



**A Report to the
Audit Committee**

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Audit of General Sessions Recovery Court Fiscal Management

August 18, 2017

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

August 18, 2017



Why We Did This Audit

This audit was conducted due to a request from the Presiding Judge of the General Sessions Court. The Presiding Judge initiated the request due to the recent change of Judges within the Recovery Court. A second phase will be conducted and focus on the case management aspect of the Recovery Court. A separate report will be issued for the second phase.

What We Recommend

The General Sessions Recovery Court should:

- Enhance controls for financial activities, especially on travel and work time management.
- Establish formal and explicit roles and responsibilities related to its relationship with the Davidson County Drug Court Foundation.

Audit of General Sessions Recovery Court Fiscal Management

BACKGROUND

The General Sessions Recovery Court was established in 2003 to give rehabilitation opportunities to those who have substance abuse issues and have been arrested for nonviolent offenses. The court offers a voluntary 12-18 month program which includes Recovery services, substance abuse monitoring, and transitional housing residence for participants taking classes in anger management, life skills, and job readiness. There have been over 100 participants in the Recovery program since its inception.

OBJECTIVES AND SCOPE

The audit objectives are to determine:

- Financial activities of the General Sessions Recovery Court comply with applicable Metropolitan Nashville Government financial policies.
- The relationship that exists between the General Sessions Recovery Court and the Davidson County Drug Court Foundation.

This audit covers financial activities of the General Sessions Recovery Court between April 1, 2015, and March 31, 2017.

WHAT WE FOUND

The General Sessions Recovery Court financial activities conform to its established mission. However, the controls over travel and time keeping could be improved.

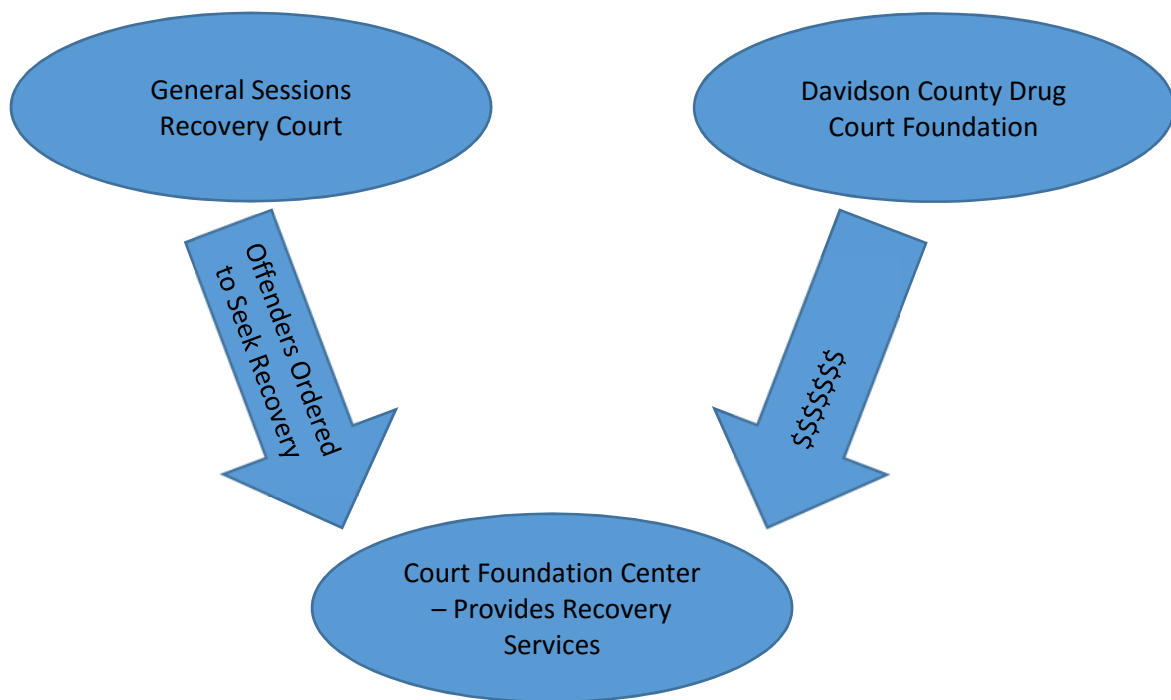
A memorandum of understanding or contract between the General Sessions Recovery Court and the Davison County Drug Court Foundation should be created to define each entity operational and financial relationship and responsibilities.

GOVERNANCE

The General Sessions Recovery Court was established through the ‘Drug Court Recovery Act 2003’ enacted by Tennessee Code Annotated, Title 16. The purpose of the Recovery Court is to reduce crimes as a result of drug use and addiction and to promote public safety. It has a Presiding Judge who hears the cases of drug offenders. A program coordinator is appointed to carry out the Recovery Court’s mission.

GENERAL SESSIONS RECOVERY COURT RELATIONSHIP WITH DAVIDSON COUNTY DRUG COURT FOUNDATION

Exhibit 1 – General Sessions Recovery Court Relationship with Davidson County Drug Court Foundation Diagram



General Sessions Recovery Court

The General Sessions Recovery Court hears cases every Wednesday regarding drug offenses and determines sentencing. The General Sessions Recovery Court includes representatives from the Metropolitan Nashville Police Department, the District Attorney’s Office, the Public Defenders Office, the General Sessions Probation Office, and the Court Foundation Center.

Drug offenders who have substance abuse problems, were arrested for non-violent offenses, and are willing to participate in a recovery program, are given the opportunity to participate in a three phase recovery program voluntarily. The program typically takes between 12 and 18 months to complete. Participants are required to attend group treatment sessions three times a week. Participants in phase one court each week, Participants in phase two attend court every other week while participants in the third phase are required to attend court every other week.

In addition to handling drug cases, the General Sessions Recovery Court also administers a specialty court for victims of human trafficking called the Cherished Hearts program. This program seeks to provide sex workers services such as education and long-term treatment other than incarcerating them. The Davidson County Drug Court Foundation provides a portion of the funding along with support from other local agencies. A second program, called ACT, was administered from October 2016 through March of 2017 to deal with less serious drug offenders. This program was discontinued due to the low number of participants in the program.

Davidson County Drug Court Foundation

A nonprofit entity that engages in fundraising activities to provide financial assistance for treatment services. The Foundation established the Court Foundation Center to provide a large portion of these services. Treatment services include Intense Outpatient classes, Low Intense Outpatient Classes, Relapse Prevention Groups, Alcohol and Drug Assessments, and Anger Management.

The Davidson County Drug Court Foundation is governed by a five member Board of Directors. The majority of its funding is obtained through State grants. There is only one employee for the Court Foundation Center who is a Licensed Alcohol Drug Abuse Counselor. All other services are provided by contractors or vendors. The General Sessions Recovery Court provided office space for an employee of the Davidson County Drug Court Foundation until March 2017. This employee works closely with General Sessions Court personnel in conducting treatment assessments and treatment plans for each participant in the program.

Financial information for Davidson County Drug Court Foundation is presented in Exhibit 2.

Exhibit 2 – Davidson County Drug Court Foundation Financials for Fiscal Years 2013, 2014, and 2015

	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013
Contributions, Gifts, Grants	\$187,644	\$108,716	\$121,330
Total Revenue	187,644	108,716	121,330
Professional Fees, Independent Contractors	109,892	67,044	67,822
Occupancy, Rent	20,101	15,211	18,000
Printing, Postage, etc.	2,219		
Other	38,026	33,693	10,253
Total expenses	170,238	115,948	96,075
Excess/Deficit	\$ 17,406	(\$ 7,232)	\$ 25,255

Source: Internal Revenue Service 990 EZ for 2013, 2014, and 2015

General Sessions Recovery Court Financial Information

Highlights of the General Sessions Recovery Court’s financial activities are shown in Exhibit 3 and Exhibit 4.

Exhibit 3 – General Sessions Recovery Court Major Expenditures April 1, 2015, through March 31, 2017

Expenditure Category	2015	2016	2017
Medical Supply	\$ 64,529	\$101,801	\$43,588
Personnel	49,817	94,747	21,490
Registration	10,583	8,460	
Employee Air Travel	4,725	4,021	
Office & Admin Supply	4,515	4,538	773
Care of Persons	4,280	15,291	4,220
Employee Out-of-town Travel	2,297	(32)	(87)
Host & Hostess	1,222	861	81
Other	584	648	103
Personal Use Supply	399	87	
Subscriptions	334	125	
Printing/Binding	302	488	160
Radio Shop Charge	256	(131)	
Cell Phone Service	136	408	68
Food & Ice	23		
Realized Gain/Loss MIP	12	18	
Open Travel Advance		11,950	(438)
Computer Hardware <\$10K		1,244	
Gas		61	
Employee Local Travel/Park		3	
Repair and Maintenance			839
Total	\$144,014	\$244,589	\$70,798

Source: EnterpriseOne Financial System

Exhibit 4 – General Sessions Recovery Court Procurement Top Five Vendors April 1, 2015, through March 31, 2017

Merchant Code Description	Service	Amount
Avertest	Drug Testing	\$209,918
Metro Transit Authority	MTA Bus Pass	19,814
Employees Out-of-Town Travel	Travel Expense	11,162
Recovery Community Inc.	Halfway Housing	8,380
Presidio Networked Solution	Computer Hardware	2,261

Source: Metropolitan Nashville Government EnterpriseOne Financial System

OBJECTIVES AND CONCLUSIONS

1. *Are controls in place to ensure that the financial activities of the General Sessions Recovery Court comply with applicable Metropolitan Nashville Government financial policies?*

Generally yes. The General Sessions Recovery Court has controls in place to ensure financial resources complies with Metropolitan Nashville Government financial policies. However, procedures could be improved over procurement, asset tracking, and time keeping. (See Observation A.)

2. *Define the relationship that exists between the General Sessions Recovery Court and the Davidson County Drug Court Foundation.*

A summary of the relationship between the General Sessions Recovery Court and the Davidson County Drug Court Foundation is presented on pages 2 to 3 of this report. This relationship is very loosely defined and has evolved over the years. A more formal, explicit agreement regarding responsibilities and roles should be established (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 – Improve Controls over Financial Resources

Controls over financial transactions at the General Sessions Recovery Court could be improved. A review of disbursements between April 1, 2015, and March 31, 2017, was conducted. The following concerns were observed from a sample of disbursements. See Exhibit 6 for a summary of audit test samples.

Exhibit 6 – Summary of Disbursements Audit Test Samples

Type	Sample/Population	Percent	Value/Total	Percent
Credit Card	65 / 167	39	\$36,989 / \$48,925	76
Invoices	50 / 196	26	\$42,222 / \$250,904	17
Payroll	1/1	100	N/A	N/A

Business Purpose

- A total of \$10,648 in travel expenses were paid for the staff of non-Metropolitan Nashville Government entities. These expenses relate to conferences that were relevant to the business operations of the General Sessions Recovery Court. For administrative purposes, staff with the General Sessions Recovery Court made the travel arrangements for these conferences and paid all related expenses.

It should be noted that a credit card review conducted by the Department of Finance in late 2016 identified travel expense paid for the staff of non-Metropolitan Nashville Government entities. Specifically, airline fares for employees of the Davison County Drug Court Foundation

were paid for by the General Sessions Recovery Court. The Davidson County Drug Court Foundation subsequently reimbursed \$1,780 to the Metropolitan Nashville Government for these expenditures.

The organization for which these expenditures were paid are presented in Exhibit 7.

Exhibit 7 – General Sessions Recovery Court Travel Expenses Paid for Staff of Non-Metropolitan Nashville Government Entities

Organization Name	Amount	Previously Reimbursed	Not Reimbursed
Davidson County Drug Court Foundation	\$ 4,068	\$1,780	\$2,288
Avertest (Vendor)	1,556	-0-	1,556
Mental Health Coop	1,556	-0-	1,556
Recovery Community Inc.	2,512	-0-	2,512
Phases Transitional House	956	-0-	956
Total	\$10,648	\$1,780	\$8,868

- A donation of \$20 was paid to the NAADAC Education and Research Foundation.
- A business card expense of \$38 was paid on behalf of non-Metropolitan Nashville Government entity.

MTA Bus Pass Purchases

Metropolitan Transit Authority bus passes for \$19, 814 were not accounted for during the audit period. There is no record of the distribution of the passes.

Supporting Documentation

Detail receipts listing items purchased were not available for 9 out of 65 (14 percent) credit card purchases, only the credit card charge slips were available. Another 9 credit card purchases have limited information to support its business purpose.

Work Time

- Leave time taken by employees were not pre-approved and documented prior to January 2017.
- The accrual of vacation leave balance for one employee was inaccurate. Specifically, the employee had transferred from another division within the General Sessions Court to the General Sessions Recovery Court and was paid for all unused vacation time at the time of transfer. The employee’s vacation leave balance was not zeroed out. This resulted in the employee continuing to have a vacation leave balance when they previously had been compensated for the unused vacation time.

Criteria:

- 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 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 (Adopted by the General Sessions Court’s as their Attendance and Leave policy.)
- 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 management of the General Sessions Recovery Court to:

1. Ensure that all financial activities comply with Metropolitan Nashville Government’s fiscal management policies and General Sessions Court’s Attendance and Leave policy (applicable adopted Civil Service Rules.)
2. Seek reimbursement for the \$8,868 in expenses paid on behalf of non-Metropolitan Nashville Government entities.

Observation B– Relationship with the Davidson County Drug Court Foundation

The relationship between the General Sessions Recovery Court and the Davidson County Drug Court Foundation is not formally or explicitly defined. These two entities work closely together as they serve a common mission. Formal documentation would provide the General Sessions Recovery Court and the Davidson County Drug Court Foundation with a common understanding of the financial relationship between the two entities and identify organizational relationships (reporting and authority.)

Criteria:

COSO, Control Activities—Principle 3—Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

Recommendations for the General Sessions Recovery Court to:

Establish a memorandum of understanding or contract between the General Sessions Recovery Court and the Davison County Drug Court Foundation to define each entity operational and financial roles and responsibilities as it relates to the General Sessions Recovery Court.

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:
 - General Sessions Recovery Court
 - General Sessions Court Administration
 - Davidson County Drug Court Foundation
- 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

Nan Wen, CPA, In-Charge Auditor

Bill Walker, CPA, CIA, Quality Assurance

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

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

WARNER C. HASSELL
COURT ADMINISTRATOR



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August 18, 2017

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

Re: Audit of General Sessions Recovery Court Fiscal Management-Part A

Dear Mr. Swann,

This letter acknowledges receipt of your Office's Audit of the General Sessions Recovery Court Fiscal Management-Part A. We have reviewed and concur with the audit comments and recommendations, as noted in Appendix A. The Recovery Court's compliance with the Metropolitan Government's financial and attendance management policies and procedures were implemented on or before March 31, 2017 as noted in our management response in the audit. The Davidson County Drug Court Foundation reimbursed the Metropolitan Government the entire \$8,868 on behalf of the non-Metropolitan Nashville entities that incurred Metro travel related expenses. The projected completion date for the Memorandum of Understanding with the Davidson County Drug Court Foundation should be by September 15, 2017.

We appreciated the professional and thorough manner in which the Internal Audit staff conducted this audit.

Sincerely,

A handwritten signature in cursive script that reads "Warner C. Hassell".

Warner C. Hassell
Court Administrator
Metropolitan General Sessions Court

cc: Presiding Judge Gale B. Robinson



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 Ensure that all financial activities comply with Metropolitan Nashville Government’s fiscal management policies and General Sessions Court’s Attendance and Leave policy (applicable adopted Civil Service Rules.)</p>	<p>Agree - Judge Gale Robinson assumed control of the General Sessions Recovery Court on February 3, 2017. Judge Robinson transferred the Recovery Court staff to the direct supervision of the General Sessions Probation Director effective March 31, 2017. Compliance with Metro Government’s financial and attendance management policies and procedures were implemented on or before March 31, 2017.</p>	<p>03/31/2017</p>
<p>A.2 Seek reimbursement for the \$8,868 in expenses paid on behalf of non-Metropolitan Nashville Government entities.</p>	<p>Agree - The Davidson County Drug Court Drug Court Foundation reimbursed Metropolitan Government for the entire \$8,868 on behalf of the non-Metropolitan Nashville Government entities referenced in the audit.</p>	<p>08/9/2017</p>
<p>B.1 Establish a memorandum of understanding or contract between the General Sessions Recovery Court and the Davison County Drug Court Foundation to define each entity operational and financial roles and responsibilities as it relates to the General Sessions Recovery Court.</p>	<p>Agree.</p>	<p>09/15/2017</p>