

**THE METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY, TENNESSEE**

Letter of Recommendations to Management

June 30, 2022



October 31, 2022

To the Honorable Mayor and Members of Council
The Metropolitan Government of Nashville and Davidson County, Tennessee
Nashville, Tennessee

Ladies and Gentlemen:

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Government") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We have also audited the financial statements of the Sports Authority Fund and the Industrial Development Board Fund, which are discretely presented component units of the Government, and have issued our report thereon dated October 31, 2022. We have also audited and reported on separately the financial statements of the following discretely presented component units: Metropolitan Nashville General Hospital (fund of the Hospital Authority), the Metropolitan Transit Authority, and the Convention Center Authority. We did not audit the financial statements of the following discretely presented component units: the Nashville District Management Corporation, the Gulch Business Improvement District, Inc., the Metropolitan Development and Housing Agency, the Electric Power Board, Metropolitan Nashville Airport Authority, and the Emergency Communications District. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

In planning and performing our audit of the aforementioned financial statements, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Government's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control.



Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

**Department of Water & Sewerage Services
Accounts Receivable Reconciliation**

Observation

During our audit of the Department of Water & Sewerage Services ("W&S"), W&S finance personnel discovered a billing software error in accounting for customer balances sent to a third-party collection agency. This billing software error resulted in both revenue and related accounts receivable being understated when reconciled to the general ledger accounting system. The ultimate correction of this billing software error resulted in an adjustment to restate beginning net position.

Recommendation

We recommend W&S implement process improvements to ensure their billing software is accounting for customer receivable balances correctly and is consistently reconciled to the general ledger accounting system. Continued reconciliation of accounts receivable is imperative to providing management with timely and accurate financial information necessary to make important financial decisions.

Management's Response

W&S has incorporated this change into the monthly reconciliation. The general ledger is reconciled with the bank daily. Then, on a monthly basis, the general ledger is reconciled with the subledger system accounting for the double-booking process. Reconciliations are reviewed by management and discussed when discrepancies are found.



**Metropolitan Nashville Public Schools
Grant Receivables and Reimbursements**

Observation

During our audit, Metropolitan Nashville Public Schools (“MNPS”) management discovered that approximately \$21 million included in grants receivable as of June 30, 2022 and 2021 was not submitted to the Tennessee Department of Education for reimbursement under the ESSER grant. Based on several discussions with the Metro Finance Department and MNPS management, it was determined that MNPS will ultimately still be able to collect the full amount of funding available to MNPS under the ESSER grant.

Recommendation

We recommend MNPS implement procedures to track the status of outstanding grants receivable and grant reimbursement requests to ensure all eligible grant expenditures are submitted for reimbursement on a timely basis.

Management’s Response

Metropolitan Nashville Public Schools (“MNPS”) agrees with the recommendation. MNPS self-reported the lack of submission, and in joint discussions with the Metro Finance Department, determined a solution allowing MNPS to still collect the full amount of funding available to MNPS under the ESSER grant.

To prevent the reoccurrence of such an event, MNPS has developed a fiscal services team that oversees grant-related financial processes, ensuring that all grants are administered on an accurate, timely manner in strict alignment to district procedures. MNPS finance and federal programs department have collaborated on joint processes to ensure correct sequencing of journal entries with reimbursement requests to ensure the full drawdown of all grants.

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During our audit, we also noted the following matters that are opportunities for strengthening internal controls and operating efficiency and are presented for your consideration. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:



Timely Preparation of Bank Reconciliations

Observation

In testing the Government's internal controls over bank reconciliations, we identified certain bank accounts that were not reconciled on a timely basis. Specifically, the Operating and Concentration account was not reconciled timely (within 45 days of month end as per the stated internal controls) for all three of the months tested. The Government does have certain compensating controls in place to timely detect significant misstatements in the financial statements. However, the risk of not identifying cash errors and possible fraud related to cash increases greatly when bank accounts are not reconciled timely during the year. The September 2021 Operating and Concentration account reconciliation was completed 54 days after month-end, the March 2022 reconciliation was completed 83 days after month-end, and the June 2022 reconciliation was completed 68 days after month-end. Timeliness of the preparations has improved from prior years; however, there is still room for further improvement.

Recommendation

All bank accounts should be reconciled timely on a monthly basis by the Government and all reconciling items should be promptly investigated, adjusted and documented with adequate explanations. This will reduce the likelihood of cash errors and fraud, provide for more timely and accurate financial information, and assist in the effective management of cash flow.

Management's Response

The Government continues to improve on the timeliness of bank reconciliation process and implemented an automated reconciliation process starting in August of 2022 for FY23 for the majority of its bank accounts. This process allows for weekly bank reconciliations between the bank activity and activity entered in the accounting system. Training departments on entering cash receipts properly for the automated reconciliation was rolled out in July of 2022 and continues as we identify areas for improvement within departments.

Preparation of the Schedule of Expenditures of Federal Awards

Observation

During the Single Audit, there were several revisions to the Schedule of Expenditures of Federal Awards ("SEFA") due to overall preparation issues. Errors and revisions included items such as federal grant expenditures being listed with missing or incorrect assistance listing numbers, certain federal grant programs not being properly grouped by cluster, and the pass-through awarding agency not being properly identified.



Recommendation

We recommend the Government implement process improvements to ensure the assistance listing numbers, federal grant program clusters, and pass-through awarding agency information reported in the SEFA is complete and accurate. This will reduce the likelihood of errors and allow for a more efficient Single Audit process.

Management's Response

Management agrees with this recommendation. The revisions noted above were primarily due to changes in staff assigned to the preparation and review of the report as well as the addition of a significant amount of new grants. The Government has developed a process to review the SEFA for accuracy of expenditures and proper CFDA classifications. The Government will continue to refine training for SEFA that is rolled out to departments.

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Management's responses to the comments identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the audit committee, management, and others within the Government, and federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

CROSSLIN, PLLC