

***METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON
COUNTY***



***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

July 28, 2015

[Page Intentionally Left Blank]

**METROPOLITAN NASHVILLE
AUDIT COMMITTEE MEETING AGENDA – REVISED
July 28, 2015 4:00 p.m.**

**Committee Room 4
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Approval of Minutes for the February 10, 2015, meeting (Bob Brannon – Committee Chairman)
- III. New Business
 - External auditor presentation FY2014 Single Audit and Management Letter (Crosslin & Associates, P.C.)
 - External auditor presentation FY2015 Audit Communication (Crosslin & Associates, P.C.)
 - Presentation on Metropolitan Nashville Airport Authority Internal Audit (Mark Swann – Metropolitan Auditor)

Office of Internal Audit Issued Audit Reports (Mark Swann – Metropolitan Auditor)

 - Discussion on Audit of Davidson County Clerk’s Cash Collection audit report issued March 24, 2015
 - Discussion on Audit of Medical Examiner’s Office audit report issued April 14, 2015
 - Discussion on Audit of Metropolitan Nashville Public Works Parking Management audit report issued June 29, 2015
 - Discussion on Audit of Metropolitan Nashville Police Department Secondary Employment audit report issued on July 8, 2015
 - Discussion on Audit of FY2015 Hotel Occupancy Tax audit report issued July 9, 2015
 - Discussion on Audit of Metropolitan Office of Trustee Collections Process audit report issued July 24, 2015
 - Discussion on Audit of Metro Fire Department Payroll Process audit report issued July 24, 2015
- IV. Old Business
 - Follow-up on FY2014 CAFR external auditor presentation (Bob Brannon – Committee Chairman)
 - Discussion on proposed supporting internal audit legislation (Mark Swann – Metropolitan Auditor)
- V. Metro Hotline Status and Investigation Reports (Mark Swann – Metropolitan Auditor)
- VI. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
- VII. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
 - FY2016 Budget Status

**METROPOLITAN NASHVILLE
AUDIT COMMITTEE MEETING AGENDA – REVISED
July 28, 2015 4:00 p.m.**

- Staff Changes

VIII. Consideration of Items for Future Meetings (Bob Brannon - Committee Chairman)

IX. Adjournment of public meeting – Next meeting October 13, 2015



To request an accommodation please contact Mark Swann at (615) 862-6158.

[Page Intentionally Left Blank]

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE MEETING**

February 11, 2015

DRAFT MINUTES

On Tuesday, February 11, 2015, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 4. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman
Steve Glover, Councilmember
Richard Riebeling, Director of Finance
Jacobia Dowell, Councilmember

Others

Mark Swann, Metropolitan Auditor
Carlos Holt, Internal Audit Manager
Theresa Costonis, Department of Law
Tony Neumaier, Metro Water Services

Committee Member Absent

Diane Neighbors, Vice-Mayor
Brack Reed, Vice-Chairman

Quorum present? Yes

Call Meeting to Order

Bob Brannon, Committee Chairman, called the meeting to order.

Approval of Minutes

The minutes of the meeting on December 9, 2014, were approved.

New Business

Election of Chairman and Vice-Chairman

Mr. Riebeling nominated Mr. Brannon for Chairman. Nomination was seconded and there were no other nominations. Voting carried the nomination. Mr. Riebeling nominated Councilmember Dowell for Vice-Chairman. Nomination was seconded and there were no other nominations. Voting carried the nomination.

Audit of the Metro Water Services Cash Collection

Mr. Swann discussed the audit of the Metro Water Services cash collections. The audit reviewed the \$200 million in cash collections for water services except for storm water collections. Mr. Potter, Director of Metro Water Services, had requested the audit include miscellaneous income, such as cell tower revenue, income for waste solid sales, etc. There were several recommendations to strengthen controls and procedures and Metro Water Services is already taking action.

Audit of the Historical Zoning Commission

Mr. Swann reminded everyone that the audit was requested by the Metropolitan Nashville Council Budget and Finance Committee and the purpose was to ascertain if increased staffing

levels were needed. The audit was performed using contractors from Experis. The simple answer was yes, they could use another staff member as of the next fiscal year. Additionally, there are other opportunities for improvement. The key driver was the increased number of homes in the historic overlays. There are about six percent of the homes in an historic overlay that require a permit or other request each year. As you add more homes to the overlay you increase the amount of work required by Historic Zoning Commission employees. Thus, if the Metropolitan Nashville Government wants to be responsive to constituent's needs we need to provide the resources to take care of their requests.

Audit of the Active Directory Services of the Metropolitan Nashville Police Department

Mr. Swann stated that the audit was part of a continuous series of the five active directory service domains within the Metropolitan Nashville Government. The Office of Internal Audit has now completed audits of three domains. The audit determined that the Metropolitan Nashville Police Department is managing directory services well. The Metropolitan Nashville Police Department domain is unique since it helps protect the regional Criminal Justice Information System portal used by many public safety agencies in Middle Tennessee. There are many user accounts that are not Metropolitan Nashville Government employees. Mr. Brannon inquired as to why the report was confidential. Mr. Swann replied that his staff is required to obtain Criminal Justice Information System clearance to audit public safety related information systems and the same clearance is required to review the content of this confidential audit report.

Presentation for Approval of the Annual Audit Work Plan

Mr. Swann described the process of risk prioritization and scoring each area within the Metropolitan Nashville Government. Two of the key drivers are people and expenditures with the Metropolitan Nashville Police Department and Health Department finishing as the top two audit area priorities. The recommended plan includes eight audit projects currently in progress, eleven new audit projects, and two investigations. Also, the plan allocates resources to complete approximately 15 to 18 hotel occupancy tax audits.

Mr. Swann reviewed the organizational map showing what departments and functions which have not been audited in the past seven years. He also included that the Metropolitan Nashville Airport Authority and Nashville Electric Services component units have not been audited. The audit of Nashville Electric Services was performed by the Tennessee Comptroller's Local Government Audit Division.

The recommended audit plan includes two management requested audit projects. These audit projects are the Metropolitan Nashville Cable Franchise Agreement and General Services Fleet Operations. Information technology related audit projects included the Microsoft Exchange email system and PCI Data Security Standards compliance audits.

Mr. Riebeling brought up a discussion of the Metropolitan Nashville Airport Authority and that they state they have their own internal audit group. Mr. Riebeling recommended that Mr. Swann and staff go out and assess what the internal audit staff at the Metropolitan Nashville Airport Authority is doing and report back to the Metropolitan Nashville Audit Committee.

The Office of Internal Audit Work Plan with the proposed audit of the Metropolitan Nashville Airport Authority as a last priority was recommended for approval and carried.

Old Business

Proposed Legislation for the Metropolitan Nashville Office of Internal Audit

Ms. Costonis brought up one item asking if there were any periodic training on the confidentiality of information for the Metropolitan Nashville Office of Internal Audit staff. She advised to alter the second paragraph in that section to include the Criminal Justice Information System clearance information and also only use confidential when describing the information rather than proprietary and confidential. Further in the first paragraph, second page, she wonders if reporting to the Metropolitan Nashville Office of Internal Audit might lead people to believe they have fulfilled the requirement to report fraud to the Tennessee State Comptroller's Office. She recommended clarification of that section so not to be misleading. She further noted that some description of the sections required slight revisions that she agreed to draft.

Mr. Brannon inquired about periodic training on confidentiality matters for the staff to which Mr. Swann reported that the office did do so periodically.

Ms. Costonis agreed to re-draft the legislation in ordinance form.

Discussion of the Comprehensive Annual Financial Report

Mr. Brannon inquired if everyone had read the Comprehensive Annual Financial Report and stated that this was an item the committee usually kept on the agenda for a few months until he was sure there were no questions of pending items. Ms. Dowell brought up the idea of presenting a short brief overview to the entire Metropolitan Nashville Council on the Comprehensive Annual Financial Report. Ms. Dowell expressed the need to enhance education on this issue with council members. Mr. Glover and Mr. Brannon inquired as to how many people might show up for a special meeting of this sort. Mr. Brannon stated that for attendance this would have to be presented quickly at a regular council meeting.

Hotel Occupancy Tax Audit Status

Mr. Swann noted that the hotel audits have resulted in approximately \$500,000 in claims and about \$400,000 in collections so far. Hotel owners are increasingly stating they are aware of the audits and have discussed them with fellow owners. Mr. Glover inquired if bed and breakfasts were being audited, to which Mr. Swann stated that a few have already been audited. Others discussed the recent articles on the increase in the number of house and condo rentals.

Office of Internal Audit Annual Report to Metropolitan Nashville Audit Committee

A copy of the Office of Internal Audit 2014 Annual Performance Report was distributed to the committee members. Mr. Swann directed the committee to the letter that would serve as the Metropolitan Nashville Audit Committee's annual report to the Metropolitan Nashville Council along with the distributed Metropolitan Nashville Office of Internal Audit Annual Performance Report highlighting activities and accomplishments of the Metropolitan Nashville Office of Internal Audit. The transmittal letter representing the annual report to the Metropolitan Nashville Council from the Metropolitan Nashville Audit Committee was voted on and carried.

Office of Internal Audit Budget for Fiscal Year 2016

Mr. Swann described the proposed three percent budget cut scenario and that the cut if taken, would have to come out of consulting resources in the amount of \$33,700 leaving approximately

\$10,000. He also recommended an improvement of \$54,600 in order to bring the consulting resources back up to \$100,000.

Comprehensive Performance Audit of Metropolitan Nashville Public Schools

Mr. Swann had previously set up a phone conversation between the contractor McConnell Jones Lanier and Murphy LLP on the Metropolitan Nashville Public Schools audit report. Online was: Sharon Murphy, Gilbert Hopkins, and Odysseus Lanier.

Ms. Murphy discussed the initial engagement process and what was reviewed. She noted that there were 129 recommendations which including three outsourcing recommendations. The fiscal impact was \$272,463 net investment requirement over five years. With the outsourcing (child nutrition, transportation, facilities/energy management) included it would be a savings of \$54,129,373 over the same five year period. Mr. Glover inquired with a few questions and believed the biggest savings would be in facilities. Mr. Swann noted that the report was actually ten separate reports that were approximately the same as ten separate audits that would have cost about the same as this project so the cost/value of the audit (\$550,000) was reasonable.

Discussion of another meeting was held to review the Metropolitan Nashville Public Schools audit report with members of the Metropolitan Nashville Council members. Mr. Glover stated he would take the lead in scheduling this with the Metropolitan Nashville Public Schools Board of Education and the Metropolitan Nashville Council Education Committee. A proposed date of March 5th was discussed. Mr. Swann noted that McConnell Jones Lanier and Murphy LLP was willing to make adjustments as needed to the draft audit report and spend additional time correcting misunderstandings of information communicated to them during the audit process. Also, the Metropolitan Nashville Public Schools staff worked very hard to verify information. Lastly, the Metropolitan Nashville Office of Internal Audit staff worked hard and put in over 1,000 hours of work. Mr. Swann noted that he had communicated to the Metropolitan Nashville Council members that more copies of the report could be ordered for \$59 each.

Proposed Future Meeting Dates of the Audit Committee

Mr. Brannon discussed the need for a special meeting of the committee to discuss the audit of the Metropolitan Nashville Public Schools in late February or early March, such as March 5th. All agreed and adjourned.

Meeting adjourned after 87 minutes.

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE MEETING**

December 9, 2014

DRAFT MINUTES

On Tuesday, December 9, 2014, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 4. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman
Brack Reed, Vice-Chairman
Richard Riebeling, Director of Finance
Jacobia Dowell, Councilmember
Steve Glover, Councilmember

Others

Carlos Holt, Internal Audit Manager
Lauren Riley, Senior Auditor
Theresa Costonis, Department of Law
Kim McDoniel, Metro Finance
John Crosslin, Crosslin and Associates
David Hunt, Crosslin and Associates
Dell Crosslin, Crosslin and Associates
Tony Neumaier, Metro Water Services

Committee Member Absent

Diane Neighbors, Vice-Mayor

Quorum present? Yes

Call Meeting to Order

Bob Brannon, Committee Chairman, called the meeting to order.

Approval of Minutes

The minutes of the meeting on October 14, 2014 were approved.

New Business

Overview of Government Auditing Standards 2011 Revision (moved ahead on agenda)

Mr. Holt stated in the previous meeting a presentation on revisions made to the Government Auditing Standards for the 2011 version was requested by Mr. Brannon. Ms. Riley gave a brief presentation on both the performance audit process and the revisions to the Government Auditing Standards. Ms. Riley covered revisions to independence, nonaudit services, and external audit services. Mr. Brannon asked if there were any additional questions. There were no additional questions.

External auditor presentation of fiscal year 2014 Comprehensive Annual Financial Reports
(Crosslin & Associates, P.C.)

Mr. Hunt with Crosslin & Associates presented the Comprehensive Annual Financial Reports (CAFR) for Metropolitan Government of Nashville & Davidson County fiscal year 2014. A workbook was provided to each committee member summarizing the highlights of Mr. Hunt's presentation. Mr. Hunt mentioned the Metro Nashville Single Audit did not qualify as low risk for fiscal 2014 due to the requirement of having two years without a material weakness. Mr. Glover asked what year a low risk assessment would be if there were no additional material weaknesses. Mr. Hunt stated fiscal year 2014 would be the first year, and if no weaknesses were found in 2015, then fiscal 2016 would be the first year Metro Nashville's Single Audit would qualify as low risk.

Mr. Hunt mentioned there was no new debt issued in fiscal 2014. Mr. Glover asked if this was accurate. Mr. Riebeling stated only restructuring of debt occurred. Mr. Hunt noted the Metro Sports Authority's new debt was not a general obligation.

Mr. Hunt discussed upcoming Government Accounting Standards Board (GASB) statements that would affect future CAFRs such as GASB 68, 69, 71. Mr. Hunt noted the pension liability standards GASB 68 would be included in the next CAFR. Mr. Glover asked if this was just the pension liability or both the pension liability and Other Post Employment Benefits (OPEB). Mr. Hunt stated it would only be the pension liability, but discussions by GASB indicate the OPEB would be a required inclusion in the financial statements at some point in the future. A brief discussion occurred about the calculation of the pension liability and OPEB calculations.

Mr. Brannon stated the Committee members would review the CAFR provided and discuss it at subsequent meetings.

Metro Water Services Clean Water Abatement Program Review (Crosslin & Associates, P.C.)

Mr. John Crosslin with Crosslin & Associates discussed the performance audit performed on the overflow abatement program. Mr. Crosslin gave a brief background of the program noting it is an overall \$1.5 billion project over ten years. Mr. Brannon asked where the funding for this program is coming. Mr. Riebeling and Mr. Neumaier both stated the funds are from increased water rates to customers. Mr. Brannon asked if increased rates also covered the water line problems that recently affected parts of Metro Nashville. Mr. Neumaier stated rates cover the replacement of old water lines. Mr. Brannon asked if Water Services would be replacing old lines such as the ones that had problems earlier in the year. Mr. Neumaier stated Water Services replaces old lines as they break since old water lines function well. Mr. Brannon asked if this meant there were unrecorded liabilities for future breaks. Ms. Costonis stated the Law Department has un-asserted claims. Ms. McDoniel stated claims that may be recovered are recorded.

Mr. Crosslin discussed the observations and recommendations for the program thus far.

Mr. Brannon stated no particular actions were needed at this point.

Discussion on proposed supporting internal audit legislation

Mr. Holt noted the Committee had requested Mark Swann draft proposed legislation to enhance Internal Audit support and provide it at the current meeting. Mr. Holt directed the members to the drafted legislation. Mr. Holt stated this was provided to be reviewed and later discussed. Mr. Brannon asked if there were any issues in getting requested documentation currently. Mr. Holt stated there have been minor issues recently. Mr. Glover asked the process for getting this legislation approved. Ms. Costonis stated if the Audit Committee agreed with the legislation, a vote by the Metro Council would be required. The legislation would be approved as an

ordinance. Mr. Brannon stated the Councilmembers of the Committee would be the sponsors of the ordinance.

Mr. Brannon stated the Committee would review the drafted legislation and discuss at a later meeting.

Discussion on Audit of Justice Integration Services Active Directory audit report issued October 22, 2014

Mr. Holt stated the audit of the Justice Integration Services Active Directory was completed. Mr. Holt noted the results are confidential. Mr. Brannon asked why the results are confidential. Mr. Holt and Ms. Costonis discussed the risks of allowing the public to know weaknesses in servers and systems. Ms. Costonis added the Tennessee Bureau of Investigation has regulations around Justice Integration Systems.

Discussion on Community Education Commission audit report issued October 31, 2014

Mr. Holt briefly discussed the results of the Community Education Commission audit. Mr. Holt noted there were observations around segregation of duties, cash handling, and policies and procedures. Mr. Brannon asked what the Community Education Commission's response to the audit was. Mr. Holt noted the Commission was receptive and agreed with all recommendations except one surrounding new hire documentation.

Discussion on Sheriff's Office Firearms and Equipment Inventory audit report issued November 6, 2014

Mr. Holt stated the audit of the Sheriff's Office firearms and equipment inventory went very smoothly. The department had a sufficient level of controls in place with minor issues in segregation of duties and custody of assets. Mr. Holt noted the one area of concern was the tracking of expired equipment through its use and disposal. Mr. Holt noted no procedures were in place to document the disposal of items or who the items went to.

Discussion on Permitting and Licensing System Upgrade Interim Report II audit report issued November 11, 2014

Mr. Holt stated this audit was the second interim report issued for the upgrade. Mr. Holt stated Mark Swann and Qian Yuan have been monitoring the upgrade since it began. Mr. Holt noted only a few issues were found such as the upgrade being behind schedule.

Overview of Metropolitan Nashville self-insurance and claims fund balance monitoring

Mr. Holt stated at the previous meeting questions were raised regarding the Department of Law's Claims Process and adequacy of current funding levels to handle current and future claims. Mr. Holt directed members to the letter included in the workbook by Mark Swann. Mr. Brannon asked if there was a positive balance for funding. Mr. Holt stated at the time of the audit there was a positive balance and there were only two recent years where the balance went negative. Mr. Holt noted the balance was increased by the Department of Law.

Old Business

Update on the status of the comprehensive performance audit of Metropolitan Nashville Public Schools

Mr. Holt noted there was a phone conference on December 4, 2014 with MNPS regarding the draft report. Mr. Holt stated the auditors have requested all changes desired be made on tracking sheets. This has caused some confusion about report changes as the tracking sheets may refer to changes that have or have not already been made to reports provided. Mr. Holt stated once MNPS representatives had determined the changes and responses, the draft report would be provided to the School Board for their response to observations related to them.

Mr. Glover asked when this report would be done. Mr. Holt stated no clear date has been set; however, it is currently looking to be issued in January 2015. Mr. Glover stated this date is unacceptable as the report has taken significantly more time than expected. Mr. Glover asked what the options for remedy were. Mr. Holt stated contractual changes would be a question for Jeff Gossage in procurement. Ms. Costonis stated the contract has clauses in it for termination and default. However, these are nuclear remedies and would result in no report being provided. Mr. Holt noted the contractors would arguably be able to state the report issuance is being held up by the MNPS review.

Ms. Dowell asked if the contractors had exceeded the contract amount. Mr. Holt stated the contractors have not used all of the funding, and approximately \$20,000 to \$30,000 was still available. Ms. Dowell stated she was under the impression the report would be issued in time to use for budgeting reasons. Mr. Riebeling noted it could be used for fiscal year 2016 budgeting. Mr. Holt stated the report should be ready for budgeting decisions.

Mr. Reed asked if a presentation for the audit would be made along with the report. Mr. Holt stated a presentation would be made. The presentation was agreed upon in the contract terms.

(Ms. Dowell left the meeting at 5:17 PM.)

Follow-up on the FY 2013 Single Audit and Management Letter

Mr. Brannon stated progress was being made on the Single Audit as noted by Crosslin & Associates.

Mr. Glover requested that all further items be moved to the next meeting as Committee members needed to leave to attend another event. Mr. Brannon agreed.

Meeting adjourned after 80 minutes.

[Page Intentionally Left Blank]



FY2014 Management Letter

FY2014 Single Audit



FY2015 EXTERNAL AUDIT
COMMUNICATION WITH MANAGEMENT

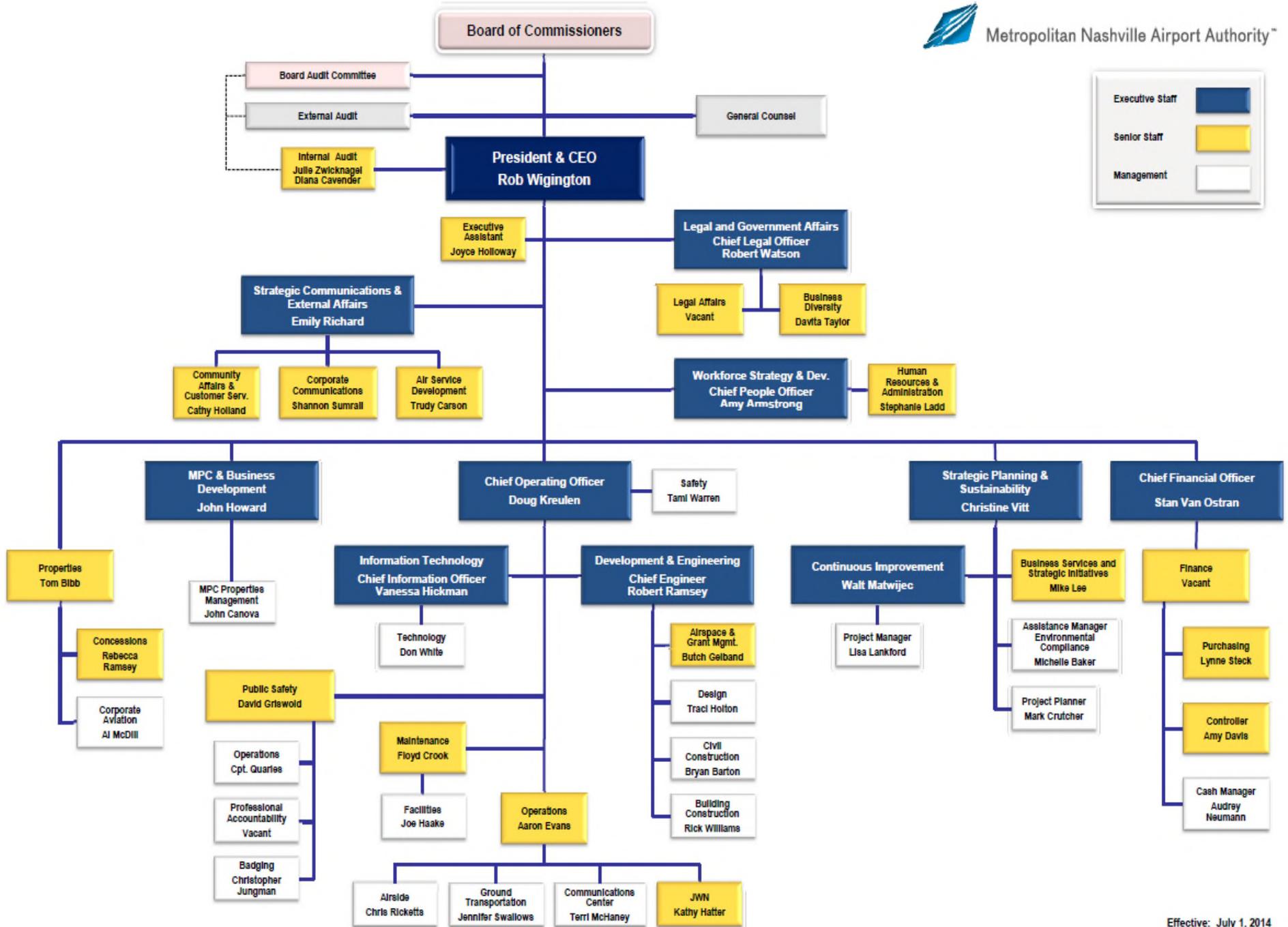


Metropolitan Nashville Airport AuthoritySM

Internal Audit

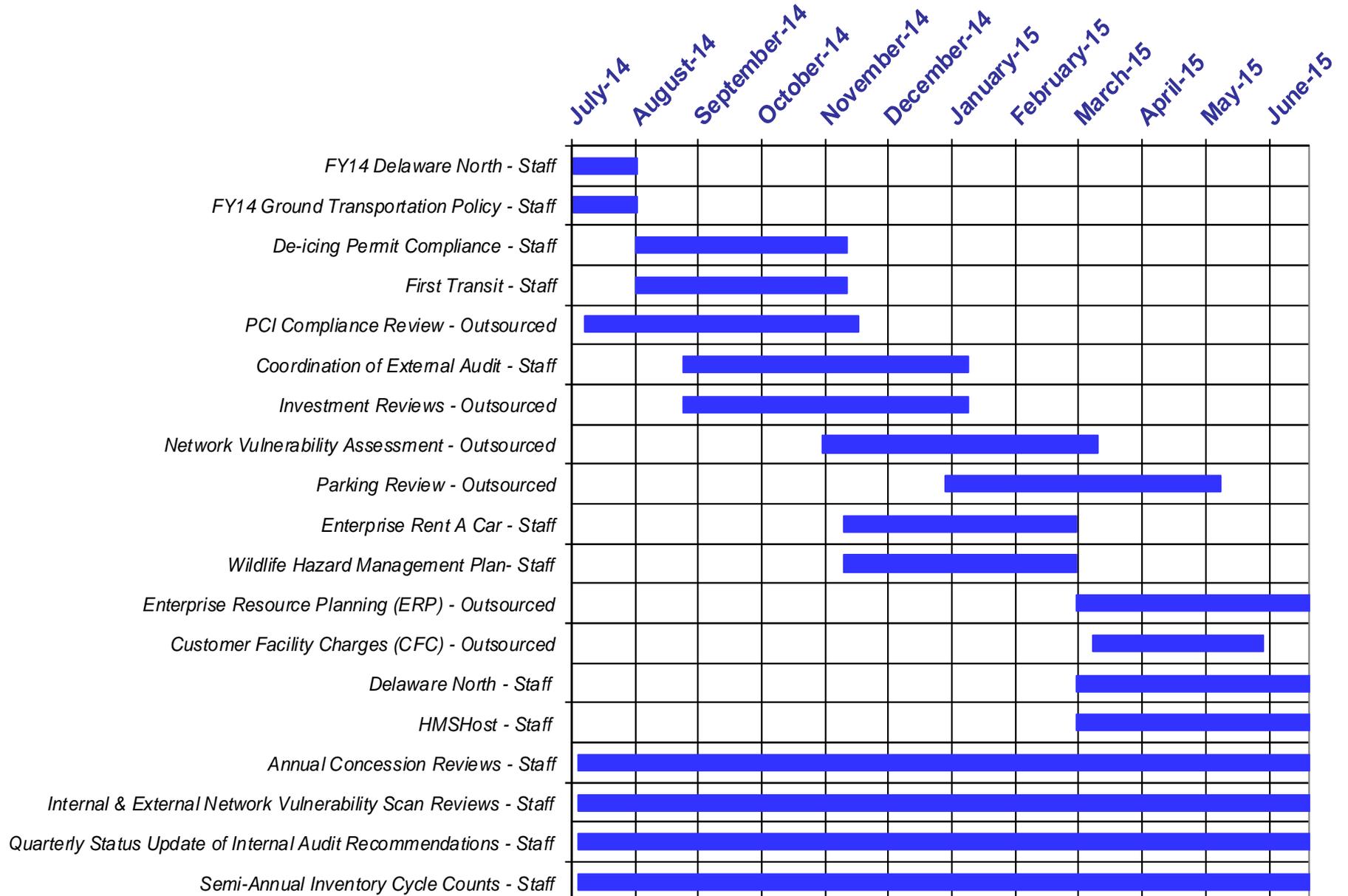
March 10, 2015





Effective: July 1, 2014

FY 2015 Internal Audit Plan





Internal Audit Professional Qualifications

- Staff size – 2 Internal Auditors
- Outsource technology and other audit projects (Approximately \$100,000)
- Continuing Professional Education Requirements – Internal Audit is required to complete 40 hours of CPE for professional licensures (CPA, CIA, CGMA).
- IIA International Standards for the Professional Practice of Internal Auditing, Initial Peer Review Planned Current Year.
- Internal Audit Charter in Development.
- Internal Audit reports are distributed internally to the appropriate staff and published on MNAA's website unless they contain sensitive information. <https://www.flynashville.com/about/Pages/Internal-Audit-Reports.aspx>

EXECUTIVE SUMMARY

March 24, 2015



Why We Did This Audit

The County Clerk's Office collects a significant amount in fees each year. The last County Clerk audit was in 2011.

What We Recommend

- Improve control activities related to revenue monitoring, various cash handling functions, segregation of duties, and reconciliations.
- Enhance certain general and application controls pertaining to the TN Clerk system.

Audit of Davidson County Clerk's Cash Collections

BACKGROUND

The Davidson County Clerk's Office oversees the issuance of various licenses, such as vehicle registration, business license, marriage license, and notary commission. Local and state fees and taxes related to the various licenses are collected. Additionally, fees are collected for birth certificate and passport services. Services are provided from the Howard Office Building and five satellite locations.

County Clerk Cash Collections for Fiscal Year 2014

Category	FY 2014	Percent of Total
Motor Vehicle	\$ 55,458,270	97.5%
Marriage License	422,243	.7%
Business License	217,189	.4%
Miscellaneous (Passports, Birth Certificates, Notary)	766,834	1.4%
Total	\$56,864,536	

Source: Davidson County Clerk's TN Clerk Computer System data tables extracted by Business Information Systems

OBJECTIVES AND SCOPE

The objectives of the audit were to determine whether:

- Cash collections internal controls were operating as management intended to ensure all amounts tendered were safeguarded, deposited in the bank timely, and recorded accurately.
- Prior audit recommendations were successfully implemented and working as intended.

The audit scope included the period of September 1, 2013, through August 31, 2014. Certain analyses required the consideration of financial results and operations outside of that period.

WHAT WE FOUND

The County Clerk's Office has proper controls in place over many of the areas audited. Moreover, written policies and procedures were in place related to cash collections. However, opportunities for improvement exist in revenue monitoring, cash handling, segregation of duties, reconciliations, and general and application controls within the TN Clerk system.

EXECUTIVE SUMMARY

April 14, 2015



Why We Did This Audit

The audit was requested by the Metro Public Health Department to review the contract to provide medical examiner services valued at \$25 million over a five year period.

What We Recommend

- Evaluate the total expenditure of funds for this function and determine if the current method should be used going forward.
- Clarify reporting relationships for the appointed County Medical Examiner position.
- Create and execute a contract monitoring plan for the Medical Examiner contract.
- Consider modification of contract items during the next procurement of Medical Examiner services.

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

AUDIT OF MEDICAL EXAMINER'S OFFICE

BACKGROUND

Tennessee state law requires that every county provide a medical examiner function. The Metropolitan Nashville Government contracted with Forensic Medical Management Services to accomplish this task. Forensic Medical Management Services is a full service forensic pathology group, providing medical examiner services including death investigations, forensic autopsies, expert forensic testimony, and forensic management services.

OBJECTIVES AND SCOPE

The objectives of the audit were to:

- Determine if autopsies and death investigations were performed in accordance with state and national standards.
- Determine if Forensic Medical Management Services was in compliance with contract terms.
- Determine if the costs to operate the Nashville Medical Examiner's Office were similar to costs for peer communities with similar functions.

The audit scope included July 1, 2012, through August 31, 2014.

Exhibit 1 – Medical Examiner Costs – Fiscal Year 2014

Cost for Medical Examiner Function	July 1, 2013 – June 30, 2014
Contract Payments – Fixed Price	\$4,182,704
Required Capital Payment	60,000
Total Payments to Contractor	\$4,242,704
Building Lease Payment	\$201,369
Building Utilities and Maintenance	132,116
State Reimbursement County Autopsies	-133,015
Offsetting Reimbursed Facility Fee	-7,050
Total Cost of Medical Examiner Function	\$4,436,124

Source: Signed contracts between Metropolitan Nashville and Forensic Medical Management Services, State of Tennessee, and EnterpriseOne financial system

WHAT WE FOUND

We found that the services being provided at the Medical Examiner's Office by Forensic Medical Management Services were delivered as contracted for. However, the per capita cost associated with this office was more than three times the state average and two times the national range.

EXECUTIVE SUMMARY

June 29, 2015



Why We Did This Audit

The audit was initiated due to the high volume and associated risks of cash collections within parking management.

What We Recommend

- An accounting system and documentation procedures should be created to maintain invoices, accounts receivable, and supporting documents.
- Depositing and recording of funds should be accomplished in accordance with Treasury Policy #9, and duties should be segregated.
- Oversight of Nashville Downtown Partnership expenses should be increased.
- Additional revenue avenues should be investigated to increase enforcement of violations.

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

AUDIT OF METRO NASHVILLE PUBLIC WORKS PARKING MANAGEMENT

BACKGROUND

Metro Nashville Public Works' Engineering Division manages parking resources to improve traffic flow and access to businesses and visitors to Metropolitan Nashville. The division provides enforcement of parking regulations, oversees Metropolitan Nashville Government owned lots and garages, fulfills parking permit requests, and installs and maintains parking meters.

OBJECTIVES AND SCOPE

The objectives of the Metro Nashville Public Works parking management audit were to:

- Determine if controls were in place to ensure proper management of fiscal resources.
- Determine if policies and procedures were in place to ensure maximum revenues were received while providing the intended public service.
- Determine if policies, procedures, and contracts set forth by Metropolitan Nashville Government, Metro Nashville Public Works, or any other governing body were being followed.

The audit scope included all Public Works related parking management activities between March 1, 2013, and February 28, 2015.

<i>Metro Nashville Public Works</i>	FY 2013-14 (Actuals)	FY 2014-15 (Budget)
General Fund Revenues		
<i>Meter Occupancy Permits</i>	\$ 69,325	\$ 75,000
<i>Parking (Meters)</i>	1,210,061	1,225,000
<i>Residential Permit Parking</i>	2,115	3,000
<i>Loading Zone Permits</i>	11,200	3,100
<i>Valet Parking Permits</i>	2,400	2,700
Total Revenues	\$1,295,101	\$1,308,800
Surplus Parking Fund Revenues	\$4,366,063	\$4,299,100

Source: Metro Nashville's EnterpriseOne Financial System

WHAT WE FOUND

We found that Metro Nashville Public Works had strong controls around the coin collections for parking meters. However, segregation of duties of permit fee collections could be improved. Additionally, documentation of applications and requests was not maintained in an organized fashion. Sufficient documentation of parking garage expenses was not provided by the Nashville Downtown Partnership. Revenue opportunities were being explored well, but rainy day revenues and booting or towing revenues could be implemented to increase proceeds.

EXECUTIVE SUMMARY

July 8, 2015



Why We Did This Audit

The audit was initiated due to the associated risks with the secondary employment of Metro Nashville police officers.

What We Recommend

- Determine roles and responsibilities in order to segregate depositing and recording functions.
- Deposit funds within one business day and record deposits within two business days.
- Document a formal policy for the required number of off-duty rest hours for officers.

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

AUDIT OF MNPD SECONDARY EMPLOYMENT

BACKGROUND

The Metropolitan Nashville Police Department (MNPd) allows employees to work uniformed secondary employment jobs. All uniformed jobs must be through the MNPd Secondary Employment Unit, a contract security company, or a proprietary security organization. The MNPd Secondary Employment Unit contracts with Metro Nashville Government entities, as well as private businesses and other organizations. The MNPd Secondary Employment Unit schedules off-duty police services for various customers, typically security and traffic control duties. All scheduling that includes the use of an official vehicle must be made through the MNPd Secondary Employment Unit.

OBJECTIVES AND SCOPE

The objectives of the MNPd Secondary Employment audit were to:

- Determine if controls were in place to ensure accuracy and completeness of fiscal transactions.
- Determine if controls were in place to ensure job assignments were scheduled in a manner fair to all officers.
- Determine if secondary employment jobs were in compliance with applicable policies and procedures.
- Determine if customers were satisfied with services provided by the MNPd Secondary Employment Unit.
- Determine if the MNPd Secondary Employment Unit assumed unnecessary risks.

The audit scope included all work performed between July 1, 2013, and September 30, 2014.

<i>MNPd Secondary Employment Unit</i>	FY 2013-14 (Actuals)	FY 2014-15 (Budget)
Total Revenues	\$ 938,328	\$2,578,300
Total Expenses	\$1,127,231	\$2,537,500

Source: Metro Nashville's EnterpriseOne Financial System

WHAT WE FOUND

We found that the MNPd Secondary Employment Unit performed the proper maintenance of files, scheduled officers in a fair manner, and satisfied customers with services provided. Cash management lacked segregation of duties. The MNPd Secondary Employment Unit service contracts included an indemnification clause and department requirements limited work performed to jobs of lower risks or where the department determined public safety may benefit from a police presence.

EXECUTIVE SUMMARY

July 9, 2015



Why We Did This Audit

This audit was conducted at the request of the Office of the Treasurer to provide management assurance that hotel occupancy tax collections are accurate and complete.

What We Recommend

Hotel operators need to continue to ensure documentation for hotel occupancy tax room revenue, number of rooms rented, adjustments to revenue, justification for out of service rooms, and exemption claims is retained for 36 months.

Additionally, hotel operators need to document the number of exempt room nights claimed for each guest listed on hotel occupancy tax exemption reports.

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

Audit of Hotel Occupancy Taxes Fiscal Year 2015

BACKGROUND

The Metropolitan Nashville Government imposes a six percent hotel occupancy tax and a flat \$2.50 per rented room convention center tax. There were 618 hotel or vacation rental operator that filed hotel occupancy taxes in the past three fiscal years (fiscal years 2013, 2014 and 2015). The great majority of revenue continues to be from traditional hotel operators with vacation rental operations representing less than half of one percent (0.37 percent) of total hotel occupancy tax received during this period.

OBJECTIVES AND SCOPE

The objectives of the audits were to determine:

- Revenue and number of rooms asserted for monthly hotel occupancy tax returns agreed with hotel operator's results of operations.
- Exemptions to hotel occupancy tax were for continuous stays in excess of thirty day or for federal, state, or local government business.

In fiscal years 2013, 2014, and 2015, annual revenues from hotel occupancy tax and convention center tax were \$50.5 million, \$59.8 million, and \$61.8 respectively.

A sample of 14 hotel operator's (see Appendix B for locations) tax returns representing \$2.8 million in hotel occupancy taxes and convention center taxes were audited. Hotels selected for audit were based on annual reported room nights not matching expected number of room nights reported using historic Metropolitan Nashville hotel occupancy rates.

WHAT WE FOUND

The \$2.8 million in hotel occupancy tax and convention center tax returns reviewed were materially valid. However, nine hotels underpaid taxes by \$100,166 along with six of these hotels overpaying \$11,382, leaving a total of \$88,785 net underpaid recommended for recovery or three percent of hotel occupancy and convention center taxes audited. Tax underpayments ranged between \$45,317 and \$69 for these nine hotels.

GOVERNANCE

The Collections Office within the Office of the Treasurer is responsible for receiving hotel occupancy tax returns. The Collections Office will review hotel occupancy tax returns for accuracy and monitor payments. Hotel operators assert total revenue and number of rooms rented on monthly hotel occupancy tax returns. Normally hotel operators obtain information for these hotel occupancy tax returns from their lodging computer system and records maintained for guest exemptions.

OBJECTIVES AND CONCLUSIONS

Were hotel occupancy tax return revenue, number of rooms rented, and exemption claims accurate and complete?

Generally yes. Hotel occupancy tax returns were materially valid. However, nine hotels underpaid taxes by \$100,166 or three percent of hotel occupancy tax and convention center taxes audited in fiscal year 2015.

Hotel operators need to continue to ensure documentation for hotel occupancy tax room revenue, number of rooms rented, adjustments to revenue, justification for out of service rooms, and exemption claims is retained for 36 months. Additionally, hotel operators need to document the number of exempt room nights claimed for each guest listed on hotel occupancy tax returns exemption reports.

COLLECTION OF HOTEL OCCUPANCY TAX NET AUDIT CLAIMS AT 76 PERCENT

Fiscal Year	Number of Audits	Audited Revenue Amount	Audited Tax Amount	Net Audit Claim ¹	Collected or Settled
2013	18	\$ 63,740,705	\$ 5,385,583	\$ 22,058	\$ 18,227
2014	29	182,368,581	14,242,187	415,061	302,924
2015	14	42,664,158	2,849,694	126,335	109,456
Total	61	\$288,773,444	\$22,477,465	\$563,454	\$430,608

¹ Amount includes the net amount of taxes underpaid, overpaid, and penalty and interest.

EXECUTIVE SUMMARY

July 24, 2014



Why We Did This Audit

The audit was initiated due to the significant amount collected and the importance of the process to the financial health of the Metropolitan Government.

What We Recommend

- Tighten user privileges and deactivate obsolete user accounts in the TaxMan system.
- Reduce the number of users that can process reversal of tax payments in the TaxMan system.
- Enhance accountability of till custody transfers and security of checks received.
- Enforce segregation of duties between cash collections, deposits, and TaxMan administrative privileges.

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

AUDIT OF METROPOLITAN OFFICE OF TRUSTEE CASH COLLECTIONS PROCESS

BACKGROUND

The Metropolitan Office of the Trustee plays a critical role in the revenue cycle as it is responsible for the billing, collecting, depositing, and recording of all property taxes. Property taxes are by far the largest revenue source for the Metropolitan Nashville Government representing approximately 50 percent of the total.

OBJECTIVES AND SCOPE

The objectives of the Trustee Cash Collection audit were to:

- Determine if cash and cash equivalents collected were complete, existed, and recorded in the Metropolitan Nashville Government accounting records.
- Determine if cash and cash equivalents were deposited and recorded in the general ledger in accordance with Metropolitan Nashville Government financial policies.
- Determine if general and application controls for the TaxMan system were in accordance with the Committee of Sponsoring Organizations of the Treadway Commission, Internal Control – Integrated Framework, Principle 11, Selects and Develops General Controls over Technology.

The audit scope included all work performed in tax years 2012, 2013, and 2014. The table below summarizes the amount in property taxes budgeted versus collected for each of these tax years.

Tax Year	Budgeted	Actual
2014	\$907,900,000	\$863,574,023
2013	891,600,000	890,788,054
2012	793,700,000	789,208,815 ¹

Source: Metro Nashville's Citizens Guide to the Budget Book

WHAT WE FOUND

The property tax amounts collected and reported by the Office of Trustee were complete, existed, deposited, and recorded in the Metropolitan Nashville Government accounting records.

The Trustee's Office should enhance internal controls related to segregation of incompatible duties, reversal of tax payments, cash till custody transfers, and securing checks. Also, enhancement opportunities to application controls within the TaxMan system existed.

¹ As of July 24, 2015.

EXECUTIVE SUMMARY

July 24, 2015



Why We Did This Audit

The audit was initiated due to the complexity and significant expense incurred for Fire Department payroll.

What We Recommend

- Restrict access to information systems to least privilege principle.
- Develop reports to reconcile compensatory payroll activities between the TeleStaff scheduling and time entry and EnterpriseOne payroll systems.
- Update policies and procedures.

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

AUDIT OF METROPOLITAN NASHVILLE FIRE DEPARTMENT PAYROLL PROCESS

BACKGROUND

In fiscal years 2013 and 2014, 1,282 employees worked for the Metropolitan Nashville Fire Department, including new-hires and terminated employees. Total payroll expenses were over \$70 million and over \$69 million, respectively, representing 63 percent of the Metropolitan Nashville Fire Department's total annual expenditures for both years.

OBJECTIVE AND SCOPE

The objective of this audit was to obtain reasonable assurance that controls were in place and effective pertaining to payroll processing for the department.

The audit scope covered all payrolls periods between July 1, 2013, and December 31, 2014.

Pay Type	Fiscal Year 2013 Actuals	Fiscal Year 2014 Actuals
Regular Pay	\$47,063,873	\$48,930,827
Paid leave	17,549,001	15,085,546
Overtime	2,099,320	1,908,162
Injury-in-line of duty	1,676,524	1,472,544
Out of Class Pay	354,923	332,024
Shift differential pay	101,211	114,752
Other *	1,251,137	1,164,640
Total	\$70,095,989	\$69,008,495

Source: Metropolitan Nashville Enterprise One accounting system

*: The "Other" category includes longevity pay (a Metro Central Human Resource process) and training stipend funded by the State after fire fighters complete mandatory trainings.

WHAT WE FOUND

The Metropolitan Nashville Fire Department generally had controls in place to ensure payroll processing was accurate. However, it was difficult to demonstrate that all compensatory payroll activities and pay types were approved, and user access to information systems was not so restrictive to ensure integrity of time records through segregation of duties and least privilege principles.

[Page Intentionally Left Blank]



FY 2014 CAFR PRESENTATION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

June 29, 2015

Mr. Richard Riebeling, Director of Finance
Ms. Kimberly McDoniel, Assistant Finance Director
Metropolitan Government of Nashville and Davidson County
700 2nd Avenue South, Suite 310
Nashville, TN 37219-6300

Dear Mr. Riebeling and Ms. McDoniel:

This letter acknowledges receipt of the audited financial statements of the Metropolitan Government of Nashville and Davidson County for the fiscal year ended June 30, 2014, and the Schedule of Expenditures of Federal and State Awards with the required reports. These financial statements have been reviewed and accepted as part of the public records of the State of Tennessee.

The audited financial statements of the Metropolitan Government of Nashville and Davidson County are the responsibility of the government's management. During our review and approval of these financial statements, we observed the following point regarding the published report:

The Sports Authority (a component unit of the government) reported a \$28,000,000 deferred inflow of resources related to tax increment financing. Current reporting standards and guidance should be reviewed to ensure this item meets the definition of a deferred inflow of resources. If the authority continues to report this transaction as a deferred inflow of resources in future reports, documentation should be provided to our office to support this presentation in relation to current reporting standards. This documentation should be provided prior to release and submission of the financial report.

This point will be communicated to the auditor and should be addressed in any subsequent reports of the Metropolitan Government of Nashville and Davidson County. Please notify me if you have any questions.

Sincerely yours,

Lisa W. Bellar

Lisa W. Bellar, CPA, Auditor
Division of Local Government Audit

Mr. Richard Riebeling, Director of Finance
Metropolitan Government of Nashville and Davidson County
June 29, 2015
Page 2 of 2

xc: Mr. David Hunt
Crosslin and Associates, PC, Certified Public Accountants

Mr. Phil Carr, Finance Manager
Metropolitan Government of Nashville and Davidson County

Mr. Mark Swann, Internal Audit Director
Metropolitan Government of Nashville and Davidson County

ORDINANCE NO. BL2015-___

An ordinance amending section 2.24.300 of the Metropolitan Code.

Whereas, it would facilitate the ability of the Division of Metropolitan Audit to perform its functions as contemplated in Section 8.121 of the Charter and Section 2.24.300 of the Metropolitan Code, to require all metropolitan departments and agencies to fully cooperate with the audits and investigations of that office; and,

Whereas, it is also desirable to establish a process by which suspected illegal, improper, wasteful, or fraudulent activity can be reported and investigated; and,

Whereas, it is further beneficial to ensure that certain additional information is communicated in a timely manner to the Division of Metropolitan Audit; and,

Whereas, it is also desirable to establish that the Division of Metropolitan Audit scope of service encompasses any departments, boards, commissions, officers, or agencies of the Metropolitan Government; and,

Whereas, the citizens of Nashville and Davidson County will benefit through the actions contemplated herein.

NOW, THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. Section 2.24.300 of the Metropolitan Code is hereby amended by adding the following new subsections H. through L. to the end of Section 2.24.300:

H. Access to Records.

1. The Division of Metropolitan Audit personnel shall have full access to all Metropolitan Government of Nashville and Davidson County records, agreements, information systems, properties, and personnel. Accordingly, Metropolitan Government of Nashville and Davidson County or any of its related entities' officials, employees, consultants, and contractors shall furnish any requested information and records within their custody and respond to any questions regarding powers, duties, activities, organization, property, financial transactions, and methods of business.

2. The Division of Metropolitan Audit and its personnel are individually responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work and complying with any other regulatory requirements necessitated by their being granted such access. Division of Metropolitan Audit personnel shall not publicly disclose any information received that is considered confidential in nature by any local, state, or federal law or regulation.

3. In addition, Metropolitan Government of Nashville and Davidson County or any of its related entities' officials, employees, consultants, and contractors shall

provide access to Division of Metropolitan Audit personnel for the inspection of all property, equipment, and facilities within their custody and the observation of any operations for which they are responsible.

I. Other Audit Services.

In addition to financial, performance, or other audit services, the Division of Metropolitan Audit shall establish a process by which suspected illegal, improper, wasteful, or fraudulent activity can be reported. The Metropolitan Auditor shall investigate, or cause to be investigated, all activity reported by this process. The disposition of all reports shall be communicated to the Metropolitan Nashville Audit Committee, Metropolitan Mayor, and Department of Law.

J. Notice of Instance of Fraud, Waste, and Abuse.

All reports of unlawful conduct completed in accordance with the State of Tennessee Local Government Instances of Fraud Reporting Act involving Metropolitan Government of Nashville and Davidson County departments, boards, commissions, officers, or agencies shall be communicated in a timely manner to the Metropolitan Auditor. Such reports shall also be communicated to the office of the Comptroller of the Treasury if so required by state law.

K. Notice of Audit Activities.

The engagement plans and final reports for all financial, performance, and other audit activities conducted on the behalf of Metropolitan Government of Nashville and Davidson County departments, boards, commissions, officers, or agencies shall be communicated in a timely manner to the Metropolitan Auditor.

L. Scope of Services.

The Division of Metropolitan Audit is authorized to conduct financial audits, performance audits or other audit services, including disposition of fraud incidents, concerning any departments, boards, commissions, officers, or agencies of the Metropolitan Government. Departments, boards, commissions, officers, and agencies of the Metropolitan Government means those entities which encompass all of the governmental and corporate functions previously performed by Davidson County and the City of Nashville existing at the formation of the Metropolitan Government, and any public entity whose existence is created or authorized by the Metropolitan Charter or the Metropolitan County Council.

Section 2. This ordinance shall take effect from and after its final passage, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

RECOMMENDED BY:

Robert Brannon, Chair
Audit Committee

INTRODUCED BY:

Council Member(s)

APPROVED AS TO THE AVAILABILITY
OF FUNDS:

Richard M. Riebeling, Director
Department of Finance

APPROVED AS TO FORM AND
LEGALITY:

Assistant Metropolitan Attorney

**Metro Nashville Government
Waste and Abuse Hotline**

**Waste?
Fraud?
Abuse?**



Your Call Matters

Report Any Problems Toll-Free

You Don't Have To Give Your Name

1-855-252-7606 or

www.hotline-services.com

Use Organization Name: Metro Nashville

We Can't Do It Without You

**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of July 28, 2015**

Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
01) Permitting Upgrade (City Works) System Development Audit			✓	Aug-15	
02) Hotel Motel Tax Summary FY 2015			✓		Jul-15
03) County Clerk- Cash Collections			✓		Mar-15
04) Health Department Medical Examiner			✓		Apr-15
05) Public Works Parking			✓		Jun-15
06) Police Department Secondary Employment			✓		Jul-15
07) Fire Department Payroll			✓		Jul-15
08) Trustee Office Cash Collections			✓		Jul-15
09) Finance Department Asset Accounting & 4% Funding			✓	Jul-15	
10) Circuit Court Clerk Funds Held in Trust			✓	Aug-15	
11) Parks & Recreation Maintenance		✓			
12) Metro-Wide Revenue Forecasting		✓			
13) General Services 800 MHz Radio Shop		✓			
14) Comcast Franchise Fee	✓				
Anticipated to Start Next 3 weeks					
Metro IntegrityLine Alerts Calendar Year 2015 - New Hotline Just Opened			Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse)			1	1	0
Cases Reported to State of TN			0	0	0
Cases Tasked to OIA by State of TN			0	0	0
Cases Tasked to OIA by Metro Entities			0	0	0

Note: Goal to complete 19 audit projects for Plan Year 2015. Currently 7 audit projects are completed, and 6 audit projects are in field work or draft report phase.

**Office of Internal Audit Budget versus Actual
GSD General Fund as of July 24, 2015**

FY 2015 Approved Budget

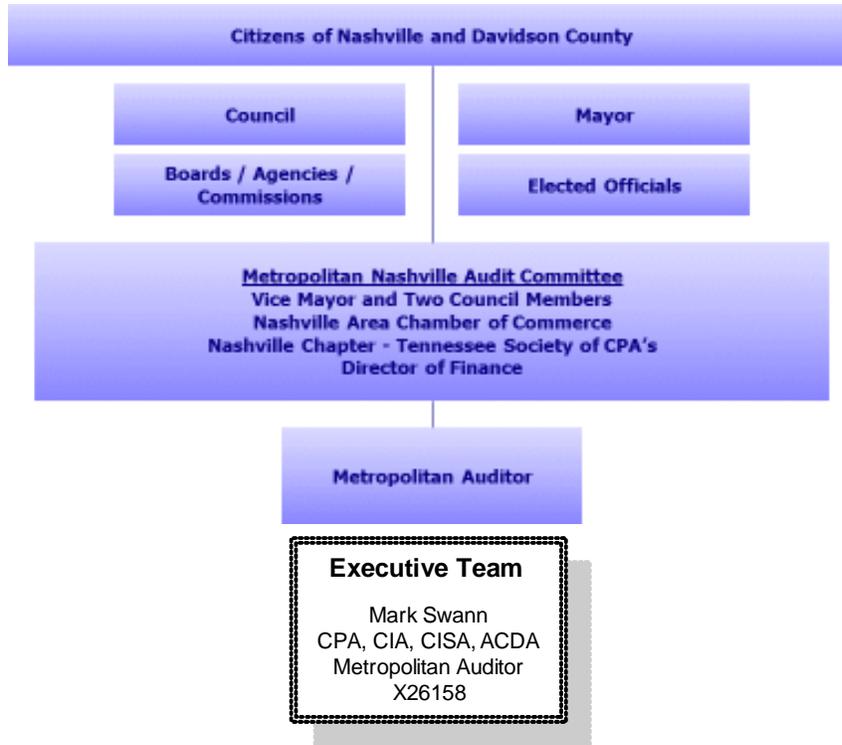
	FY 2015 Budget	Actual As of July 26, 2015	Difference	Notes
Total Salaries & Fringe	\$ 1,015,900	\$ 830,211	\$ 185,689	
Other Expenses				
Professional & Purchased Services	45,100	27869.52	17,230	
Building Rent Parkway Towers	55,500	45507.36	9,993	
Other Expenses	66,500	48,807	17,693	
Internal Service Fees	31,900	31,900	-	Information Technology
TOTAL EXPENSES	\$ 1,214,900	\$ 984,295	\$ 230,605	

30003 General Fund 4% Reserve \$ 13,227 \$ 1,538 \$ 11,689 AX Core Server Software & Training; Office Furniture

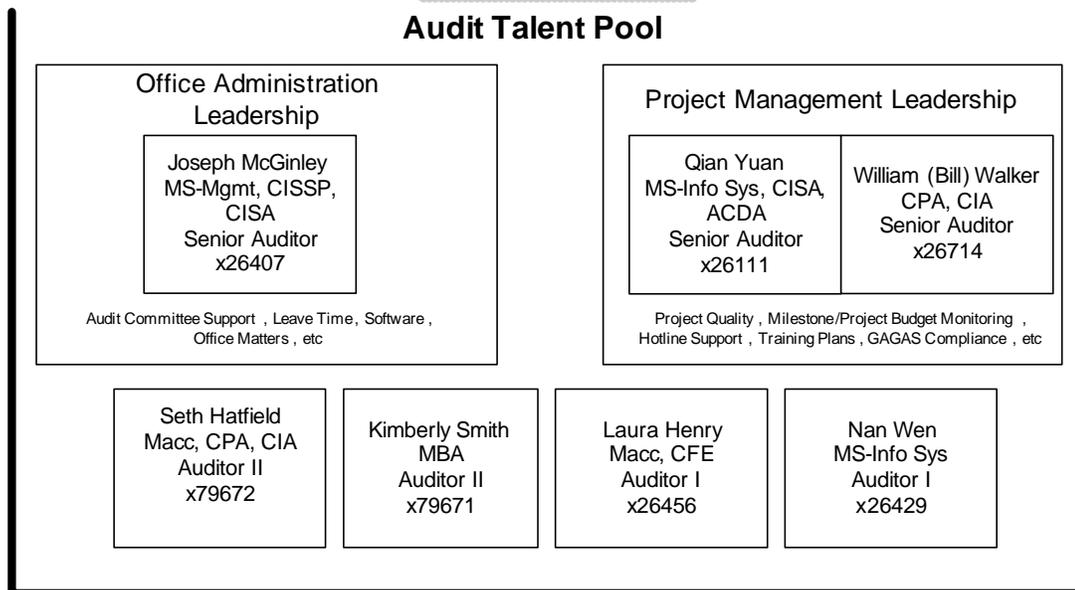
FY 2016 Approved Budget

	FY 2016 Budget	Actual As of July 26, 2015	Difference	Notes
Total Salaries & Fringe	\$ 1,002,500	\$ 57,576	\$ 944,924	
Other Expenses				
Professional & Purchased Services	75,100	106	74,994	
Building Rent Parkway Towers	55,500		55,500	
Other Expenses	71,700		71,700	
Internal Service Fees	38,000		38,000	Information Technology
TOTAL EXPENSES	\$ 1,242,800	\$ 57,682	\$ 1,185,118	

Metropolitan Nashville Office of Internal Audit



Audit Talent Pool



Staff Departures:
 Carlos Holt, March 2015 - City Auditor for City of Gainesville, FL
 Lauren Riley, April 2015 - Senior Auditor for Duke University

New Hires:
 Laura Henry, May 2015 - Internal Auditor I
 Nan Wen, May 2015 - Internal Auditor I

Recruitment Efforts:
 Senior Auditor Posting closes early August 2015.

Office Phone: 615-862-6110

**METROPOLITAN NASHVILLE AUDIT COMMITTEE
2015 MEETING PLAN**

Meeting Date	Proposed Agenda Topics
February 10, 2015	<ul style="list-style-type: none"> • External Audit Single Audit and Management Letter presentation • Office of Internal Audit Annual Performance Report • Internal Audit Annual Work Plan approval • Internal Audit issued report discussion • Follow-up Comprehensive Annual Financial Report
July 14, 2015	<ul style="list-style-type: none"> • External Audit plan and required communications • Internal Audit issued report discussion • Follow-up Comprehensive Annual Financial Report, Single Audit Report, and Management Letter
October 13, 2015	<ul style="list-style-type: none"> • Metropolitan Audit Committee self-assessment • Metropolitan Auditor performance review • Bylaws annual review • Internal Audit issued report discussion
December 8, 2015	<ul style="list-style-type: none"> • External Audit Comprehensive Annual Financial Report • Internal Audit issued report discussion

[Page Intentionally Left Blank]

CY 2015 Approved Audit Plan As of July 28, 2015

*Co-source	CY 2014 Audits In Progress	Hours	Total Hours	Status
1	Police Department - Secondary Employment	80	80	Completed
2	County Clerk's Office - Cash Collections	80	160	Completed
3	Metro Land Computer System Project	100	260	Interim Report
4	Office of the Medical Examiner	80	340	Completed
5	Metropolitan Nashville Public Schools	100	440	Completed
6	Fire Department – Payroll	500	940	Completed
7	Trustee's Office - Cash Collections	600	1,540	Completed
8	Finance Department and Other Functions - Asset Accounting Process / 4% Funding Process	500	2,040	Draft Report
CY 2015 New Audit Areas				
1	Hotel Occupancy Tax Audits	1,000	3,040	In-Progress
2	Airport Authority - Accounts Payable Process	800	3,840	
3	Juvenile Court	800	4,640	
4	Metro General Government Annual Budget Revenue Estimates	800	5,440	In-Progress
5	Comcast Franchise Fee Audit	800	6,240	In-Progress
6	Metro Owned Parking Facilities Management and Public Works Parking Enforcement	800	5,440	Completed
7*	General Services - Fleet Operations	800	6,240	
8	General Services - Radio Shop Operations	800	6,640	In-Progress
9	Health Department - Immunization Programs	800	7,040	
10	Parks & Recreation - Maintenance Operations	800	7,840	In-Progress
11	Farmers Market	800	8,640	
12	Circuit Court Clerk Funds Held In Trust	800	9,440	In-Progress
13*	Metro Water Services - Storm Water Revenue	800	10,240	
14	Human Resource Hiring Process	800	11,040	
15	Finance – Purchasing Department	800	11,840	
16*	Finance – Treasury Debt Issuance and Sustainability	800	12,640	
17	Information Technology Services - Microsoft Exchange Email Application Management	800	13,440	
18*	Metro Wide - Payment Card Industry Data Security Standard Compliance	800	14,240	
19*	Metro Water Services – Clean Water Nashville Overflow Abatement Program – Selected Projects Contract Compliance	800	15,040	

[Page Intentionally Left Blank]

Metropolitan Audit Committee

Metropolitan Code of Laws Section 2.24.300

Term-varied

6 Members

	<u>Date of Appt.</u>	<u>Term Exp.</u>
Mr. Robert C. Brannon 173 Jefferson Square Nashville, TN 37215- (615) 385-2491 bbrannon@associatedpackaging.com Representing: TSCPA, Nashville Chapter	2/2/2013	3/20/2017
Ms. Jacobia Dowell 2609 Welshcrest Drive Antioch, TN 37013- (615) 498-7094 jacobia.dowell@nashville.gov Representing: Metro Council	9/17/2013	8/31/2015
Mr. Steve Glover 4576 Raccoon Trail Hermitage, TN 37076- (615) 866-9514 steve.glover@nashville.gov Representing: Metro Council	9/17/2013	8/31/2015
Vice Mayor Diane Neighbors One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357 diane.neighbors@nashville.gov Representing:	9/1/2011	8/31/2015
Mr. Brack Reed 511 Union Street, Suite 1400 Nashville, TN 37219- (615) 770-8494 brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce	2/1/2011	3/20/2015
Mr. Richard M. Riebeling One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151 richard.riebeling@nashville.gov Representing: Director of Finance	9/1/2011	8/31/2015

Printed 18-Sep-13

Metropolitan Clerk's Office

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE BYLAWS**

PURPOSE

The Metropolitan Audit Committee is to ensure that the Metropolitan Government of Nashville and Davidson County (Metro Nashville) has effective, efficient, and sustainable internal controls over its major risks.

SCOPE

The Metropolitan Audit Committee (Committee) is authorized to conduct financial audits, performance audits or other audit services, including disposition of fraud incidents, concerning any department, board, commission, officer or agency of the Metropolitan Government. Departments, boards, commissions, officers and agencies of the Metropolitan Government means those entities which encompass all of the governmental and corporate functions previously performed by Davidson County and the City of Nashville existing at the formation of the Metropolitan Government, and any public entity whose existence is created or authorized by the Metropolitan Charter or the Metropolitan County Council.

RESPONSIBILITIES

Financial Statements

- Review the results of audits, including any difficulties encountered, and follow up as appropriate.
- Review with Metro Nashville management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.

Risk Management and Internal Control

- Understand the scope of internal and external auditors' reviews of internal controls over financial reporting and government service activities, and obtain reports on significant observations and recommendations, together with department, board, commission, officer or agency management's responses.
- Engage with Metropolitan Auditor in performing a Metro Nashville entity-wide risk assessment to form an audit work plan.
- Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Hold follow-up to monitor corrective actions implemented by auditee.

Internal Audit

- Review and approve the audit plan and all major changes to the plan.
- Review and approve the Division of Metropolitan Audit Bylaws annually.

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE BYLAWS**

- Assure continued independence of Metropolitan Auditor. Ensure there are no unjustified restrictions or limitations to the discharge of internal audit responsibilities.
- Review annually the activities, staffing and organizational structure of the internal audit function.
- Review the effectiveness of the internal audit function, including compliance with generally accepted government auditing standards.
- Recommend the appointment of the Metropolitan Auditor.
- For cause remove the Metropolitan Auditor.
- At least once per year, review the performance of the Metropolitan Auditor and concur with the annual compensation and salary adjustment.

Reporting Responsibilities

- Issue annual report to the Council and Mayor regarding Committee activities, issues and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and department, board, commission, officer or agency management.
- Review any other Government issued reports related to committee responsibilities.

Other Responsibilities

- Ensure committee members undergo appropriate orientation upon appointment.
- Review and assess the adequacy of the committee bylaws annually, requesting approval for proposed changes, and ensuring appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in these bylaws have been carried out.

COMPOSITION

The composition and selection of committee members will follow the provisions provided in Metropolitan Code of Law, Section 2.24.300(E) Division of Metropolitan Audit.

MEETINGS

The Committee will meet at least once per quarter, with authority to convene additional meetings, as circumstances require. The Committee will invite members of department, board, commission, officer or agency management, auditors or others to attend meetings and provide pertinent

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE BYLAWS**

information as necessary. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor. Minutes will be prepared by the Metropolitan Auditor.

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
DIVISION OF METROPOLITAN AUDIT BYLAWS**

PURPOSE

The Division of Metropolitan Audit, commonly referred to as the Metropolitan Office of Internal Audit, is an independent appraisal agency established to ensure and enhance the integrity, equality, accountability, effectiveness and efficiency of service activities, and to pursue an atmosphere of honesty and mutual trust within the Metropolitan Government of Nashville and Davidson County (Metro Nashville.)

SCOPE

The Metropolitan Auditor is authorized to conduct financial audits, performance audits or other audit services, including disposition of fraud incidents, concerning any department, board, commission, officer or agency of the Metropolitan Government. Departments, boards, commissions, officers and agencies of the Metropolitan Government means those entities which encompass all of the governmental and corporate functions previously performed by Davidson County and the City of Nashville existing at the formation of the Metropolitan Government, and any public entity whose existence is created or authorized by the Metropolitan Charter or the Metropolitan County Council.

The Metropolitan Auditor shall conduct financial, performance, or other audit services in order to independently and objectively determine whether:

- Risks, including safety, environment, fiscal, information technology and fraud, are appropriately identified and managed
- Programs, plans and objectives are achieved
- Significant financial, managerial and operating information is accurate, reliable and timely
- Activities and programs are being conducted in compliance with policies, standards, procedures and applicable local, state and federal laws or regulations
- Resources are acquired economically, used efficiently and protected adequately
- Quality and continuous improvement are fostered in Metro Nashville's control environment
- Interaction with the various governance groups occurs as needed
- External auditors' proposed audit scope and approach supplement internal audit efforts
- Activities indicate fraud, abuse or illegal acts which need further investigation
- Computer-based systems incorporate adequate controls

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
DIVISION OF METROPOLITAN AUDIT BYLAWS**

The Metropolitan Auditor shall have authority to:

- Review the effectiveness of internal controls for monitoring compliance with laws and regulations
- Review the observations of any examinations by regulatory agencies, and any auditor observation
- Review the process for communicating the code of conduct to Government personnel
- Obtain regular updates from department, board, commission, officer or agency management regarding compliance matters

The Metropolitan Auditor shall have authority to accept requests from management to perform special administrative reviews, special projects, and advisory services.

AUDIT SCHEDULE

At the beginning of each calendar year, the Metropolitan Auditor shall submit a twelve month audit schedule to the Metropolitan Audit Committee for review and approval. The schedule shall include the proposed plan for auditing departments, boards, commissions, officers, agencies, activities, systems, processes and subcontractors for the subsequent twelve months. This schedule may be amended during the period after review with the Metropolitan Audit Committee. Additionally, the Metropolitan Auditor may independently initiate and conduct any other audit deemed necessary with subsequent approval by the Metropolitan Audit Committee.

The schedule will ensure audit activities have been directed toward the highest exposure to risk and toward increasing efficiency, economy and effectiveness of programs. In the selection of audit areas and audit objectives, the determination of audit scope and the timing of audit work, the auditor will consult, as needed, with federal and state auditors, external auditors and other Metro Nashville monitoring functions so that the desirable audit coverage is provided and audit effort is properly coordinated.

REPORT OF IRREGULARITIES

If, during an audit, the auditor becomes aware of fraud, abuse or illegal acts, the Metropolitan Auditor shall report the irregularities to the Metropolitan Audit Committee, the Department of Law, the Mayor and the Tennessee Comptroller of the Treasury. If it appears that the irregularity is criminal in nature, the auditor shall notify the appropriate authority in addition to those officials previously cited.

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
DIVISION OF METROPOLITAN AUDIT BYLAWS**

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

The Division of Metropolitan Audit is authorized to have full, complete, and unrestricted access to all information (including automated data), physical properties, and personnel required to conduct a thorough and complete examination of the subject under review. Employees should cooperate with auditors and provide all information pertinent to the audit. The auditor shall not publicly disclose any information received during an audit that is considered proprietary (confidential) in nature by any local, state or federal law or regulation.

AGENCY RESPONSE

A final draft of the audit report will be forwarded to the audited department, board, commission, officer or agency director or his/her designee for review and comment regarding factual content before it is released to the Metropolitan Audit Committee. The audit entity must respond in writing, and specify agreement with audit observations and recommendations or reasons for disagreement with observations and/or recommendations, plans for implementing solutions to issues identified, and a timetable to complete such activities. The response must be forwarded to the Metropolitan Auditor within fifteen business days. The Metropolitan Auditor will include the response in the report. If no response is received, the Metropolitan Auditor will note that fact in the transmittal letter and will release the audit report. Any subsequent responses shall be distributed to those who received the audit report.

AUDIT FOLLOW-UP

The Metropolitan Auditor shall follow-up on audit recommendations as practicable to determine whether corrective action has been implemented. The Metropolitan Auditor may request periodic status reports from audited entities regarding actions taken to address reported audit concerns and recommendations.

REPORTS TO METROPOLITAN AUDIT COMMITTEE

Each audit will result in a written report containing relevant background information and observations and recommendations, and shall communicate results to the Metropolitan Audit Committee, the Mayor and the audited department, board, commission, officer or agency. Subject to applicable local, state or federal laws, the report shall also be available for public examination.

The Metropolitan Auditor shall submit each audit report to the Metropolitan Audit Committee and shall retain a copy as a permanent record. A copy will be posted on the Division's internet site.

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
DIVISION OF METROPOLITAN AUDIT BYLAWS**

ANNUAL REPORT

The Metropolitan Auditor shall submit an annual report to the Metropolitan Audit Committee, during the fourth quarter of each year, indicating audits completed, major concerns, corrective actions taken, and significant observations that have not been fully addressed by audited department, board, commission, officer or agency management. Additionally, the report will indicate whether there are any unwarranted restrictions on the staffing of the internal audit activity or on access by internal auditors to all organization activities, records, property and personnel.

CONTRACT AUDITORS, CONSULTANTS AND EXPERTS

Within budget limitations, the Metropolitan Auditor may obtain the services of qualified financial or management consultants, or other professional experts necessary to perform the Metropolitan Auditor's duties. An audit that is performed by contract must be conducted by persons who have no financial interests in the affairs of the entity under review. The Metropolitan Auditor will coordinate and monitor auditing performed by public accounting or other organizations employed under contract by the Division of Metropolitan Audit.

INDEPENDENCE

To provide for the independence of the Division of Metropolitan Audit, its personnel report to the Metropolitan Auditor, who reports administratively and functionally to the Metropolitan Audit Committee as established in the Metropolitan Code of Law, Section 2.24.300 Division of Metropolitan Audit.

In all matters relating to audit work, the Division of Metropolitan Audit and the audit staff should be free from personal, external and organizational impairments to independence and must avoid the appearance of such impairments of independence. The Metropolitan Auditor and audit staff have neither direct authority over, nor responsibility for, any of the activities reviewed.

STANDARDS OF AUDIT PRACTICE

The Metropolitan Auditor shall conduct work in accordance with Government Auditing Standards established by the United States Government Accountability Office.

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
DIVISION OF METROPOLITAN AUDIT BYLAWS**

FUNDING

The Division of Metropolitan Audit shall submit budget proposals, in accordance with procedures established by the Metropolitan Director of Finance that are sufficient to carry out the responsibilities and functions established in the Metropolitan Code of Law, Section 2.24.300 Division of Metropolitan Audit.

RECORDS

The Metropolitan Auditor shall retain for ten years (or longer if so directed by statute or ordinance), a complete file of each audit report and each report of other examinations, surveys and reviews made under legislative authority. The file should include audit working papers and other supportive material directly pertaining to the audit report.

REASSESSMENT

The Division of Metropolitan Audit Bylaws will be reviewed and reassessed annually by the Metropolitan Audit Committee.

Metro Government of Nashville and Davidson County, Tennessee, Code of Ordinances >> - THE CODE OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE >> **Title 2 - ADMINISTRATION >> Division I. - Council, Offices, Officers and Departments >> Chapter 2.24 - DEPARTMENT OF FINANCE >> Article IV. - Division of Metropolitan Audit >>**

Article IV. - Division of Metropolitan Audit

[2.24.300 - Division of metropolitan audit.](#)

2.24.300 - Division of metropolitan audit.

- A. There shall be, as an independent agency of the metropolitan government, a division of metropolitan audit, the director of which is designated as the metropolitan auditor. The metropolitan auditor shall be a person:
1. With a well founded reputation in government or public finance and the audit function as may be exhibited by a record of exceptional performance for at least five years as a financial officer of a government or business;
 2. Who has, through education and experience as an accountant, auditor, CFO, controller or principal accounting officer of a governmental entity or private business an understanding of Generally Accepted Accounting Principles, Governmental Auditing Standards Board standards, financial statements, internal controls and procedures for financial reporting, and the audit functions of a governmental entity.
- B. The metropolitan auditor shall be appointed by a majority vote of the council from a list of three persons recommended by the audit committee whom the audit committee deems best qualified and available to fill the position. If the council deems that the persons recommended by the audit committee to serve as metropolitan auditor are not suitable and/or qualified, the council shall reject the names submitted and the audit committee shall recommend three additional persons deemed qualified and available to fill the position. The metropolitan auditor shall serve a term of eight years but shall be subject to removal for cause during the term by a vote of four members of the audit committee. The first term of the metropolitan auditor will end on June 30, 2014, regardless of whether the full eight years has been served. A vacancy occurring during a term shall be filled temporarily with a qualified acting metropolitan auditor by the majority vote of the audit committee. The filling of the vacancy for the remainder of a term and for any new term shall be filled by a majority vote of the council through the process provided in this section. The compensation for the metropolitan auditor shall be established as part of the general pay plan provided by Section 12.10 of the Metropolitan Charter.
- C. The metropolitan auditor shall conduct, or cause to be conducted financial, performance and other audit services following Government Auditing Standards established by the United States Government Accountability Office, and the metropolitan auditor shall follow the independent and other professional standards established and published under Government Auditing Standards.
- D. The metropolitan auditor shall appoint and remove, subject to the civil service provisions of article 12 of this Charter, all officers and employees of the division.
- E. There shall be a metropolitan audit committee which shall be composed of six members, as follows: The vice mayor and the director of finance shall be members by virtue of their official positions. Two members of the metropolitan county council shall be selected by that body from its membership to serve a two-year term. One member shall be selected by the Nashville Area Chamber of Commerce to serve a four-year term. One member shall be selected by the Nashville Chapter of the Tennessee Society of Certified Public Accountants to serve a four-year term except that the member first selected shall serve a two year term. Members shall be eligible to succeed themselves. The General Provisions of Article 11, Chapter 1, of this Charter shall be applicable to the audit committee unless otherwise specified in this section.
- F. The audit committee will oversee the annual audit plan, fix the compensation of the metropolitan auditor, and review and evaluate at least annually the performance of the metropolitan auditor.
- G. All audit reports issued by the metropolitan auditor are public documents and shall at all times, during business hours, be open for personal inspection by any citizen of Tennessee.

(Ord. BL2007-1318 § 2, 2007)

Sec. 8.121. - Division of metropolitan audit.

- A. There shall be, as an independent agency of the metropolitan government, a division of metropolitan audit, the director of which is designated as the metropolitan auditor. The metropolitan auditor shall be a person:
1. With a well founded reputation in government or public finance and the audit function as may be exhibited by a record of exceptional performance for at least five (5) years as a financial officer of a government or business;
 2. Who has, through education and experience as an accountant, auditor, CFO, controller or principal accounting officer of a governmental entity or private business an understanding of Generally Accepted Accounting Principles, Governmental Auditing Standards Board standards, financial statements, internal controls and procedures for financial reporting, and the audit functions of a governmental entity.
- B. The metropolitan auditor shall be appointed by a majority vote of the council from a list of three (3) persons recommended by the audit committee whom the audit committee deems best qualified and available to fill the position. If the council deems that the persons recommended by the audit committee to serve as metropolitan auditor are not suitable and/or qualified, the council shall reject the names submitted and the audit committee shall recommend three (3) additional persons deemed qualified and available to fill the position. The metropolitan auditor shall serve a term of eight (8) years but shall be subject to removal for cause during the term by a vote of four (4) members of the audit committee. The first term of the metropolitan auditor will end on June 30, 2014, regardless of whether the full eight (8) years has been served. A vacancy occurring during a term shall be filled temporarily with a qualified acting metropolitan auditor by the majority vote of the audit committee. The filling of the vacancy for the remainder of a term and for any new term shall be filled by a majority vote of the council through the process provided in this section.
- C. The metropolitan auditor shall conduct, or cause to be conducted financial, performance and other audit services following Government Auditing Standards established by the United States Government Accountability Office, and the metropolitan auditor shall follow the independence and other professional standards established and published under Government Auditing Standards.
- D. The metropolitan auditor shall appoint and remove, subject to the civil service provisions of article 12 of this Charter, all officers and employees of the division.
- E. There shall be a metropolitan audit committee which shall be composed of six (6) members, as follows: The vice mayor and the director of finance shall be members by virtue of their official positions. Two (2) members of the metropolitan county council shall be selected by that body from its membership to serve a two (2) year term. One (1) member shall be selected by the Nashville Area Chamber of Commerce to serve a four (4) year term. One (1) member shall be selected by the Nashville Chapter of the Tennessee Society of Certified Public Accountants to serve a four (4) year term except that the member first selected shall serve a two (2) year term. Members shall be eligible to succeed themselves. The general provisions of article 11, chapter 1, of this Charter shall be applicable to the audit committee unless otherwise specified in this section.
- F. The audit committee will oversee the annual audit plan and will review and evaluate at least annually the performance of the metropolitan auditor.
- G. All audit reports issued by the metropolitan auditor are public documents and shall at all times, during business hours, be open for personal inspection by any citizen of Tennessee.

(Added by Amdt. 3 to referendum petition approved November 7, 2006)

**METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE**

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Council

Metro Charter Section 3.06 – Authority and power of the council.

“...the council is authorized by resolution passed by a three-fourths (3/4ths) majority of its entire membership and not subject to veto power of the mayor to **conduct investigations** by the whole council or any of its committees; to employ and compensate personnel necessary for such purpose; and to make appropriations therefore.

Metro Charter Section 6.15 – The Budgets and Financial Matters, Post audit.

“The council shall provide annually for an **independent audit** of the accounts and other evidences of financial transactions of the metropolitan government and of its every department, office and agency.”

“The independent audit shall be made by a firm chosen by a three member **audit board**. This board shall consist of the presiding officer of the council, the chairman of the finance committee of the council, and the chairman of the metropolitan board of education.”

“The council may at any time **order an examination or special audit** of any department, office or agency of the government.”

Metro Code 2.04.033 – Metropolitan Council

“Members of the **council** office shall have **full access to books, records and reports** of all departments, boards, commissions and agencies of the metropolitan government.”

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

“The mayor shall be authorized at any reasonable time to **examine and inspect** the books, records, and official papers of any department, board, commission, officer or agency of the metropolitan government; and to attend the meeting of any board or commission and make suggestions thereto.”

Metro Charter Section 8.103 – Department of Metropolitan Finance, Same-Powers and duties.

“Periodically **inspect and audit** the accounts and records of **financial transactions** maintained in each department, office and agency of the metropolitan government.”

Metro Code 2.24.020 Director of finance--Powers and duties.

“The powers, duties and compensation of the director of finance shall be those set out Sections 8.102 and 8.103 of the Metropolitan Charter and as may be provided by ordinance consistent with the Metropolitan Charter.”

**METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE**

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Division of Metropolitan Audit

Metro Charter Section 8.121 – *Related Fiscal Provisions, Division of metropolitan audit; and Metro Code 2.24.300 Division of metropolitan audit.*

(A) “There shall, be as an independent agency of the metropolitan government, a division of metropolitan audit, the director which is designated as the metropolitan auditor....”

(C) “The metropolitan auditor shall conduct, or cause to be conducted **financial, performance and other audit services** following **Government Auditing Standards** established by the United States Government Accountability Office, and the metropolitan auditor shall follow the independence and other professional standards established and published under Government Auditing Standards.”

(F) “The **audit committee** will **oversee the annual audit plan** and will review and evaluate annually the performance of the metropolitan auditor.”

Tennessee Code Annotated

T.C.A. 9-3-405 Establishment of audit committee

(a) “**Local governments are encouraged to consider establishing an audit committee.**”

(b) “The governing body of the local government shall create the audit committee. The audit committee members shall be external to management and may be members of the governing body, citizens from within the boundaries of the local government, or a combination of both. **Members of the audit committee shall be selected by the legislative body. The audit committee shall establish responsibilities and duties that are stated in a resolution approved by the legislative body. The responsibilities and duties, at a minimum, shall address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.** The resolution creating the duties and responsibilities of the audit committee shall be submitted to the comptroller prior to approval by the legislative body...if an audit committee was created by a legislative body whose charter requires charter changes to be approved in a referendum, and if such actions occurred and were approved in a referendum prior to January 1, 2011, then such an audit committee shall be considered created pursuant to this part.”

(c) “...shall abide by the notice requirements adhered to by the local government...”

(d) “...the audit committee may hold confidential, non-public executive sessions to discuss the following items...”

- (1) Items deemed not subject to public inspection under §§ 10-7-503 and 10-7-504, and all other matters designated as confidential or privileged under this code;
- (2) Current or pending litigation and pending legal controversies;
- (3) Pending or ongoing audits or audit related investigations;

**METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE**

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

- (4) Information protected by federal law; and
- (5) Matters involving information under § 9-3-406 where the informant has requested anonymity.

T.C.A. 9-3-406

(a) An **audit committee** created pursuant to this chapter shall **establish a process** by which employees, taxpayers or other **citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity.** The detailed information received pursuant to such a report of illegal, improper, wasteful or fraudulent activity or any investigation of this activity, except those matters disclosed in the final reports, shall be considered audit working papers and **shall be confidential under the provisions of title 10, chapter 7."**

T.C.A. 4-3-304

(9) Establish minimum standards for the performance of audits by the internal audit staffs of local governments, special taxing districts, utility districts, political subdivisions, state departments, boards, commissions, institutions, agencies, authorities or other entities of the state. These standards, which shall be established by the comptroller of the treasury, shall include "Standards for the Professional Practice of Internal Auditing" published by the Institute of Internal Auditors, Inc., or such other standards as may be approved by the comptroller of the treasury. All audit reports issued by such internal audit staffs shall include a statement that the audit was conducted pursuant to these standards.

Notwithstanding any law to the contrary, working papers created, obtained or compiled by an internal audit staff are confidential and are therefore not an open record pursuant to title 10, chapter 7. "Working papers" includes, but is not limited to, auditee records, intra-agency and interagency communications, draft reports, schedules, notes, memoranda and all other records relating to an audit or investigation by internal audit staff.

T.C.A. 8-4-501-505

Local Government Instances of Fraud Reporting Act

8-4-503 (a) A public official with knowledge based upon available information that reasonably causes the public official to believe that unlawful conduct has occurred shall report the information in a reasonable amount of time (defined as not exceeding 5 working days in definition) to the office of the comptroller if the treasury.

8-4-505 The detailed information received and generated pursuant to this part shall be considered confidential working papers of the comptroller of the treasury and is therefore **not an open record pursuant to title 10, chapter 7.**

**METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE**

**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT
T.C.A. 4-18-101 False Claims Act**

4-18-103. Liability for violations.

(a) Any person who commits any of the following acts shall be liable to the state or to the political subdivision for three (3) times the amount of damages that the state or the political subdivision sustains because of the act of that person. A person who commits any of the following acts shall also be liable to the state or to the political subdivision for the costs of a civil action brought to recover any of those penalties or damages, and shall be liable to the state or political subdivision for a civil penalty of not less than two thousand five hundred dollars (\$2,500) and not more than ten thousand dollars (\$10,000) for each false claim:

- (1) Knowingly presents or causes to be presented to an officer or employee of the state or of any political subdivision thereof, a false claim for payment or approval;
 - (2) Knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the state or by any political subdivision;
 - (3) Conspires to defraud the state or any political subdivision by getting a false claim allowed or paid by the state or by any political subdivision;
 - (4) Has possession, custody, or control of public property or money used or to be used by the state or by any political subdivision and knowingly delivers or causes to be delivered less property than the amount for which the person receives a certificate or receipt;
 - (5) Is authorized to make or deliver a document certifying receipt of property used or to be used by the state or by any political subdivision and knowingly makes or delivers a receipt that falsely represents the property used or to be used;
 - (6) Knowingly buys, or receives as a pledge of an obligation or debt, public property from any person who lawfully may not sell or pledge the property;
 - (7) Knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the state or to any political subdivision;
 - (8) Is a beneficiary of an inadvertent submission of a false claim to the state or a political subdivision, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the state or the political subdivision within a reasonable time after discovery of the false claim; or
 - (9) Knowingly makes, uses, or causes to be made or used any false or fraudulent conduct, representation, or practice in order to procure anything of value directly or indirectly from the state or any political subdivision.
- (e) This section does not apply to claims, records, or statements made pursuant to workers' compensation claims.

**METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE**

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

(f) This section does not apply to claims, records, or statements made under any statute applicable to any tax administered by the department of revenue.

4-18-104. Investigation and prosecution.

(b) (1) The *prosecuting authority of a political subdivision shall diligently investigate violations under § 4-18-103 involving political subdivision funds*. If the prosecuting authority finds that a person has violated or is violating § 4-18-103, the prosecuting authority may bring a civil action under this section against that person.

(c) (1) *A person may bring a civil action for a violation of this chapter for the person and either for the state of Tennessee in the name of the state, if any state funds are involved, or for a political subdivision in the name of the political subdivision, if political subdivision funds are involved, or for both the state and political subdivision if state and political subdivision funds are involved. The person bringing the action shall be referred to as the qui tam plaintiff.* Once filed, the action may be dismissed only with the written consent of the court, taking into account the best interests of the parties involved and the public purposes behind this chapter.

(B) For purposes of subdivision (d)(3)(A), "*original source*" means an individual, who has *direct and independent knowledge of the information on which the allegations are based*, who voluntarily provided the information to the state or political subdivision before filing an action based on that information, and whose information provided the basis or catalyst for the investigation, hearing, audit, or report that led to the public disclosure as described in subdivision (d)(3)(A).

(2) If the state or *political subdivision proceeds* with an action brought by a qui tam plaintiff under subsection (c), *the qui tam plaintiff shall, subject to subdivisions (g)(4) and (5), receive at least twenty-five percent (25%) but not more than thirty-three percent (33%) of the proceeds* of the action or settlement of the claim, depending upon the extent to which the qui tam plaintiff substantially contributed to the prosecution of the action. ...

(3) If the state or *political subdivision does not proceed with an action* under subsection (c), the qui tam plaintiff shall, subject to subdivisions (g)(4) and (5), receive an amount that the court decides is reasonable for collecting the civil penalty and damages on behalf of the government. The amount shall be *not less than thirty-five percent (35%) and not more than fifty percent (50%)* of the proceeds of the action or settlement and shall be paid out of these proceeds.

Other Related Provisions

Charter Appendix Two, Electric Power Board, Article 42, 12

“With reference to the properties, rights, and interests of the metropolitan government, to be acquired by or operated under the provisions of this article, as is herein otherwise provided, all agreements, contracts, transfers and conveyances in connection therewith, shall be made and executed, and **all such properties shall be acquired, held, owned and transferred and conveyed in the name of the Metropolitan Government of Nashville and Davidson County,** ...”

**METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE**

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Charter Appendix Two, Electric Power Board, Article 42, 18

“That said electric power board of the metropolitan government shall have **exclusive management and control of the operation** of said electric power plan and/or distribution system.”

Charter Appendix Two, Electric Power Board, Article 42, 24

“That **neither the mayor, the metropolitan council, nor any other officer, department board or commission of the metropolitan government, shall have or exercise and authority whatsoever over the electric power board created under the terms and provisions of this Charter**, other and except to the extent herein expressly provided, and the provisions of this article shall prevail over any conflicting provisions appearing in any other article in this Charter.”

Charter Appendix Four, Transit Authority, Article 64, 6 (f)

“The metropolitan treasurer shall keep accurate records and books dealing with the separate accounts of metropolitan transit authority.... Such books and records shall be **open to inspection and examination by accountants or auditors** of the metropolitan government as all books and records of the metropolitan treasurer are inspected.”

“The books and records of the secretary of the authority likewise shall be **open to inspection and examination by the accountants or auditors** of the metropolitan government.”

[Page Intentionally Left Blank]