leave time were applied according to Civil Service rules.

Computer Security

6. *Were employees only given access based on need to know basis for their job?*

No. Three former employees still had access to Metro Nashville's computer resources (see Observation A, page 5).

Capital and Tracked Assets

7. *Were fixed assets properly accounted for and recorded in Metro Nashville's EnterpriseOne financial system?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to safe guard capital assets. Capital assets were recorded in Metro Nashville's EnterpriseOne financial system.

8. *Was computer equipment adequately safeguarded?*

Yes. No significant issues or control observations were noted. The Office of Internal Audit observed computer equipment secured in employees' workspace.

Procurement and Expenditures

9. *Were expenditures made in accordance with Metro Nashville's Procurement Code?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure expenditures were made in accordance with Metro Nashville's Procurement Code.

10. *Were travel related expenditures made in accordance to Metro Nashville's Travel Policy?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure travel expenditures were made in accordance to Metro Nashville's Travel Policy.

OBSERVATIONS AND RECOMMENDATIONS

A – Former Employees User Ids Still Active

The Agricultural Extension Service Director, when presented a list of active user ids with access privileges to Metro Nashville's network, identified three user ids assigned to employees no longer working in the Agricultural Extension Service.

Criteria:

IT Governance Institute's Control Objectives for Information Technology

- *DS5.3 Ensure System Security, Identity Management: "...Confirm that user access rights to systems and data are in line with defined and documented business needs..."*
- *DS5.4 Ensure System Security, User Account Management: "...Perform regular management review of all accounts and related privileges..."*

Risk:

User ids may be used in an unauthorized fashion to access departmental or Metro Nashville information.

Recommendation:

Agricultural Extension Service management should remove all computer access from former employees and perform regular management review of computer accounts and related privileges.

B – Defensive Driving Training

Two Agricultural Extension Service employees were reimbursed mileage for use of their personal vehicles without completing a Metro Nashville approved defensive driving training course. Metropolitan Code of Laws § 12.08.120 states an employee who requests mileage reimbursement is required to take a defensive driving training course. Agricultural Extension Services management believed that defensive driving training was not required for employees using their personal vehicle for government service.

Criteria:

Metropolitan Code of Laws § 12.08.120, Defensive driving course required for persons operating certain government vehicles states:

"From and after July 1, 1974, no person shall operate a vehicle owned by the metropolitan government, or a vehicle the operation of which is reimbursable by the metropolitan government unless and until such person has completed the defensive driving course of the National Safety Council, or any equivalent program, and is in possession of proof of such completion."

Risk:

The successful completion of a defensive driving course by employees using personal vehicles for government services can decrease the risk of vehicle accidents and potential liability claims.

Recommendation:

Agricultural Extension Service management should ensure employees who request mileage reimbursements complete a defensive driving course of the National Safety Council, or any equivalent program, and maintain documentation of successful completion of this course in employee training files.

GENERAL AUDIT INFORMATION

STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this performance audit from March 2010 through April 2010 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 March 1, 2008, through February 28, 2010, financial balances, transactions, and compliance on 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 Agricultural Extension Service.

CRITERIA

In conducting this audit, the existing Agricultural Extension Service operations and processes were evaluated for compliance with:

- Metro Nashville Procurement Policy
- Metro Nashville Finance Department Policy #14, Capital Assets
- Metro Nashville Finance Department Policy #18, Travel
- Metro Nashville Civil Service Rules for Attendance and Leave (Chapter 4)
- Metro Nashville Civil Service Rules for Special Pay Provisions (Chapter 5, Section 7)
- Metropolitan Code of Laws § 12.08.120, Defensive driving course
- IT Governance Institute's Control Objectives for Information Technology (COBIT 4.1) – DS5.3 Ensure System Security, Identity Management and DS5.4 Ensure System Security, User Account Management

STAFF ACKNOWLEDGEMENT

Joe McGinley, CISSP, Quality Assurance Coordinator
Sharhonda Cole, CFE, In-Charge Auditor

APPENDIX A. MANAGEMENT RESPONSE

- Management's Responses Starts on Next Page -

KARL F. DEAN
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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June 1, 2010

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

RE: AU2010-002 – Audit of the Operations of the
Metropolitan Agriculture Extension

Dear Mr. Swann:

This letter acknowledges that the Metropolitan Agriculture Extension received the AU2010-002 Audit of Operations of the Metropolitan Agriculture Extension audit report and has reviewed the recommendations. We concur with all of the findings and recommendations, as you will see in our response. We have established a timetable for the completion of all of the recommendations, and we appreciate your help in making sure we comply with the recommendations.

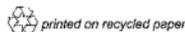
It was a pleasure working with your office on this audit. Please let us know if you need any further information.

Sincerely,

A handwritten signature in black ink that reads "George M. Killgore".

George M. Killgore
County Director
Metropolitan Agriculture Extension

CC:kd



**Audit of the Agricultural Extension Service
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
A. Agricultural Extension Service management should remove all computer access from former employees and perform regular management review of computer accounts and related privileges.	Accept. Metro ITS department removed all computer access from terminated employees.	Metro ITS Department	May 12, 2010
B. Agricultural Extension Service management should ensure employees who request mileage reimbursements complete a defensive driving course of the National Safety Council, or any equivalent program, and maintain documentation of successful completion of this course in employee training files.	Accept. Employees of the Agricultural Extension Service who requests mileage reimbursement will attend Metro's Defensive Driving course that is required through the Metro Code.	George Kilgore, David Cook, and Kelly Deal	June 14, 2010