

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

Letter of Recommendations to Management

June 30, 2023



October 31, 2023

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, 2023, 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, 2023. 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 system of 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:

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

**Observation**

During our audit, Metropolitan Nashville Public Schools ("MNPS") Finance Team and Strategic Investment Fiscal Team ("SIFT") conducted an analysis of grant accounts with receivable balances and determined that grant receivables were overstated by approximately \$13 million due to errors that accumulated from fiscal years 2019-2023. The overstated receivables were primarily driven by expenditures being charged to the grant accounts when they should have been charged to the MNPS operating budget. MNPS Finance and SIFT Teams recorded adjustments to properly state the grant receivables as of June 30, 2023.

**Recommendation**

We recommend MNPS implement procedures for regular review and maintenance of grant business units to ensure expenditures are properly charged to the grants and related receivables are properly stated.

**Management's Response**

MNPS accepts the observation, having identified and reported overstated grants receivable by approximately \$13 million from fiscal years 2019- 2023. To correct this, MNPS has designed and implemented new standard operating procedures for the regular review and maintenance of grant business units. The standard operating procedure includes a monthly procedure for reviewing personnel and non-personal expenses, budget to actual expenses on grant accounts, open purchase orders and outstanding invoices, and accounts receivables, as well as annual processes for accrual reviews. The standard operating procedure also defines annual processes for business unit maintenance, including the closeout of business units associated with grants at the end of the life of the grant. This new standard operating procedure will allow MNPS to prevent a repetition of the accrual misstatements previously reported to Metro for the purposes of this audit.



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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 October 2022 Concentration account reconciliation was completed 310 days after month-end, the October 2022 Merchant Depository account reconciliation was completed 102 days after month-end, the October 2022 Check & Cash Depository account reconciliation was completed 101 days after month-end, the May 2023 Concentration account reconciliation was completed 106 days after month-end, the June 2023 Concentration account reconciliation was completed 77 days after month-end, and the February 2023 Trustee Checking account reconciliation was completed 168 days after month-end. 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 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 the majority of its bank accounts. This process allows for weekly bank reconciliations between the bank activity and activity entered in the accounting system. Finance continues to have departmental training on entering cash receipts properly when areas of improvements arise.



## **Pension Census Data**

### **Observation**

During our pension census data testing, we identified 2 employees out of our sample of 60 employees where the payrate included in the census data used by the actuaries was significantly higher than their actual salary. The errors were caused by issues in how salary changes were processed across the various systems used by the human resources and payroll departments.

### **Recommendation**

We recommend the Government implement procedures to verify salary changes are accurately posted to each system. This will reduce the likelihood of errors and ensure the information provided to the actuaries is complete and accurate.

### **Management's Response**

Metro HR manages pension data using a module built as a customized add on to its Human Resources Information System (HRIS). Pension data enters the HRIS via an interface from Metro's ERP system, R12. This transmission of data occurs daily and records cross systems regardless of whether entry of a full employee record is complete. As a result, two incomplete records were transmitted to the HRIS. Staff completed those records; however, they were rejected by the HRIS as the data from the incomplete records already existed in the software. Controls are in place to notify staff when a correction to HR data is made, however, those controls failed to deliver the appropriate notification in these two instances. Controls have since been corrected. Furthermore, this issue will be addressed in Metro's launch of Oracle Cloud software at the beginning of FY26.

## **Metropolitan Nashville and Davidson County General Sessions Court Comptroller's Investigative Report dated July 31, 2023**

### **Observation**

The Office of the Tennessee Comptroller of the Treasury issued an investigative report on July 31, 2023 related to the Metropolitan Nashville and Davidson County General Sessions Court. The Comptroller's Office initiated the investigation after receiving an allegation of a potential conflict of interest regarding a grant. The investigation was limited to selected records for the period from October 1, 2018 through June 30, 2021. The results of the investigation are as follows: (1) the judge had an undisclosed potential conflict of interest related to the community court grant program and (2) the judge failed to adequately disclose business activity.

### **Recommendation**

Judges should adhere to reporting requirements and ensure complete and accurate information is provided.



**Management's Response**

General Sessions Court continues to improve its grant oversight and management. Internal grant managers and Judges overseeing any specialty court which is a grant recipient will continue to adhere to all grant award conditions and reporting requirements and will continue to ensure that complete and accurate information is provided to avoid any conflict of interest, especially as it pertains to sub-recipients of a grant. General Sessions Court will maintain contact with grant specialists at Metro Office of Financial Accountability for ongoing departmental training and best practices as it relates to grant management and administration.

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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*

CROSSLIN, PLLC