

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

Letter of Recommendations to Management

June 30, 2024



October 31, 2024

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, 2024, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. 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.

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.



Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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During our audit, we noted the following matters that are opportunities for strengthening internal controls and operating efficiency and are presented for your consideration. This letter does not affect our report dated October 31, 2024 on the aforementioned financial statements. 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 November 2023 account reconciliations for the Concentration, Merchant Depository, Fire / EMS Wholesale Lockbox, and Vendor Payables Checking accounts were completed 152 days, 134 days, 97 days, and 54 days after month-end, respectively; the March 2024 account reconciliations for the Concentration, Check & Cash Depository, and Water & Sewer Retail Lockbox accounts were completed 82 days, 73 days, and 62 days after month-end, respectively; and the June 2024 Active Payroll account reconciliation was completed 80 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

Management agrees with this recommendation. The Government continues to improve on the timeliness of bank reconciliation process and implemented an automated reconciliation process in August of 2022. The Government has assigned additional staff hours to help with the process to review and identify items that were not reconciled automatically. Finance continues to provide departmental training on entering cash receipts properly as well as providing technical assistance to departments when opportunities for process improvements arise.

Property Tax Receipts

Observation

During our property tax receipt testing, 27 out of 60 selections were included in a single batch payment. While testing the batch payment, we identified discrepancies between the batch payment amount that cleared the bank, and the batch payment amount recorded in eGov. Upon further discussion with and investigation by the Trustee's office, it was determined that 2 receipts within the batch payment were not applied to the property owners' tax bills in eGov. As a result of our inquiry, the Trustee's office posted corrections to the property owners' accounts which resulted in overpayment corrections and reversal of accrued interest charges.

Recommendation

We recommend the Government reconcile receipts recorded in eGov to amounts clearing the bank and recorded in the general ledger monthly. This will reduce the likelihood of errors and ensure taxpayers are not overcharged for property taxes.

Management's Response

Management concur with the recommendation of doing reconciliations monthly.

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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.



To the Honorable Mayor and Members of Council
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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

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