



**A Report to the
Audit Committee**

Mayor
Megan Barry

Chief Operating Officer
Richard Riebeling

Audit Committee Members
Robert Brannon
David Briley
John Cooper
Talia Lomax-O'dneal
Bob Mendes
Brack Reed

Audit of Human Relations Commission

April 5, 2017

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

April 5, 2017



Why We Did This Audit

The Metropolitan Nashville Government's Director of Finance requested this audit due to indicators of inconsistent compliance with Metropolitan Nashville Government's fiscal management policy.

What We Recommend

The Metro Human Relations Commission Board should:

- Establish policy for its executive office to follow Metro policy and rules consistently
- Establish controls on financial activities
- Improve records keeping in the complaint handling process

For more information on this or any of our reports, email
Mark.Swann@nashville.gov

Audit of Human Relations Commission

BACKGROUND

The mission of the Human Relations Commission is to protect and promote personal dignity of all people by protecting and promoting their safety, health, security, peace, and general welfare.

Exhibit 1 – Human Relations Commission Major Expenditures

Expenditure Category	FY 2015	FY 2016	FY 2017 *
Personnel	\$272,852	\$292,336	\$129,610
Building Rent	32,415	32,707	13,628
Professional Service	1,491	37,525	1,287
Advertising & Promotion	8,431	15,003	3,001
Host & Hostess	4,694	18,490	1,278
Communication	3,891	4,341	1,685
Printing/Binding	1,444	4,329	169
Computer Software & Hardware	2,001	3,681	(917)
Subscription, Registration & Dues	2,253	3,201	400
Travel/Parking	4,217	2,519	817
Other Expenditures	2,963	4,070	1,211
Total	\$336,652	\$418,202	\$152,169

Source: Metropolitan Nashville Government EnterpriseOne Financial System

*: As of November 21, 2016.

OBJECTIVES AND SCOPE

This audit covers financial activities of Human Relations from July 1, 2012, to December 31, 2016, and operational activities from July 1, 2015. Audit objectives were to ascertain whether:

- Controls were in place to ensure that the financial activities of Metro Human Relations Commission follow applicable Metro policies.
- Operational activities at the Human Relations Commission conform to its mission stipulated by Metro Code of Law.

WHAT WE FOUND

The Metro Human Relations Commission activities conform to its established mission. However, the office does not always record complete information for complaint cases, and lacks controls to ensure compliance with Metro applicable policies.

GOVERNANCE

The Metro Human Relations Commission Board is composed of 17 volunteer commissioners, appointed by the Mayor and confirmed by Metropolitan Nashville Council. An executive director is appointed to carry out the Commission's mission.

ADDITIONAL INFORMATION

In 2011, the Human Relation Commission Executive Director requested an audit of the office. That audit noted several financial activities were not complying with Metropolitan Nashville Government's finance policies and made recommendations for remediation. Since then, the Commission changed its executive director three times. The current director started in March 2015.

Additional highlights of the commission's purchasing activities are shown in Exhibit 2 and Exhibit 3.

Exhibit 2 – Human Relations Commission Credit Card Purchase Top Ten Category (July 2012 - December 2016)

Spending Category Description	Amount
Other Professional Services	\$40,452
Advertising and Promotion	31,361
Host & Hostess	29,339
Employee Parking ¹	9,287
Management Consultant Service	6,800
Office and Admin Supply	6,500
Printing/Binding	5,619
Registration	4,011
Procure Card Clearing	3,909
Educational Supply	3,333

Source: Metropolitan Nashville Government EnterpriseOne Financial System

Note 1 – The Commission provides parking for staff because of frequent requirements to attend meetings and events outside of the office during business hours.

Exhibit 3 – Human Relations Commission Procurement Top Ten Vendors (July 2012 and December 2016)

Merchant Code Description	Amount
Parkway Towers LLC – Rent Payment	\$81,476
Randstad Nashville	9,307
Adecco USA	6,148
Ricoh USA	4,947
Corporate Looking Glass	3,500
Water Hill Plumbing Inc.	3,430
The Foreign Language Institute	3,288
Thompson Hospitality	3,052
Nashville Public Radio	2,813
Bay Area Nonviolent Communication	2,800

Source: Metropolitan Nashville Government EnterpriseOne Financial System

OBJECTIVES AND CONCLUSIONS

1. *Are controls in place to ensure that the financial activities of the Metro Human Relations Commission comply with applicable Metropolitan Nashville Government financial policies?*

Generally no. Controls over financial transactions at the Human Relations Commission are weak. Human Relations Commission should establish internal controls to ensure its financial activities comply with applicable policies. (See Observation A.)

2. *Do operational activities at the Human Relations Commission conform to its mission stipulated by Metropolitan Nashville Code of Law, and Rules and Procedures adopted by the Commission?*

Generally yes. The Metro Human Relations Commission either organized or participated in 111 events in fiscal years 2015, 2016, and 2017.

- a) *Does Metro Human Relations Commission hold events conforming to its mission?*

Yes. Supporting documents for the eleven events reviewed indicated the occurrence, participation, and efforts contributed by the Metro Human Relations Commission. Contents of the reviewed events were aligned with the mission of Metro Human Relations Commission.

- b) *Did the Metro Human Relation Commission implement and follow established procedures for complaints?*

Generally Yes. Metro Human Relations Commission has a Community Contact Database to record and follow up with all the complaint cases. The database was developed and in use since March 2015. However, the process can be improved. (See Observation B.)

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, 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. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A – Establish Controls over Financial Resources

Review of financial records showed weak control over financial transactions at the Human Relations Commission. All 823 credit card purchases totaling \$152,256 along with 122 (39 percent) of the 316 voucher payments totaling \$139,103 (82 percent of the \$170,372 total voucher payments) paid between July 1, 2012, and December 31, 2016, were reviewed. Also, timekeeping, travel, and tracked assets practices were reviewed.

The following indicators of weak financial controls were observed:

Supporting Documentation

- Forty-nine percent (402 out of 823) of credit card purchases receipts are not available. Details describing the government service delivery purpose was not documented for 157 credit card purchases with receipts.
- One invoice of \$1,500 was paid for professional service without detailed information on the government service delivery purpose.

Business Purpose

- Ten payments for \$7,080 were for sponsorship or donation without established guideline of sponsorship selection.
- Rotary club dues of \$675 were paid in 2013 without sufficient information documenting the government service delivery purpose.
- Two \$220 Amazon gift cards were purchased in June 2015 to be used in the fiscal year 2016.

Food Purchases

- None of the meals purchased at restaurants were supported by detailed documents required by the credit card policy.
- Not all food purchases can be directly associated with specific events.

Three Verbal Quotes

- Two different purchases for \$3,400 each did not have the required three minimum verbal quotations documented.

Tennessee Sales Tax

- Tennessee sales tax totaling \$258 was paid off three Thompson Hospitality invoices.
- Tennessee sales tax was paid on 18 credit card purchases.

Duplicate/Over Payments

- Three invoice payments were paid off previously paid supporting payment documents.
- Excessive cell phone reimbursements were processed resulting in overpayments totaling of \$368.

Travel

- Three trips in the year 2014 with total expenditure amount of \$2,511.52 were not supported by approved travel authorization
- One employee who had three claims for a total of 817 miles for reimbursement did not include travel locations in her claim forms

Work Time

- The compensatory time earned and used by employees are neither recorded nor tracked.
- Leave time taken by employees are not formally preapproved and documented in written form.

Tracked Assets

- Two laptop computers purchased with a credit card were not tracked by Information Technology Services Department and had no Metro asset tag or any indication of Metro property.

Criteria:

- Metropolitan Nashville Government Finance Policy #14 – Capital Asset
- Metropolitan Nashville Government Finance Policy #18 – Travel
- Metropolitan Nashville Government Finance Policy #19 – Credit Card
- Treasury Credit Card Cardholder Acknowledgement
- Metropolitan Nashville Government Finance Policy #20 – Purchasing
- Metropolitan Nashville Finance Delegation of Purchase
- Metropolitan Nashville Government Finance Policy #23 – Mobile Communication Devices
- Metropolitan Nashville Government General Records Schedule 221- Procurement Card Files states: “Records related to purchase made by Procurement Card issued by Finance has retention of six years.”
- Metropolitan Nashville Government Civil Service Rule, Chapter 4 – Attendance and Leave
- 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.

Recommendations for the Metro Human Relations Commission Board to:

- A.1. Either revise its current Rules and Procedures or adopt a separate Office Administrative Policy, for its executive office to comply with all Metropolitan Nashville Government’s fiscal management policies, information security policies, and Civil Service Rules.

- A.2. Establish a procedure to ensure that every new administration of the executive office should acknowledge the Administrative Policy, and its compliance with Metropolitan Nashville Government’s policies.

Observation B – Improve Documentation for Complaints Handling Process

Information recorded in the Community Contact Database is not complete. Chapter 4 of the Commission’s Rules and Procedures stipulates a list of items to be documented as content for each complaint, including a statement of particulars of the facts and circumstances about the complaint. According to the executive office, some of the intakes are considered as “inquiries,” rather than “complaints.” Although a thought process is used to decide which is what while a complaint is taken in, the definitions are not clearly documented in the procedure, which might lead to the decision of not filling the fields.

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.
- Metropolitan Human Relations Commissions Rules and Procedures – Chapter 4 Complaint Process

Recommendations for management of the Metro Human Relations Commission to:

- B.1. Consistently record case information required by the Rules and Procedures such as case descriptions and actions taken.

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 Metro Human Relations Commission Department.
- Reviewed and analyzed documentation for compliance with the Tennessee Code Annotated, Metropolitan Nashville Code of Laws, and other applicable laws, regulations, and policies.
- Evaluated internal controls currently in place.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

Mark Swann, CPA, CIA, CISA, ACDA, Metropolitan Auditor

Qian Yuan, CIA, CISA, ACDA, Quality Assurance

Nan Wen, CPA, In-Charge Auditor



One City for All People

April 4, 2017

Melody Fowler-Green
Executive Director

Mr. Mark Swann
Metropolitan Auditor
Office of Internal Audit
404 James Robertson Pkwy, Ste 190
Nashville, TN 37219

Frank Trew, Chair

Samar Ali

RE: Audit of Human Relations Commission

Jeremy Davis

Dave Garrison

Jeff Gibson

Dear Mr. Swann:

Marcela Gomez

On behalf of the Metro Human Relations Commission, I write to acknowledge receipt of the Internal Audit Draft Report. Enclosed with this letter is our response to your recommendations, including our plans and anticipated completion dates. As detailed in the enclosure, we concur with your recommendations.

Phyllis Hildreth

Aisha Lbhalla

Lethla Mann

Oscar Miller

Abdishakur Mohamed

We appreciate your thorough and professional work. It was a pleasure to work with you and your staff. In addition to providing an opportunity to improve our institutional processes, we hope this audit will inspire other Metro entities to adopt procedures that will better ensure new executives have sufficient on-boarding and support in the future.

Avi Poster

Erin Pryor

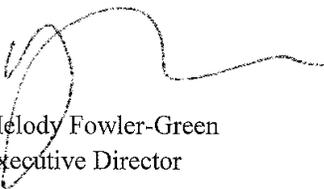
Ellen Register

Marisa Richmond

Janice Rodriguez

Sincerely,

Peter Woolfolk



Melody Fowler-Green
Executive Director

404 James Robertson Parkway
Suite 130
Nashville, TN 37219-6300
(615) 880-3370
MHRC@Nashville.gov
www.1City4AllPeople.com

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.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations for management of Metro Human Relations Commission to:</i>		
<p>A.1 Either revise its current Rules and Procedures or adopt a separate Office Administrative Policy, for its executive office to comply with all Metropolitan Nashville Government’s fiscal management policies, information security policies, and Civil Service Rules.</p>	<p>Agree. The Executive Director, with consultation from the Executive Committee of the Commission, will draft and implement an Office Administrative Policy Manual that will provide clear procedures to comply with Metropolitan Nashville Government's fiscal management policies, information security policies, and Civil Service Rules.</p>	<p>September 4, 2017</p>
<p>A.2 Establish a procedure to ensure that every new administration of the executive office should acknowledge the Administrative Policy, and its compliance with Metropolitan Nashville Government’s policies.</p>	<p>Agree. The Commission will adopt a procedure to ensure that the Office Administrative Policy Manual is updated each year, and that a copy is maintained by the Board Chair and provided to future executives.</p>	<p>September 4, 2017</p>
<p>B.1 Consistently record case information required by the Rules and Procedures such as case descriptions and actions taken.</p>	<p>Agree. The Commission will review and amend Rules and Procedures, if needed. Commission staff, at the direction of the Executive Director, will review the current methods for recording complaint information and ensure that they meet Commission Rules and Procedures.</p>	<p>Review by August 14, 2017.</p> <p>Revisions and/or amendments by December 4, 2017.</p>