



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

Professional Audit and Advisory Service

FINAL REPORT

**Audit of the Transportation Licensing Commission
Compliance with Financial and Operational Policies**

Date Issued: September 30, 2010

Office Location and Phone Number

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

EXECUTIVE SUMMARY

September 30, 2010

Background

The mission of the Metropolitan Government of Nashville and Davidson County, Transportation Licensing Commission is to provide permitting, inspection and enforcement products to wrecker and passenger vehicle for hire industries operating in Davidson County so they can safely transport vehicles and the general public.

The Transportation Licensing Commission is a department located in the Metro Southeast complex. They have a staff of four employees which includes one director, one permitting person and two inspection and enforcement personnel. The department licenses taxicabs, wreckers (tow-trucks) and horse drawn carriages. The licensing process includes the company, vehicle and driver. The licensing is done on a periodic basis with varying fees for each entity. These fees and rules of operation are set in the Metropolitan Code of Laws.

Operating expenditures were approximately \$400,000 for the past three fiscal years.

Internal Control Compliance Results

The Office of Internal Audit tested the Transportation Licensing Commission compliance with applicable Metro Nashville financial and operational policies for the following areas:

- Revenue
- Procurement and Expenditures
- Payroll and Leave Accounting
- Assets (Capital and Tracked)
- Human Resources
- Safety

Overall, compliance met expectations.

However, management needs to be attentive to:

- Leave time approval and tracking
- Computer access security

Internal Control Environment

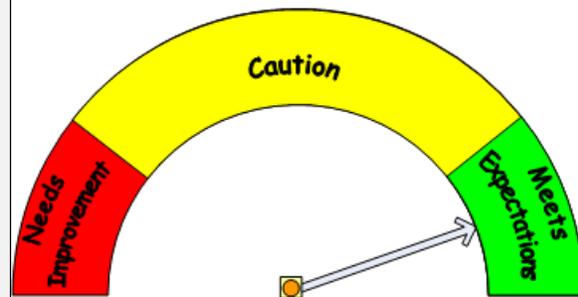


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INTRODUCTION

AUDIT INITIATION

The approved Office of Internal Audit annual Audit Work Plan included an audit of the Transportation Licensing Commission. 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 mission of the Metropolitan Government of Nashville and Davidson County, Transportation Licensing Commission is to provide permitting, inspection and enforcement products to wrecker and passenger vehicle for hire industries operating in Davidson County so they can safely transport vehicles and the general public.

The Transportation Licensing Commission is a department located in the Metro Southeast complex. They have a staff of four employees which include one director, one permitting person and two inspection and enforcement personnel. The department licenses taxicabs, wreckers (tow-trucks) and horse drawn carriages. The licensing process includes the company, vehicle and driver. The licensing is done on a periodic basis with varying fees for each entity. These fees and rules of operation are set in the Metropolitan Code of Laws.

TRANSPORTATION LICENSING COMMISSION FINANCIAL HIGHLIGHTS

Exhibit A and Exhibit B below describe the Transportation Licensing Commission financial highlights.

Exhibit A – Transportation Licensing Commission Actual Budget Summary

	Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010	
	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Revenue	\$219,000	\$235,437	\$227,800	\$231,214	\$246,400	\$241,581
Expenses	408,400	397,036	397,300	381,996	409,000	386,954

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. Cogent Systems, Inc	\$27,360	Background Checks
2. Tennessean Bureau of Investigations	12,035	Fingerprinting and background checks
3. Joyner & Hogan Printing	2,890	Print Services
4. Rydin Decal	2,410	Taxi decals
5. Ikon Financial Service	2,079	Printer/Copier Equipment/Supplies

Source: Metro Nashville's EnterpriseOne Financial System

OBJECTIVES AND CONCLUSIONS

Revenue

1. *Was all revenue properly receipted, coded, deposited within one business day and posted within two business days in accordance with Finance Policy #9?*

Yes. We concluded that all revenue was properly receipted, coded, and deposited according to Finance Policy #9.

2. *Were cash receipts secured and safeguarded?*

Yes. We found adequate controls to safeguard cash receipts including a locked cash drawer and locked safe. The safe was bolted to the floor.

Expenditure

3. *Were purchases made in compliance with Regulations for Metro Nashville's Procurement Code?*

Yes. Based on the testing of purchases, we concluded that the department was following the Metro Procurement Code.

4. *Were expenditures made in accordance with the Metro Travel Policy?*

Yes. Based on the testing of employee travel expenditures, we concluded that the department was following the guidelines outlined in the Metro Nashville Travel Policy.

Payroll and Leave Accounting

5. *Was employee payroll properly calculated?*

Yes. There were no significant issues or control observations noted. Total pay was accurately calculated, overtime properly approved, and civil service rules were followed.

6. *Was employee leave time applied per civil service rules?*

Undeterminable. The Transportation Licensing Commission uses a paper calendar to track leave time. The Office of Internal Audit was unable to verify if all time was recorded or if balances were carried forward accurately. (See Observation A, page 5.)

Petty Cash and Change Fund

7. *Were petty cash and change funds reconciled with Metro Nashville's financial records and were they safeguarded?*

Generally yes. During our cash count, the petty cash account balance was over by \$11.77. The reason for this overage was not determined. Also, the change fund balance was over by \$65.15. From interviews with the Transportation Licensing Commission Director, the origin of this overage amount was unknown and occurred prior to the current director's employment with the Transportation Licensing Commission. (See Observation B, page 5.)

Capital and Tracked Assets

8. *Were capital assets accounted for and recorded in the EnterpriseOne accounting system?*

Yes. The Transportation Licensing Commission had no current capital assets listed for its business unit. From interviews with the Director, we did determine that the department used two vehicles which were managed by the Fleet Management Division within the General Services Department. They also kept track of these vehicles which included one 2003 vehicle and one 2009 vehicle.

9. *Were tracked assets, encompassing computer equipment, safeguarded?*

Yes. No significant issues or control observations were noted. Controls and processes were in place to ensure tracked assets, namely computer equipment, were safeguarded.

Computer Security

10. *Were employees only given access based on the need to know for their job responsibilities?*

Generally yes. There were two employees who were not assigned to the Transportation Licensing Commission, but had access to the departmental security groups. (See Observation C, page 6.)

Ethics

11. *Did employees receive ethics training?*

Yes. Human Resources training records support personnel being trained in ethics.

Safety

12. *Does the department have an evacuation plan?*

Yes. The Transportation Licensing Commission had a foundation plan that it follows.

13. *Does the department have a Business Continuity/Disaster Recovery plan?*

Yes. The Transportation Licensing Commission had a foundation plan that was the department Business Continuity/Disaster Recovery plan.

OBSERVATIONS AND RECOMMENDATIONS

A – No Formal Process for Approving and Tracking Leave Time

The Transportation Licensing Commission does not have a formal process for approving and tracking leave time. The Commission currently tracks leave on a paper calendar. There was no indication that leave time has been approved or if changes have been made. The Office of Internal Audit was unable to reconcile leave time hours because documentation of leave time taken was not available.

Criteria:

Metropolitan Government of Nashville Civil Service Rules for Attendance and Leave, Chapter 4

Risk:

Lack of leave time documentation can result in inconsistent application of Civil Service Rules and inaccurate leave reporting and payroll records.

Recommendation:

Transportation Licensing Commission management should implement a process to track leave time in a formal manner which includes documentation, approval and reconciliation of leave time.

B – Change and Petty Cash Funds have a Balance Overage

The Transportation Licensing Commission change and petty cash funds have a balance overage. Transportation Licensing Commission management informed the Office of Internal Audit that there has historically been a balance overage of approximately \$60 in the change fund. Also, the Office of Internal Audit observed there was a balance overage in the petty cash fund when performing a cash count.

Criteria:

Finance Department Policy, Treasury #16, Petty Cash Funds

Risk:

Out of balance change and petty cash funds increases the potential risk of theft or loss.

Recommendation:

Transportation Licensing Commission management should work with the Department of Finance to have the change fund overage removed.

C – Personnel without a Business Requirement have access to Computer Files

Non-Transportation Licensing Commission personnel have access to department security groups which allow access to departmental data. The Transportation Licensing Commission has a departmental security group within the Windows security system which allows electronic access to departmental data and files. The security group was designed only for Transportation Licensing Commission personnel. Also, there were two other individuals with access to the Transportation Licensing Commission security group who were not members of the Transportation Licensing Commission. One of these persons was a prior member of the department, who had transferred to another Metro Nashville department in 2004.

Criteria:

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

Risk:

There is a potential that data may be accessed by unauthorized personnel.

Recommendation:

Transportation Licensing Commission management should:

1. Work with Human Resources and the Information Technology Help Desk to have unauthorized access to the Transportation Licensing Commission security group removed.
2. Develop procedures to grant and remove access to department data and files.

GENERAL AUDIT INFORMATION

STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this compliance audit from March to July 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 Transportation License Commission.

CRITERIA

In conducting this audit, the existing operations and processes of the Transportation Licensing Commission were evaluated for compliance with:

- Metropolitan Code of Laws, Chapter 6.72 Taxicabs
- Metropolitan Code of Laws, Chapter 12.54 Horse Drawn Carriages
- Metropolitan Code of Laws, Chapter 6.80 Wrecker and Towing Services
- Metro Procurement Policy
- Metro Finance Department Policy #14, Capital Assets
- Metro Finance Department Policy #18, Travel
- Metro Finance Department Policy, Treasury #16, Petty Cash Funds
- Metro Civil Service Rules for Attendance and Leave (Chapter 4)
- Metro Civil Service Rules for Special Pay Provisions (Chapter 5, Section 7)
- 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, CISA, Quality Assurance Coordinator / In-Charge Auditor
Sharhonda Cole, CFE, Staff Auditor
Tracy Carter, CFE, Staff 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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September 21, 2010

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

RE: Audit of the Transportation Licensing Commission Compliance with Financial and Operational Policies.

Dear Mr. Swann:

This letter acknowledges that the Metropolitan Transportation Licensing Commission received the AIT2010-009 Audit of the Transportation Licensing Commission Compliance with Financial and Operational Policies audit report and has reviewed the recommendations. We concur with all the findings and recommendations, as noted in our responses; and have established a timetable for completion.

I appreciate the professionalism of your staff and the support provided by this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian McQuistum".

Brian McQuistum
Director
Transportation Licensing Commission

**Audit of the Transportation Licensing Commission
Management Response to Audit Recommendations**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p>A. Transportation Licensing Commission management should implement a process to track leave time in a formal manner which includes documentation, approval and reconciliation of leave time.</p>	<p>Accept – Form has been developed for Time Off requests, approvals, and documentation. Approvals currently being documented on Department-created spreadsheet and reconciled in annual report to HR, will be supported and augmented by EBS payroll entries.</p>	<p>Kimitha Braden</p>	<p>November 15, 2010</p>
<p>B. The Transportation Licensing Commission management should work with the Department of Finance to have the change fund overage removed.</p>	<p>Accept – In accordance with guidance from Finance Department, overage in Change Fund has been deposited in General Fund. Petty Cash overage will be deposited in General Fund.</p>	<p>Lisa Steelman</p>	<p>November 15, 2010</p>
<p>C1. Transportation Licensing Commission management should:</p> <ol style="list-style-type: none"> 1. Work with Human Resources and the Information Technology Help Desk to have unauthorized access to the Transportation Licensing Commission security group removed. 2. Develop procedures to grant and remove access to department data and files. 	<p>Accept – Two individuals indentified were former Interim Director of Transportation Licensing Commission and ITS Program Development representative; Former Interim Director’s access was removed on September 16, 2010</p> <p>ITS is developing a new KIVA-based licensing/ permitting/database management system to replace the Commission’s paper-intensive permitting process. Access for the ITS program development representative was granted to enable work on this project. Access was removed on September 17, 2010. Note: partial access for this purpose may be necessary again before this project is completed.</p>	<p>Brian McQuiston</p>	<p>Completed September 17, 2010</p>