

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



***METROPOLITAN NASHVILLE  
AUDIT COMMITTEE***

***WORKBOOK***

**October 26, 2021**

**METROPOLITAN NASHVILLE**  
**METROPOLITAN AUDIT COMMITTEE MEETING AGENDA**  
**October 26, 2021, 4:00 p.m.**

**Committee Room 2**  
**205 Metropolitan Courthouse**

- I. Call Meeting to Order (Brackney Reed – Committee Chairman)
- II. Approval of Minutes (Brackney Reed – Committee Chairman)
  - Approval of Minutes for July 13, 2021, meeting
- III. New Business
  - Metropolitan Nashville Audit Committee Annual Self-Assessment. (Brackney Reed - Committee Chairman)
  - Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review. (Lauren Riley – Metropolitan Auditor)
  - Discussion on the Audit the Metropolitan Nashville Police Department Revenue Sources issued September 14, 2021. (Bill Walker – Audit Manager)
  - Discussion on the Audit of the Metropolitan Public Defenders Office issued September 24, 2021. (Lauren Riley – Metropolitan Auditor)
  - Discussion on the Audit of the Property Standards Complaints Process issued October 18, 2021. (Lauren Riley – Metropolitan Auditor)
  - Discussion on the Audit of Metropolitan Nashville Government Pension Investments issued October 20, 2021. (Bill Walker – Audit Manager)
- IV. Internal Audit Project Status (Lauren Riley – Metropolitan Auditor)
  - On Going Projects
  - Recommendation implementation follow-up status
- V. Other Administrative Matters (Lauren Riley – Metropolitan Auditor)
  - FY2022 Budget Status
  - Office of Internal Audit Staffing
- VI. Consideration of Items for Future Meetings (Brackney Reed – Committee Chairman)
- VII. Adjournment of Public Meeting – Next Regular Meeting Tuesday, November 23, 2021.
- VIII. Call for a motion to enter executive session (Brackney Reed – Committee Chairman)
- IX. Executive Session Agenda – (Brackney Reed – Committee Chairman)
  - Discussion on the ongoing audit of the Metropolitan Nashville FY2021 Financial Statements audit with Crosslin. (External Auditor)
  - Discussion on the Metro Water Services SCADA Assessment (Lauren Riley – Metropolitan Auditor)
  - If needed, discussion of pending or ongoing audits or investigations. (Lauren Riley – Metropolitan Auditor)

**METROPOLITAN NASHVILLE**  
**METROPOLITAN AUDIT COMMITTEE MEETING AGENDA**  
**October 26, 2021, 4:00 p.m.**

Note: Upon a majority vote of committee members in attendance for the public portion of the meeting, the Metropolitan Nashville Audit Committee may hold confidential, nonpublic executive sessions to discuss the following items (T.C.A. § 9-3-405<sup>1</sup>):

- Items deemed not subject to public inspection under T.C.A. §§ 10-7-503<sup>2</sup> and 10-7-504<sup>3</sup> and all other matters designated as confidential or privileged under this code;
- Current or pending litigation and pending legal controversies;
- Pending or ongoing audits or audit related investigations;
- Information protected by federal law; and
- Matters involving information under T.C.A. § 9-3-406<sup>4</sup> where the informant has requested anonymity.



To request an accommodation, please contact Lauren Riley at (615) 862-6111.

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<sup>1</sup> T.C.A. § 9-3-405(d). Establishment of audit committee, Notice requirements, Open meetings, Confidential, nonpublic executive session.

<sup>2</sup> T.C.A. § 10-7-503. Records open to public inspection, Schedule of reasonable charges, Costs.

<sup>3</sup> T.C.A. § 10-7-504. Confidential records.

<sup>4</sup> T.C.A. § 9-3-406. Establishment of process for confidential reporting of suspected illegal, improper, wasteful or fraudulent activity, Retaliatory activities prohibited.

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**  
**AUDIT COMMITTEE MEETING MINUTES**  
**July 13, 2021**

On Tuesday, July 13, 2021, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> Floor, Committee Room 2. The following people attended the meeting:

Committee Members

Brackney Reed, Chamber of Commerce  
Tom Bates, Tennessee Society of CPAs  
Jim Shulman, Vice-Mayor  
Thom Druffel, Council Member  
Kevin Crumbo, Director of Finance

Others

Lauren Riley, Metropolitan Auditor  
Theresa Costonis, Department of Law  
Bill Walker, Office of Internal Audit

Committee Members Absent

Zulfat Suara, Council Member

*Quorum present? Yes*

**CALL MEETING TO ORDER**

Mr. Reed called the meeting to order.

**APPROVAL OF MINUTES**

A **motion** to approve meeting minutes for June 22, 2021, was made, seconded, and carried.

**UNFINISHED BUSINESS**

Metropolitan Auditor Performance Review and Compensation

Mr. Reed stated the committee needed to review Ms. Riley's raise for the new fiscal year. Mr. Crumbo offered to research a proper methodology at the previous meeting, and he relayed the results of his research. Mr. Crumbo recommended Ms. Riley's pay increase be the average of what was provided to the Office of Internal Audit staff. Ms. Riley presented the methodology used in determining staff open range increases. Ms. Riley then provided her performance review and a schedule of how open range increases were distributed within the Office of Internal Audit. The average open range increase was 2.7 percent. Ms. Riley also gave a schedule showing her adjusted salary at various open range percentage increases.

A discussion ensued over Ms. Riley's performance. The Metropolitan Audit Committee was very pleased with Ms. Riley's performance.

A **motion** to approve an open range increase of 2.7 percent and the 2 percent cost of living adjustment for Ms. Riley was made, seconded, and carried.

Criminal Justice Information Services (CJIS) clearance for Metropolitan Audit Committee Members

Ms. Riley discussed the proposed change to the Metropolitan Committee's Bylaws that would require all committee members to obtain Criminal Justice Information Services clearance as recommended at the last meeting. Mr. Reed suggested changing the wording from "requiring clearance" to "recommending clearance". Mr. Reed advised that such a requirement was not within the authority of the Metropolitan Audit Committee per the Metropolitan Charter. Ms. Costonis concurred and explained the applicable parts of the Metropolitan Charter.

A **motion** to change the wording in the proposed changes to the Bylaw to "recommend" rather than "required" was made, seconded, and carried.

**OTHER ADMINISTRATIVE MATTERS**

Mr. Reed inquired if there was a need to go into Executive Session. Ms. Riley advised there was no need.

The next regularly scheduled meeting is September 14, 2021, at 4:00 p.m.

A **motion** to adjourn the meeting was made, seconded, and carried.

The public meeting adjourned after approximately 25 minutes.

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The minutes for the July 13, 2021, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

Lauren Riley, Metropolitan Auditor  
Secretary, Metropolitan Nashville Audit Committee

## FY 2021 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
<b>Financial Statements</b>	1. While financial statement audit engagement is ongoing meet in executive session with the external auditor near the mid-point of the audit engagement and prior to final issuance of the comprehensive annual financial report to review progress, including any difficulties encountered, and follow-up as appropriate.	√			FY2020 financial audit engagement discussed in executive session with Crosslin on September 8, 2020, and November 24, 2020. FY 2020 financial audit engagement was also discussed in an open session at January 11, 2021, meeting.
	2. Review final reports and accept, or not accept, the audit results.	√			FY2020 CAFR accepted on January 11, 2021. Single Audit and Management Letter discussed and accepted on April 13, 2021.
	3. Review with Metro Nashville management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.	√			FY2020 Crosslin's audit plan presentation on June 23, 2020, and FY2021 Crosslin's audit plan presentation on June 22, 2021.
<b>Risk Management and Internal Control</b>	4. 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.	√			Crosslin's FY2020 Management Letter discussed April 13, 2021. Office of Internal Audit reports concerning internal control environment routinely discussed during committee meetings.
	5. Engage with Metropolitan Auditor in performing a Metro Nashville entity-wide risk assessment to form an audit work plan.	√			Internal Audit Annual Work Plan recommendations and risk prioritization reviewed and approved by the Committee on February 9, 2021.
	6. Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Monitor corrective actions implemented by auditee.	√			Status of audit recommendations implementation follow-up included in the <i>Office of Internal Audit Annual Report February 2020 to January 2021</i> issued to Metropolitan Nashville Council on February 11, 2021. Operational management routinely requested to attend committee meetings and discuss corrective action plans. Follow-up audits conducted within six months of final recommendation closure.

## FY 2021 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
<b>Internal Audit</b>	7. Review and approve the audit plan and all major changes to the plan.	√			Annual Internal Audit Work Plan Approved on February 11, 2020. The Committee amended the 2020 Internal Audit Work Plan two times for new audit projects.
	8. Review and approve the Division of Metropolitan Audit Bylaws annually.	√			Bylaws last reviewed and approved on September 8, 2020.
	9. Assure continued independence of Metropolitan Auditor. Ensure there are no unjustified restrictions or limitations to the discharge of internal audit responsibilities.	√			Confirmation included in the <i>Office of Internal Audit Annual Report February 2020 to January 2021</i> issued to Metropolitan Nashville Council on February 11, 2021. BL 2017-581 approved on April 5, 2017, provides additional clarity on Office of Internal Audit access to records and personnel, and fraud, waste, and abuse investigations.
	10. Review annually the activities, staffing and organizational structure of the internal audit function.	√			Administration of Internal Audit Office reviewed as a standing Audit Committee meeting agenda item.
	11. Review the effectiveness of the internal audit function, including compliance with generally accepted government auditing standards.	√			<p>Last peer review completed April 7, 2017, with an opinion the Metropolitan Nashville Office of Internal Audit quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards. The Office of Internal Audit completed the Peer Review - Self Assessment in March 2021 with no significant findings.</p> <p>The Office of Internal Audit was due for a peer review by June 30, 2020. However, due to the COVID-19 pandemic, all peer reviews were suspended. The next peer review will occur once the GAO removes the suspension and extends the deadline to complete. The next peer review is scheduled for Spring 2022.</p>

## FY 2021 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
	12. Recommend the appointment of the Metropolitan Auditor.	√			Recruitment and interviews conducted from May 2019 through April 2020 with recommendation for a fulfillment of the remaining term ending June 2022 made to Metropolitan Nashville Council on April 21, 2020.



## FY 2021 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
	13. For cause remove the Metropolitan Auditor.	√			Not applicable.
	14. At least once per year, review the performance of the Metropolitan Auditor and concur with the annual compensation and salary adjustment.	√			Metropolitan Auditor annual performance review completed June 22, 2021. Compensation and salary adjustment completed July 13, 2021.
<b>Reporting</b>	15. Issue annual report to the Council and Mayor regarding Committee activities, issues and related recommendations.	√			The <i>Office of Internal Audit Annual Report February 2020 to January 2021</i> issued to Metropolitan Nashville Council on February 11, 2021.
	16. Provide an open avenue of communication between internal audit, the external auditors, and department, board, commission, officer or agency management.	√			Meetings with internal and external auditors. Management corrective action plans included in final internal audit reports and external auditors management letter. Operational management routinely requested to attend committee meetings and discuss corrective action plans.
	17. Review any other government issued reports related to committee responsibilities.	√			Not applicable.
<b>Other</b>	18. Ensure committee members undergo appropriate orientation upon appointment.	√			Not applicable.
	19. Review and assess the adequacy of the Metropolitan Nashville Committee Bylaws annually, requesting approval for proposed changes, and ensuring appropriate disclosure as may be required by law or regulation.	√			Bylaws last reviewed and approved on September 8, 2020. Additionally, they were amended on July 13, 2021.
	20. Confirm annually that all responsibilities outlined in these bylaws have been carried out.	√			Last reviewed and confirmed September 8, 2020.
<b>Meetings</b>	21. The Committee will meet at least once per quarter	√			FY 2020 - Seven regular meetings held on: (1) June 23, 2020, (2) September 8, 2020, (3) November 24, 2020, (4) January 11, 2021, (5) February 9, 2021, (6) April 13, 2021, and (7) June 22, 2021.

## FY 2021 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
	22. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor.	√			Agenda, internal audit reports and other selected material provided by e-mail prior to committee meetings by the Metropolitan Auditor.
	23. Minutes will be prepared by the Metropolitan Auditor.	√			Minutes were prepared and posted on Committee web site after approval.
	24. Meeting agendas and minutes are posted to the Metropolitan Nashville Audit Committee page on Nashville.gov in a searchable electronic format.	√			Meeting agendas, workbooks, and minutes are available in searchable pdf format since February 14, 2012, on the Committee Nashville.gov internet page.
	25. Meeting agendas will be posted six calendar days in advance of the meeting date. Approved meeting minutes will be posted within two workdays of approval by the committee.	√			All agenda's and approved meeting minutes were posted on the committee website. Out of 7 meeting minute postings, 7 were posted between 0 and 2 work days. Of the 7 meeting agendas posted, all 7 were posted at least 6 days before the meeting.
<b>Composition</b>	26. Follow the provisions provided in Metropolitan Code of Laws, Section 2.23.300(E) Division of Metropolitan Audit.	√			Audit Committee membership is consistent with Metropolitan Code of Laws requirements.

**Work Paper Purpose:** To document the annual assessment of Metropolitan Nashville Audit Committee Bylaws responsibilities addressed by the Committee.

**Committee Purpose:** The Metropolitan Nashville 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.

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

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**PURPOSE**

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

**SCOPE**

To the extent permitted by the Metropolitan Charter the Metropolitan Nashville Audit Committee is authorized to conduct financial audits, performance audits, or other audit services including investigation and disposition of reported incidents of fraud concerning any department, board, commission, officer, agency, or office of the Metropolitan Government which receives direct services from or to which funds are appropriated by the Metropolitan Government or which the Metropolitan Government provides a guarantee for long-term indebtedness. Departments, boards, commissions, officers, agencies, and offices 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 Council.

**RESPONSIBILITIES**

Financial Statements

- While the financial statement audit engagement is ongoing meet in executive session with the external auditor near the mid-point of the audit engagement and prior to final issuance of the comprehensive annual financial report, to review progress, including any difficulties encountered, with the audit engagement and follow-up as appropriate.
- Review final audit reports and accept, or not accept, the audit results.
- Review with Metropolitan Nashville Government 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, agency, or office management's responses.
- Engage with the Metropolitan Auditor in performing a Metropolitan Nashville Government entity-wide risk assessment to form an audit work plan.

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- 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 internal audit work plan and all major changes to the plan.
- Review and approve the Division of Metropolitan Audit Bylaws annually.
- Assure continued independence of the 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 an annual report to the Metropolitan Nashville 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, agency, or office management.
- Review any other government issued reports related to committee responsibilities.

Other Responsibilities

- Ensure committee members undergo appropriate orientation upon appointment.
- Recommend all committee members obtain Criminal Justice Information Systems (CJIS) clearance within three months of term start date.
- 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.

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- Annually confirm 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, agency, or office management, auditors or others to attend meetings and provide pertinent 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.

Meeting agendas and minutes/proceedings are to be posted directly to the Metropolitan Nashville Audit Committee page on Nashville.gov at: <http://www.nashville.gov/Government/Boards-and-Commissions.aspx>. Meeting agendas and minutes/proceedings postings should be prepared in a searchable electronic format.

Meeting agendas will be posted six calendar days in advance of the meeting date. Approved meeting minutes will be posted within two workdays of approval by the Committee.

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DIVISION OF METROPOLITAN AUDIT BYLAWS**

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**PURPOSE**

The Division of Metropolitan Audit, commonly referred to as the Metropolitan Nashville 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 (Metropolitan Nashville Government.)

**SCOPE**

To the extent permitted by the Metropolitan Charter the Division of Metropolitan Audit is authorized to conduct financial audits, performance audits, or other audit services including investigation and disposition of reported incidents of fraud concerning any department, board, commission, officer, agency, or office of the Metropolitan Government which receives direct services from or to which funds are appropriated by the Metropolitan Government or which the Metropolitan Government provides a guarantee for long-term indebtedness. Departments, boards, commissions, officers, agencies, and offices 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 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 Metropolitan Nashville Government's control environment.
- Interaction with the various governance groups occurs as needed.
- External auditors' proposed audit scope and approach supplement internal audit efforts.

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- Activities indicate fraud, abuse, or illegal acts which need further investigation.
- Computer-based systems incorporate adequate controls.

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 Metropolitan Nashville Government personnel.
- Obtain regular updates from department, board, commission, officer, agency, or office 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 internal audit work plan to the Metropolitan Nashville Audit Committee for review and approval. The schedule shall include the proposed plan for auditing departments, boards, commissions, officers, agencies, offices, activities, systems, processes, and subcontractors for the subsequent twelve months. This plan may be amended during the period after review with the Metropolitan Nashville Audit Committee. Additionally, the Metropolitan Auditor may independently initiate and conduct any other audit deemed necessary with subsequent approval by the Metropolitan Nashville Audit Committee.

The internal audit work plan 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 Metropolitan Nashville Government 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 Nashville Audit Committee, Department of Law, Mayor and

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Tennessee Comptroller of the Treasury. If it appears that the irregularity is criminal in nature, the Metropolitan Auditor shall notify the appropriate authority in addition to those officials previously cited.

**ACCESS TO EMPLOYEES, RECORDS AND PROPERTY**

To the extent permitted by the Metropolitan Charter the Division of Metropolitan Audit, with strict accountability for confidential and safeguarding records and information, shall have access to all Metropolitan Government's records, agreements, information systems, physical properties, and personnel. Such authority shall include but is not limited to, the ability to review, research, and conduct interviews, along with the ability to have access to any and all necessary documentation as described in this subsection. To the extent permitted by the Metropolitan Charter, all Metropolitan Government departments, boards, commissions, officers, agencies, or offices, along with all entities contracting with the Metropolitan Government shall co-operate fully with the Metropolitan Auditor during any such review or request to the fullest extent of applicable law. Any failure to cooperate with the Metropolitan Auditor shall be reported to the Audit Committee, Finance Director, Director of Law, and the Metropolitan Council.

Metropolitan Nashville Office of Internal Audit 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. Metropolitan Nashville Office of Internal Audit personnel shall not publicly disclose any information received during an audit that is considered 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, agency, or office director or his/her designee for review and comment regarding factual content before it is released to the Metropolitan Nashville 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 of issuance of the final draft audit report. 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.



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**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 will request status reports every six months 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 Nashville Audit Committee, the Mayor and the audited department, board, commission, officer, agency, or office. 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 Nashville Audit Committee and shall retain a copy as a permanent record. A copy will be posted on the Metropolitan Nashville Office of Internal Audit's internet site.

**ANNUAL REPORT**

The Metropolitan Auditor shall submit an annual report to the Metropolitan Nashville Audit Committee, during the first quarter of each calendar year, indicating audits completed, major concerns, corrective actions taken, and significant observations that have not been fully addressed by audited department, board, commission, officer, agency, or office 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 organization records, agreements, information systems, properties, or 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 Metropolitan Nashville Office of Internal Audit.

**INDEPENDENCE**

To provide for the independence of the Metropolitan Nashville Office of Internal Audit, its personnel report to the Metropolitan Auditor, who reports administratively and functionally to the Metropolitan Nashville Audit

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Committee as established in the Metropolitan Nashville Code of Law, Section 2.24.300 Division of Metropolitan Audit.

In all matters relating to audit work, the Metropolitan Nashville Office of Internal 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.

**STANDARDS OF INVESTIGATION PRACTICE**

The Metropolitan Auditor shall establish procedures for conducting fraud, waste, and abuse investigations.

**FUNDING**

The Metropolitan Nashville Office of Internal Audit shall submit budget proposals, in accordance with procedures established by the Metropolitan Nashville Government 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 Nashville Audit Committee.



**A Report to the  
Audit Committee**

**Mayor**

John Cooper

**MNPD Chief of Police**

John Drake

**Audit Committee Members**

Tom Bates

Brackney Reed

Jim Shulman

Saul Solomon

# Audit of Metropolitan Nashville Police Department Revenue Sources

September 14, 2021

Metropolitan  
Nashville  
Office of  
Internal Audit

# Audit of Metropolitan Nashville Police Department Revenue Sources

## EXECUTIVE SUMMARY

September 14, 2021



### Why We Did This Audit

The audit was conducted due to the importance of ensuring revenues are properly collected and recorded.

### What We Recommend

Management should reinforce existing procedures to ensure deposits and subsequent general ledger entries are made in accordance with applicable financial and departmental policies.

## BACKGROUND

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The Metropolitan Nashville Police Department generates revenue from a variety of sources. These sources include agreements with the Metropolitan Development and Housing Authority, local hospitals, churches, and other businesses to provide security or traffic control.

## OBJECTIVES AND SCOPE

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The objectives of this audit are to determine if selected revenue streams managed by the Metropolitan Nashville Police Department are complete, properly recorded, monitored, safeguarded, and deposited in accordance with Metropolitan Finance Treasury Policy #9 and other applicable departmental policies.

The three revenue streams audited were:

- Secondary Employment Unit
- Microfilm or Photostat
- Metropolitan Development and Housing Authority collections

The scope of this audit included revenues between July 1, 2018, and June 30, 2020.

## WHAT WE FOUND

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The processes surrounding the collection, accounting, and reporting of revenues are properly designed and generally well executed. Controls help to ensure that revenue collected is complete, properly recorded, monitored, safeguarded, and deposited.

Procedures related to timely deposit and recording in the general ledger are not being followed consistently for all revenue streams reviewed.

## GOVERNANCE

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Revenue collections are received and managed by various process owners within the Metropolitan Nashville Police Department. Financial operations within the Metropolitan Nashville Police Department are administered by the Office of Police Fiscal Affairs. Accordingly, the management of revenue collections is handled by the respective process owners while reviewed and monitored by the Office of Police Fiscal Affairs.

## BACKGROUND

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The Metropolitan Nashville Police Department collected approximately \$1.9 million in revenue during the scope period. The Metropolitan Nashville Police Department receives revenue from a variety of sources. This revenue is collected by various process owners throughout the department. The most significant revenue stream relates to the Metropolitan Nashville Police Department's Secondary Employment Unit. Other revenues include areas such as gambling forfeitures, confiscated cash, vendor operated impound lot, and confiscated property. Exhibit A provides a summary of each revenue source and the amounts collected.

**Exhibit A – MNPD Revenue Sources, July 2018 through June 2020**

Source	Amount	% of Total Revenue
Secondary Employment Unit	\$1,266,436	65%
Confiscated Cash	311,783	16%
Metropolitan Development and Housing Agency	222,489	11%
URT Base Police Impound	52,083	3%
Sale-Confiscated Property	39,209	2%
Gambling Forfeitures	15,000	1%
Offender Program Income	14,250	1%
Photostat and Microfilm	13,983	1%
Special Police Commission	4,810	< 1%
<b>Total Revenue:</b>	<b>\$1,940,043</b>	

Source: Oracle R12

Based on a risk assessment, audit effort focused on three specific revenue streams. The three areas audited were the Police Secondary Employment Unit, photostat and microfilm, and Metropolitan Development and Housing Agency agreement receipts.

## OBJECTIVE AND CONCLUSION

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*Are select revenues received by the Metropolitan Nashville Police Department complete, properly recorded, monitored, safeguarded, and deposited in accordance with Metropolitan Finance Treasury Policy #9 and other applicable departmental policies?*

**Generally, yes.** Revenues received by the selected areas appeared to be complete, properly recorded, monitored, safeguarded, and deposited. A sample of 25 events managed by the Secondary Employment Unit were reviewed. Revenue received from each event had supporting documentation to ensure the amounts received adhered to the requirements set forth in the applicable contracts. Additionally, the amounts received were complete, properly monitored, and deposited and recorded in accordance with Metropolitan Finance Treasury Policy #9.

A sample of five monthly payments pertaining to revenue collected by the Metropolitan Development and Housing Authority were reviewed. Revenue received from each statement had supporting documentation to ensure the amounts received agreed to the requirements set forth in the applicable memorandum of understanding. Additionally, the amounts received were complete, properly monitored, and deposited and recorded in accordance with Metropolitan Finance Treasury Policy #9.

A sample of 25 daily deposits pertaining to revenue collected by the microfilm and photostat area were reviewed. Amounts received per internal systems agreed to the Shift Reconciliation Form and the amounts deposited. Additionally, the amounts received were complete, properly monitored, and generally deposited and recorded in accordance with Metropolitan Finance Treasury Policy #9. However, deposits and Oracle R12 general ledger entries were not entered timely. (See Observation A.)

## AUDIT OBSERVATION

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Internal control helps entities achieve important objectives to sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. See **Appendix B** for a description of the observation *Assessed Risk Rating*.

### ***Observation A – Deposits and General Ledger Entries Not Timely***

Deposits and Oracle R12 general ledger transactions were not consistently performed in a timely manner in the microfilm and photostat area. All 25 deposits tested were made 3 to 15 business days from the date funds were received. Subsequent general ledger entries were made from 3 to 13 days from the date funds were deposited.

#### *Criteria:*

- *COSO, Control Activities—Principle 10*—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- *COSO, Control Activities—Principle 11*—The organization selects and develops control activities through policies that establish what is expected and procedures that put policies into action.
- *Metro Nashville Finance Department—Treasury Policy # 9*—Funds must be deposited within one business day of receipt and associated general ledger entry must be made within two days of deposit date.
- *Metropolitan Nashville Police Department —Department Policy*—The general ledger entry should be made within 24 hours of deposit date.

#### *Assessed Risk Rating:*

**Low**

#### *Recommendation for management of the Metropolitan Nashville Police Department to:*

Management should ensure existing policies and procedures for deposits and subsequent general ledger entries are consistently performed in a timely manner for all revenue streams.

## APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

Risk	Recommendation	Concurrence and Action Plan	Expected Completion Date
<i>Recommendations for the management of Metropolitan Nashville Police Department to:</i>			
L	Management should ensure existing policies and procedures for deposits and subsequent general ledger entries are consistently performed in a timely manner for all revenue streams.	<p><b>Accept:</b> Reporting and entry timelines have been discussed with appropriate MNPD personnel to ensure receipts and associated general ledger entries are made within two (2) days of the deposit date.</p> <p>Additionally, to ensure deposits and subsequent journal entries are done in a timely manner, MNPD Fiscal will meet with the microfilm and photostat unit in the Records Division to better understand the current revenue processes. Following this meeting, the microfilm and photostat unit shall submit monthly reports to MNPD Fiscal with dates and amounts for related deposits and journal entries. This report will result in more closely monitored revenue collection processes, while also confirming timeliness.</p>	<b>Implemented</b>





**A Report to the  
Audit Committee**

**Mayor**  
John Cooper

**Chief Public Defender**  
Martesha Johnson

**Audit Committee Members**  
Tom Bates  
Brackney Reed  
Jim Shulman  
Saul Solomon

# Audit of the Metropolitan Public Defender's Office

September 24, 2021

Metropolitan  
Nashville  
Office of  
Internal Audit

# Audit of the Metropolitan Public Defender's Office

## EXECUTIVE SUMMARY

September 24, 2021



### Why We Did This Audit

The audit was conducted due to the importance of ensuring quality services to clients of the Public Defender's Office.

### What We Recommend

- Monitor caseloads within the General Sessions Court attorney team to ensure the cases are in capacity of the staff.
- Leverage technology in leave time management.

## BACKGROUND

The mission of the Metropolitan Public Defender's Office is to defend the liberty, honor, and constitutional rights of the individuals whose cases have been entrusted to the Public Defender. The Public Defender's Office strives to deliver excellence in their client representation, while also standing with their clients and the community in working to create a more just, fair, and compassionate legal system. The Public Defender's Office represents clients in General Sessions Court, Criminal Court, Juvenile Court, and on cases appealed to both the Court of Criminal Appeals and the Supreme Court.

## OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Eligible clients of the Public Defender's Office received a high quality of services.
- Employee access to Defender Data is appropriate and the least privileges to perform the job functions.
- Staff members are properly trained and certified to provide services.
- Leave time is approved, recorded, accurate, and tracked.

The scope of this audit included all activity from January 1, 2019, to December 31, 2020.

## WHAT WE FOUND

The Public Defender's Office has controls in place to ensure the delivery of the highest quality services to eligible indigent clients. Policies and procedures are in place to ensure the integrity of the client's information and the competency of the staff.

However, leave time management did not meet the expectation of accuracy and periodic review. In addition, caseloads in the General Sessions team exceeded the State recommended number in fiscal year 2019.

## GOVERNANCE

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The Davidson County Public Defender’s Office was created by a Private Act of the Tennessee General Assembly in 1961. The first Davidson County Public Defender was elected in 1962. In 1963, the original Metro Charter recognized the continuation of the Davidson County Public Defender’s Office. The Public Defender is elected for a four-year term.

The public defender must be a person licensed to practice law in Tennessee and must be a resident of the Metropolitan Nashville area at the time of election or appointment and during the term of office. The public defender is authorized to employ one deputy or assistant public defender for managing daily operations of the office.

## BACKGROUND INFORMATION

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The Public Defender’s Office has several teams of attorneys and other support staff representing clients in General Sessions Court, Criminal Court, Juvenile Court, and Appellate Court. The Public Defender’s Office gets clients two ways. Defendants may come to the office to ask for representation, or a judge may assign a Public Defender’s Office attorney to the client in court.

A screening process is in place to determine eligibility for representation. Applicants complete an Affidavit of Indigency to certify the financial information provided is true. The Public Defender’s Office follows the Federal Government’s financial and poverty guidelines to determine eligibility. Individuals arrested that cannot afford to post bond will be presumptively eligible for the appointment of counsel. Applicants may be rejected either due to income requirements or attorney conflict of interest.

The Public Defender’s Office uses the Tennessee Public Defender Case-Weighting Study as a guide for monitoring workloads. Other factors will be considered as well, such as the complexity of the felony cases and current attorney workloads. Team leaders and the Deputy Public Defender monitor caseloads and work progress of each attorney. Workload conflicts may occur where too many cases prevent the desired service goal for representation, and the applicant may be rejected.

Exhibit A shows the number of closed Public Defender’s Office cases for calendar years 2019 and 2020. General Sessions Court had limited operations during the early period of the pandemic in 2020, and the arrest rate dropped considerably due to the concern of the Covid-19 spread rate in the jail. Many cases have been delayed and are waiting to be entered into the system. The number is expected to go up dramatically once all the cases are caught up and in the system.

### Exhibit A – Public Defender’s Office Closed Cases by Case Type

Year	Appeal	Contact	Criminal	Education Rights*	Guardian Ad Litem*	General Sessions	Juvenile	Social Work*
2019	33	103	1,041	0	0	11,206	472	13
2020	21	22	884	18	2	4,556	315	432

Source: Metro Nashville and Davidson County Public Defender’s Office

\*Categories did not exist as case types until the use of Defender Data for case management in November 2019

## OBJECTIVES AND CONCLUSIONS

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1. *Is employee access to Defender Data appropriate with the least privilege required for the job function?*

**Yes.** The Public Defender's Office established controls and procedures to ensure Defender Data user set up is according to the roles assigned to the user and the needed functions to perform the job. A review of user privileges indicated that group access levels are assigned based on the position, and the user was only given access to appropriate areas to perform job functions. Analysis of the active user accounts confirmed that only current employees in the Public Defender's Office have access to the system.

2. *Are controls in place to ensure the indigency application approval process follows policies and procedures and the highest services were provided to eligible clients?*

**Generally, yes.** Controls were in place to ensure the indigency screening and approval followed federal income guideline. Established procedures and detailed instructions were in place to ensure in-take employees performed thorough reviews and made informed decisions. Most clients were in custody at the time and could not afford to post bond. They automatically received representation services. A review of 25 clients during the audit period noted 23 of the clients were in custody at the time, and 2 clients were walk-ins that filed indigency applications. No exceptions were noted in the eligibility review.

Processes are in place to monitor and evaluate caseloads to ensure high quality services can be provided to each client. However, a review of caseloads in 2019 indicated the General Sessions team should monitor caseloads more closely to ensure the number of cases are under the State recommended workload. (See Observation A.)

3. *Are Public Defender employees properly trained and licensed to meet job expectations?*

**Yes.** The Public Defender's Office has an established training program for new staff members and attorneys. Training records were recorded and maintained in the audit period. A review of attorneys' licenses confirmed all the licenses are in active status and comply with the requirement of the Public Defender's Office.

4. *Is leave time approved, recorded, and balance tracked correctly?*

**Generally, no.** There are procedures covering the leave time management. Procedures include leave time approval, payroll reporting, and leave time recording. However, a review of employee leave time indicates there are recording errors in vacation and sick time taken which leads to discrepancies in leave time balance. (See Observation B.)

## AUDIT OBSERVATIONS

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Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

### **Observation A – Caseload Standards**

The Public Defender’s Office’s service delivery goal of providing the highest representation services to eligible indigents is at risk of being achieved. Based on the number of attorneys residing in different courts, the State of Tennessee issues a caseload standard for Public Defender’s Offices as a guideline to monitoring their case numbers. Caseloads were reviewed for fiscal years 2019 and 2020. All teams kept caseloads within capacity except the General Sessions Court attorney team. The team handled 8,704 cases in fiscal year 2019, whereas the State standard recommends 7,995 cases. The General Sessions Court attorney team exceeded the caseload standard in fiscal year 2019 by 709 cases. Taking more cases than the caseload standard increases the risk of compromised representation services. Monitoring caseloads periodically and having a plan for when capacity is reached helps decrease the risk.

Additionally, the caseload standards used are from a study performed in 1999. Standards used should be reflective of current technology and procedures to ensure they are representative and attainable. More up to date standards are needed to ensure caseloads match the current environment.

#### *Criteria:*

- *Tennessee Public Defender Case-Weighting Study*, The Spangenberg Group, April 1999
- *COSO, Control Activities—Principle 10—*The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- *COSO, Control Activities—Principle 12 –* The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

#### *Assessed Risk Rating:*

**Medium**

#### *Recommendations for management of the Public Defender’s Office to:*

1. Establish policies and procedures to closely monitor caseload within each attorney team and have a plan of action for when capacity is reached.
2. Request a new workload standards study be performed. Utilize the study to push for additional resources and fewer assigned cases if the standard of representation cannot be performed with the current staffing levels.

### **Observation B – Leave Time Management**

The goal of providing employees accurately recorded leave time is not being met. A sample of 9 out of 85 employees’ leave time was reviewed. Of the sampled employees, five had discrepancies in their leave time balances. Both vacation and sick time balances were wrong for one employee, and either vacation or sick time balances were wrong for the other four employees. Inaccurate leave time records leads to discrepancies in benefits received by employees and can damage the trust between employees and employer.

*Criteria:*

- Metropolitan Nashville Civil Service Rules, Chapter 4, Attendance and Leave
- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- COSO, Control Activities—Principle 12 – The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

*Assessed Risk Rating:*

**Low**

*Recommendation for management of the Public Defender’s Office to:*

Implement leave time technology, such as Kronos, to minimize human errors and provide accurate leave time information to employees.

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## **GOVERNMENT AUDITING STANDARDS COMPLIANCE**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

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## **METHODOLOGY**

To accomplish our audit objectives, we performed the following steps:

- Studied applicable public defender laws and regulations.
- Interviewed key personnel within the Public Defender’s Office.
- Evaluated internal controls currently in place.
- Performed analytics on case load, leave time, and Defender Data user privileges.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

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## **AUDIT TEAM**

Nan Wen, CPA, In-Charge Auditor

Lauren Riley, CPA, CIA, CFE, ACDA, CMFO, Metropolitan Auditor

## APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

	Recommendations	Concurrence and Action Plan	Proposed Completion Date
<i>Recommendations for management of the Public Defender's Office to:</i>			
<b>M</b>	A.1: Establish policies and procedures to closely monitor caseload within each attorney team and have a plan of action for when capacity is reached.	<b>Accept</b> – We will establish policies and procedures for monitoring caseloads and have a plan of action when capacity is reached.	9/30/2022
<b>M</b>	A.2: Request a new workload standards study be performed. Utilize the study to push for additional resources and fewer assigned cases if the standard of representation cannot be performed with the current staffing levels.	<b>Accept</b> – We will: <ul style="list-style-type: none"> <li>- request appropriate resources to support the caseload and needs of our office</li> <li>- Advocate for being appointed fewer cases when we have reached our workload capacity.</li> <li>- Determine if this finding could serve as a basis to have a new study done that will work to establish new, local workload standards.</li> </ul>	9/30/2022
<b>L</b>	B.1: Implement leave time technology, such as Kronos, to minimize human errors and provide accurate leave time information to employees.	<b>Accept</b> – We will work to implement a system for more accurate reporting.	9/30/2022



**A Report to the  
Audit Committee**

**Mayor**  
John Cooper

**Director of Department Codes  
and Building Safety**  
Bill Herbert

**Audit Committee Members**  
Tom Bates  
Kelly Flannery  
Sharon Hurt  
Brackney Reed  
Jim Shulman  
Kyonztè Toombs

Metropolitan  
Nashville  
Office of  
Internal Audit

# Audit of the Property Standards Complaints Process

October 18, 2021



## EXECUTIVE SUMMARY

October 18, 2021



### Why We Did This Audit

The audit was performed due to the importance of ensuring properties are maintained in a safe manner and that citizen concerns are addressed timely. The audit was recommended by Council Member Bob Mendes during the annual request for audit ideas.

### What We Recommend

- Supervisors should periodically review their inspector's queues and open cases to ensure cases are not being missed.
- Codes department employees should refer residents to hubNashville to submit complaints.

# Audit of the Property Standards Complaints Process

## BACKGROUND

The Property Standards division within the Department of Codes and Building Safety is responsible for conducting property maintenance and zoning inspections amongst other duties. The division receives codes complaints from various sources and sees them through to abatement or discharge in Environmental Court. The Property Standards division has 20 inspectors to follow-up on complaints received.

During the two-year audit period, a total of 58,664 property standards complaint cases were created. As of July 2021, 1,862 cases were open. Exhibit A shows the cases created and their statuses.

### Exhibit A: Number of Cases Created, April 2019 to March 2021

CASE STATUS	NUMBER OF CASES	PERCENTAGE
OPEN	1,862	3%
CLOSED	56,802	97%
TOTAL	58,664	100%

Source: CityWorks, data as of July 15, 2021. Status of some cases may have changed.

## OBJECTIVES AND SCOPE

The objectives of this audit were to determine if the Property Standards division:

- Maintained adequate processes and controls to receive, investigate, and resolve complaints in a timely manner.
- Communicated complaint status updates to property owners and complainants timely.

The scope of the audit included all property standards violation complaint cases between April 1, 2019, and March 31, 2021.

## WHAT WE FOUND

The Department of Codes and Building Safety has a defined process in place for receiving and investigating property standards violation complaints. However, the process of monitoring open cases could be improved.

System controls are in place to update complainants on the status of a case only when the complaint is submitted through hubNashville. No process for communicating the status of a case with residents who submit complaints through phone or email is in place.

Difficulties exist in contacting property owners with abate notices and warrants. Inability to reach property owners leads to many code violations going unresolved.

## GOVERNANCE

The Department of Codes and Building Safety enforces the Metropolitan Code of Laws within Nashville and Davidson County. The Property Standards division within the Department of Codes and Building Safety is responsible for conducting property maintenance and zoning inspections amongst other duties. The division receives codes complaints from various sources and sees them through to abatement or discharge in Environmental Court. The Property Standards Division is led by an Assistant Director of Codes. The Property Standards division has 20 inspectors to follow-up on complaints received.

Property standards, as well as all Buildings and Construction regulations, are defined in Title 16 of the Metropolitan Code of Laws. Procedures for notification of failure to comply with property standards are specifically defined in §16.24.170 of the Metropolitan Code of Laws.

## BACKGROUND

The Property Standards division receives complaints from residents, council members, business owners, and other concerned parties every day. Property Standards violation complaints can be submitted to the Codes Department in a number of ways. The most common ways are through phone calls and hubNashville. Exhibit B shows how complaints were received.

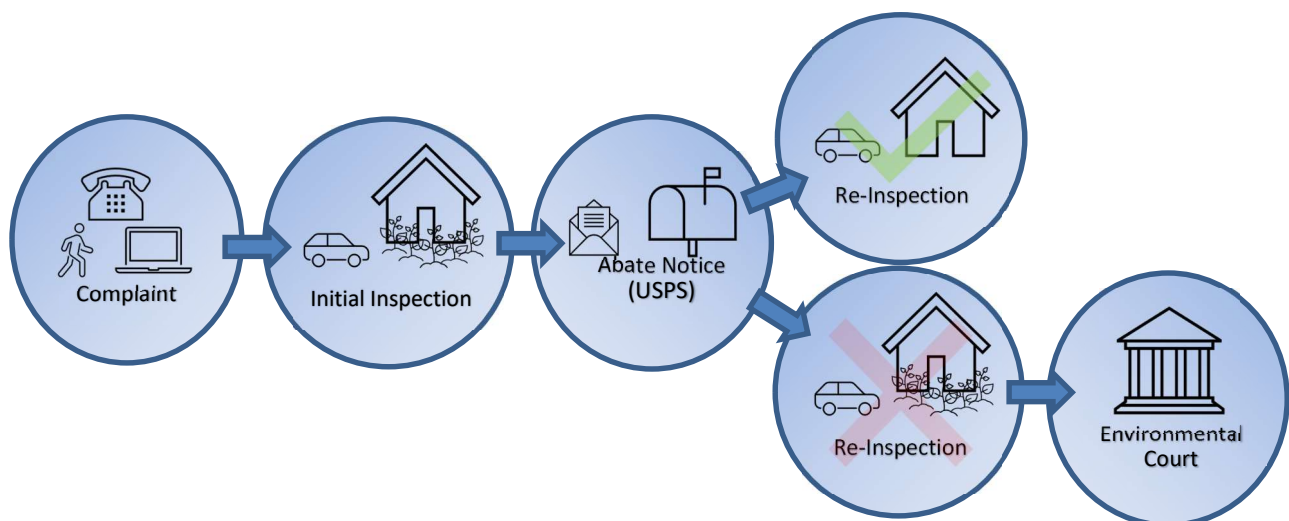
**Exhibit B: Complaints received by Property Standards Division, 2018 - 2020**

Method	2018	2019	2020	Total
Phone Calls	34,850	35,366	26,544	96,760
hubNashville	2,924	8,540	7,636	19,100
Walk-Ins	2,160	2,234	890	5,284
Total				121,144

Source: Codes Property Standards Department. Includes complaints received that may have been transferred to other departments or marked as duplicates.

The process for investigating a complaint is generally the same; however, some cases will have special circumstances leading to deviations in the process. Exhibit C shows a high-level overview of the complaints process.

**Exhibit C: Property Standards Complaints Process**



All sources of complaints eventually end up in CityWorks for tracking. Inspectors perform an initial inspection of the property and either close resolved cases or refer confirmed violations for abate notices. Abate notices are sent to property owners with the violation details and the deadline for resolution. When the deadline arrives, inspectors re-inspect the property. Property cases properly abated are closed, and properties with unresolved violations are referred to Environmental Court. Warrants for Environmental Court are served in person by the Davidson County Sheriff's Office. Warrants include the date and time of the court appearance. The court can impose a fine of up to a \$50 a day for each violation. If a case is resolved in court, the case will be closed in CityWorks.

During 2020, the COVID-19 pandemic closed Environmental Court for several months, leading to a delay in all property violation cases during that time.

## AUDIT OBJECTIVES AND CONCLUSIONS

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*1) Are controls in place to ensure that complaints are received, investigated, and resolved in a timely manner?*

**Generally, yes.** Uniform processes are followed for receiving, investigating, and resolving property standards complaints. The Department of Codes and Building Safety provides citizens multiple ways to submit complaints. The Property Standards division aims to initially investigate complaints within 1 to 5 business days. However, the goals are not documented, and 5 of the 60 complaints reviewed were not initially inspected for more than 6 days. Additionally, 9 of the 60 cases were found to be open and abandoned with no follow-up scheduled. No written procedures exist for monitoring open cases to ensure all cases receive appropriate attention until the violation is resolved. (See Observations A and B.)

*2) Is the status of complaints communicated timely with both the property owner and the complainant?*

**Generally, no.** If a complaint is submitted through hubNashville, system controls are in place to automatically send updates to the complainant at specific intervals of the case's life cycle. All other complaint submissions rely on the complainant to request an update for one to be provided. The requirements for contacting the property owner are defined in §16.24.170 of the Metropolitan Code of Laws, and the Property Standards division adheres to the requirements. However, barriers such as the inability to deliver abate notices and inability to serve Environmental Court warrants were found to cause case progression to stall and complaints to go unaddressed. (See Observations C and D.)

## AUDIT OBSERVATIONS

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Internal control helps ensure entities achieve important objectives to sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. See **Appendix B** for a description of the observation *Assessed Risk Rating*.

### **Observation A – Contact with Property Owners**

The Property Standards division follows Metropolitan Code of Laws requirements to notify property owners of violations, but the division is often hindered by incorrect or insufficient contact information. The Property Standards division utilizes property owner addresses from the Metropolitan Trustee’s Office database. Abate notices are required to be sent via United States Postal Service. Abates get returned in the mail, and alternative methods are used to attempt to find secondary addresses through CLEAR for Enhanced Due Diligence, a third-party people search tool. If additional addresses or relatives cannot be found, the process stalls, leaving frustrated neighbors and duplicate complaints.

Environmental Court warrants must be served in person to property owners. However, some property owners use PO Box addresses within the Metropolitan Trustee’s records. Warrants cannot be physically served to a PO Box. Additionally, if property owners are not home or do not answer the door, the warrant is not served. Alternative addresses are searched for by staff, and warrants are attempted to be served by a private service. Without serving a warrant, the case cannot go to court, and the code violations remain unresolved.

No written policies or procedures exist to standardize follow-up of complaints that stall due to insufficient addresses. Cases will sit open with no further attempts at action. In the sample of 60 open cases reviewed, 13 cases (22 percent) were open due to being unable to serve a warrant.

#### *Criteria:*

- COSO, Control Activities – Principal 10 – The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- COSO, Control Activities – Principal 12 – The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Title 16, Section 24 of Metropolitan Code of Laws

#### *Assessed Risk Rating:*

**High**

#### *Recommendations for management of The Department of Codes and Building Safety:*

1. Establish and document a process to follow-up on cases that are not moving due to inability to serve a warrant or send an abate notice. Determine a way in CityWorks to designate those cases that are unable to be served to ensure they can be monitored.
2. Implement formal process to search for alternative addresses to send abate notices and serve Environmental Court warrants. Utilize other Metropolitan Nashville Government departments and methods in the process.
3. Explore working with Metropolitan Council Members to change the Metropolitan Code of Laws to better suit serving and notifying property owners about property standards violations.

### Observation B – Open Cases

Cases are closed due to either abatement by the property owner or through discharge in Environmental Court. A sample of 60 open cases during the audit period found 9 cases (15 percent) had no recent updates or follow-up target dates within CityWorks. CityWorks target dates are how cases end up in the inspector’s queue. Without a new target date, cases are not re-inspected and remain open.

Of the 60 open cases, 8 cases (13 percent) had no identifiable reason for not being up to date. No duplicate cases were found, nor were the cases going through the court system. Follow-up target dates were scheduled but not completed. The number of days past the target date ranged from 7 to 479 days. With no follow-up on open cases, property owners are not held accountable for their violations, and neighbors remain frustrated. Exhibit D shows the open cases and the days past their target date.

**Exhibit D: Open Cases by Days Past Target Date**

Violation Description	Target Date	Days Past Target Date
VEHICLE IN THE RIGHT OF WAY	6/18/2019	779
EXTERIOR PROP AREA – OPEN STORAGE - ALL	4/13/2020	479
HIGH WEEDS	5/20/2020	442
VEHICLE IN THE RIGHT OF WAY	9/11/2020	328
UNLIC / INOP / ACCUMULATION MTR VEHICLES	12/14/2020	234
EXTERIOR REPAIR	5/12/2021	85
UNLIC / INOP / ACCUMULATION MTR VEHICLES	7/21/2021	15
COMMERCIAL VEHICLE RESIDENTIAL DISTRICT	7/29/2021	7

Source: CityWorks, cases past due as of test date August 5, 2021.

#### Criteria:

- COSO, Control Activities – Principal 12 – The organization deploys control activities through polices that establish what is expected and procedures that put policies into action.

#### Assessed Risk Rating:

**High**

#### Recommendation for management of the Department of Codes and Building Safety:

Establish supervisory review procedures to periodically ensure cases have timelines and efforts are still being made to resolve the complaint.

### Observation C– Initial Investigation of Complaints

A sample of 60 complaint cases during the audit period was reviewed. The average number of days between the receipt of a complaint and the initial investigation was one day. However, 5 of the 60 cases (8 percent), took 6 or more days to initially investigate. The highest number of days between receiving a complaint and the initial investigation was 16 days. The Property Standards division has 4 inspectors assigned to a Flex Team to assist designated area inspectors in high volume periods. Effective utilization of the Flex Team ensures complaints are addressed timely. No formal policies exist stating the timeline expectation for the initial complaint investigation or how the Flex Team will be assigned to ensure timelines are met. Additionally, routine monitoring to ensure timeliness of initial complaint investigation does not occur. Longer initial inspection times result in complainants feeling unheard.

*Criteria:*

- COSO, Control Activities – Principal 10 – The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- COSO, Control Activities – Principal 12 – The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

*Assessed Risk Rating:*

**Medium**

*Recommendations for management of the Department of Codes and Building Safety:*

1. Establish documented procedures and goals for initial inspection timelines and determination of floater assignment.
2. Implement regularly documented supervisor reviews of team queues to ensure all cases are being inspected in a timely manner.

***Observation D – Communication with the Public***

Most property standards complainants do not receive any update on the status of their complaints. When a complaint is submitted through hubNashville, residents have the option to provide an email address and other contact information. If an email address is provided, hubNashville automatically sends updates when a case is received, found in violation, if a warrant is served, and when the case is closed. Only about 35 percent of property standards complaints are received through hubNashville. For the other 65 percent of complaints received, there is no process of updating the complainant with the case status. Phone call, email, and walk-in complaints are entered directly into CityWorks, which does not send any notifications. With no system of updating complainants about the status of the case, duplicate complaints may be submitted, and residents may feel their concerns are not being heard or addressed.

*Criteria:*

- COSO, Control Activities – Principal 13 – The organization communicates with external parties regarding matters affecting the functioning of internal control.

*Assessed Risk Rating:*

**Medium**

*Recommendations for management of the Department of Codes and Building Safety:*

1. Utilize hubNashville for initial complaint intake information for all submission types instead of directly entering cases into CityWorks.
2. Continue to promote and encourage all residents to submit complaints through hubNashville.

## APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

We believe that operational management is in a unique position to understand best their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

Risk	Recommendation	Concurrence and Action Plan	Expected Completion Date
<b><i>Recommendations for management of the Department of Codes and Building Safety:</i></b>			
H	Establish and document a process to follow-up on cases that are not moving due to inability to serve a warrant or send an abate notice. Determine a way in CityWorks to designate those cases that are unable to be served to ensure they can be monitored.	<b>Accept.</b> For cases where the abate notice has been returned or the warrant has not been served, for unserved warrants we will use the CityWorks service action “unserved” that will generate a recheck date so the status can be monitored. We will attempt to obtain service using a citation sent by certified mail. If that fails to obtain service, we will attempt service via private service. We will also try to find alternate contact information to ensure we can reach the property owner. For situations where abatements are returned, we will use the “Clear” information service to try and obtain alternate contact information. All inspectors will be briefed on this procedure to ensure all will utilize these steps.	1 December 2021
H	Implement formal process to search for alternative addresses to send abate notices and serve Environmental Court warrants. Utilize other Metropolitan Nashville Government departments and methods in the process.	<b>Accept.</b> We will ensure all inspectors let their Chief know when they have an abate notice that has been returned so we can use the “Clear” information service to try and obtain alternate contact information.	1 December 2021
H	Explore working with Council Members to change the Metropolitan Charter to better suit serving and notifying property owners about property standards violations.	<b>Accept.</b> We will ask Metro Legal to explore options to modify the current regulations to require more accurate contact information is on file for all property owners. These changes may require action at the State level.	1 December 2021
H	Establish supervisory review procedures to periodically ensure cases have timelines and efforts are still being made to resolve the complaint.	<b>Accept.</b> We will utilize existing management reports in CityWorks to monitor inspector case status. This review will be done each week.	22 October 2021



## APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

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M	Establish documented procedures and goals for initial inspection timelines.	<b>Accept.</b> We will establish a goal of making all initial inspections within 48 hours of their being input into CityWorks.	22 October 2021
M	Implement regularly documented supervisor reviews of team queues to ensure all cases are being inspected in a timely manner.	<b>Accept.</b> Again, we will perform weekly reviews of inspectors case loads to ensure all cases are kept up to date and inspected in a timely manner.	11 October 2021
M	Utilize hubNashville for initial complaint intake information for all submission types instead of directly entering cases into CityWorks.	<b>Accept.</b> We will encourage all citizens to register complaints via HubNashville, especially when they request a follow-up email regarding the status of the complaint. To provide the best customer service for walk-in and call-in complainants, we will enter the cases directly into CityWorks only when there is reservation by the complainant to utilize HubNashville.	18 October 2021
M	Continue to promote and encourage all residents to submit complaints through hubNashville	<b>Accept.</b> We will actively encourage callers to use the hub instead of calling in.	18 October 2021



**A Report to the  
Audit Committee**

**Mayor**

John Cooper

**Investment Committee Chair**

Kelly Flannery

**Treasurer**

Michell Bosch

**Audit Committee Members**

Tom Bates

Kelly Flannery

Sharon Hurt

Brackney Reed

Jim Shulman

Kyonztè Toombs

# Audit of Metropolitan Nashville Government Pension Investments

October 21, 2021

Metropolitan  
Nashville  
Office of  
Internal Audit

## EXECUTIVE SUMMARY

October 21, 2021



### Why We Did This Audit

This audit was initiated due to the impact of the pension plan on the financial well-being of current and future beneficiaries of the pension system.

### What We Recommend

- Clarify the strategy and risk tolerance behind the asset allocation policy.
- Amend the Statement of Investment Policy to be more in line with best practices.
- Perform an annual evaluation of Investment Committee skills.
- Obtain an independent experience study every five years to review actuarial methods and assumptions.

# Audit of Metropolitan Nashville Government Pension Investments

## BACKGROUND

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The primary function of the pension fund is to provide a financial benefit to the current and future beneficiaries. The Employment Benefit Board Investment Committee has a fiduciary duty to the pension fund beneficiaries. The Investment Committee obtains investment management assistance from the Office of the Treasurer. As of March 31, 2021, the balance of the pension fund was \$3,978,564,667 and was diversified throughout 8 asset classes and 135 different funds.

## OBJECTIVES AND SCOPE

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The objectives of this audit are to determine if:

- Pension plan investment objectives, allocation ranges, and other directives are being achieved as specified in the Metropolitan Nashville Statement of Investment Policy.
- Metropolitan Nashville pension investments are being managed in accordance with public pension best practices.
- Governance over Metropolitan Nashville pension investments are in line with public pension best practices.

The scope of this audit included the management of pension investments between July 1, 2018, and February 28, 2021.

## WHAT WE FOUND

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The Metropolitan Nashville pension is well funded and is being effectively managed and monitored by the Investment Committee and the Office of the Treasurer with support from the investment consultant.

Investment directives and objectives in the Statement of Investment Policy are generally being achieved, but private equity investments have been overallocated during the audit period. Additionally, the Investment Policy should be amended to be more in line with best practices. The asset allocation for the Metropolitan Nashville pension fund differs from other public pension funds and the strategy and risk tolerance behind the asset allocation should be communicated in the Investment Policy.

Investment Committee members are actively engaged and monitoring the pension fund. However, an annual evaluation of committee members skills should be performed to guide training and educational initiatives.

## **GOVERNANCE**

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The Investment Committee was established by Section 13.04 of the Metropolitan Nashville Charter. The Investment Committee has full and complete control over investments and a fiduciary responsibility over the pension fund. The Investment Committee is a subset of the Metropolitan Employee Benefit Board and is composed of the Director of Finance and three members appointed by the Metropolitan Nashville Mayor. The Charter requires appointments to the Investment Committee have an interest in benefit and retirement programs and ten years of business experience.

The Investment Committee receives investment advisory services from a Finance Manager who serves as a Chief Investment Officer within the Office of the Treasurer's and NEPC, LLC, the investment consulting firm since 2017.

## **BACKGROUND INFORMATION**

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The Metropolitan Nashville pension fund provides an annual income to qualified retired Metropolitan Nashville employees and serves to attract, retain, and motivate employees. The Investment Committee, a subset of the Metropolitan Employee Benefit Board, has full and complete control over pension investments, sets the strategy of the pension fund, and has fiduciary responsibility for the beneficiaries of the fund. The general framework for the pension fund management process can be divided into three steps including drafting and adopting a statement of investment policy, designing the investment portfolio, and implementing the investment portfolio. These steps are carried out collectively by the Investment Committee, Office of the Treasurer, and external managers and consultants.

### **Statement of Investment Policy**

The statement of investment policy is a document addressing the overall policies governing investment-related activities of the pension fund. Drafting the investment policy is the Investment Committee's ultimate responsibility. However, the Investment Committee relies on recommendations from the Office of the Treasurer and an investment consultant regarding the policies and investment objectives to be included in the investment policy.

The current investment policy was last updated in November 2018. The policy includes the investment objectives for the pension fund, asset allocation ranges for investment classes, general limitations and requirements for investments, and policies related to communications and reporting. Investment policies can vary greatly across public pension plans, but there are common elements. Best practices are available from various organizations to guide public pension fund trustees in formulating investment policy statements.

### **Investment Portfolio Design**

The asset allocation policy within the investment policy identifies the asset classes making up the investment portfolio and allocation percentage assigned to each asset class. The asset allocation has been found to be the primary driver behind investment portfolio returns. The asset allocation policy is the responsibility of the Investment Committee, but guidance is provided by the Office of the Treasurer with assistance from the investment consultant. The asset allocation should ultimately reflect the investment strategy and risk tolerance of the Investment Committee. Each year, the asset allocation is revisited and evaluated for minor adjustments due to market conditions and asset class performance.

The ending fiscal year balance for each of the asset classes can be seen below in Exhibit A.

## Exhibit A - Fiscal Year Ending Asset Allocation Values

Asset Class	FY Ending 6/30/2018	FY Ending 6/30/2019	FY Ending 6/30/2020
<b>Domestic Equity</b>	\$ 502,716,635	\$ 483,606,308	\$ 552,172,183
<b>International Equity</b>	374,749,077	385,278,366	381,956,545
<b>Equity Hedge</b>	199,614,856	206,443,757	195,538,933
<b>Fixed Income</b>	560,667,121	555,609,774	380,204,569
<b>Fixed Income Alternatives</b>	641,064,231	644,767,403	687,856,508
<b>Real Assets</b>	347,280,790	389,018,528	382,686,775
<b>Private Equity</b>	540,555,151	646,787,584	756,303,696
<b>Alternative Segment</b>	5,477,806	9,060,432	303,068
<b>Cash</b>	32,641,312	33,380,433	38,611,430
<b>Total</b>	<b>\$ 3,204,766,979</b>	<b>\$ 3,353,952,585</b>	<b>\$ 3,375,633,707</b>

Source: NEPC Quarterly Investment Summary Reports

### Investment Portfolio Implementation

The implementation of the investment strategy reflected in the Statement of Investment Policy and asset allocation is delegated to the Office of the Treasurer. The Finance Manager within the Office of the Treasurer and investment consultant work together to identify investment opportunities in funds within the allowable asset classes. Once a fund has been identified it is vetted internally by the Finance Manager and NEPC, LLC. A recommendation to invest a certain dollar amount is presented to the Investment Committee for approval. Once approved the Office of the Treasurer will work out the specific terms with the managers of the fund and an account will be opened at BNY Mellon, the custodian bank. The managers of the fund will then have access to the approved dollar amount in the specified BNY Mellon account.

The funds are monitored continually by the Finance Manager using the BNY Mellon online portal, NEXEN, to gauge performance and for any out of the ordinary fluctuations. Fund managers are required to report quarterly to the Office of the Treasurer, which is then passed on to the investment consultant. A quarterly investment summary report is prepared by NEPC, LLC and presented to the Investment Committee. The quarterly summary report includes a current market summary, a review of risk and return based on a three- and five-year period, the current asset allocation compared to target asset allocation, composite pension fund performance, and asset class performance.

The pension fund balance and rate of return history for the last ten fiscal years can be seen below in Exhibit B.

### **Exhibit B – Pension Fund Balance and Rate of Return History**

Fiscal Year	Metropolitan Nashville Pension Fund	Annual Rate of Return
<b>FY2011</b>	\$ 2,194,445,498	20.93%
<b>FY2012</b>	\$ 2,184,909,752	1.07%
<b>FY2013</b>	\$ 2,412,259,291	13.72%
<b>FY2014</b>	\$ 2,776,645,107	17.83%
<b>FY2015</b>	\$ 2,843,131,877	4.87%
<b>FY2016</b>	\$ 2,767,560,207	0.64%
<b>FY2017</b>	\$ 3,057,707,027	12.87%
<b>FY2018</b>	\$ 3,214,686,496	6.79%
<b>FY2019</b>	\$ 3,363,992,994	6.14%
<b>FY2020</b>	\$ 3,389,980,482	1.92%

Source: Metropolitan Nashville Government Comprehensive Annual Financial Reports

## OBJECTIVES AND CONCLUSIONS

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1. *Are pension plan investment objectives, allocation ranges, and other directives being achieved as specified in the Metropolitan Nashville Statement of Investment Policy?*

**Generally, yes.** Reporting and monitoring guidelines specified in the Statement of Investment Policy are being followed. Quarterly performance reports prepared by the investment consultant were thorough and presented to the Investment Committee. Information presented in a sample of 2 out of 11 quarterly performance reports during the audit period were verified for accuracy, and fund information presented in the report was reconciled to the data from the custodian bank, BNY Mellon. Additionally, all funds added to the pension fund portfolio during the audit period were approved by the Investment Committee.

All four best practices specified in the Government Finance Officers Association's asset allocation for defined benefit plans best practices were being met. However, 1 out of 8 asset classes (12 percent) was outside the allocation range specified in the Statement of Investment Policy. The allocation in private equity investments was over the allowable range for every quarter during the audit period. (See Observation A.)

2. *Are pension fund investments being managed in accordance with public pension best practices?*

**Generally, yes.** Data analytics software was used to compare the asset allocation of the Metropolitan Nashville pension fund to the allocations of 174 public pension funds including a subset of funds with fund balances between approximately \$2.5 billion and \$5 billion. The analysis showed the Metropolitan Nashville pension fund has lower allocations in public equities and higher allocations in fixed income and private equity investments compared with peer public funds. The average allocation of private equity among peer public funds was approximately 10 percent. The specified allocation in the Investment Policy is 12 percent for private equity. However, the average actual allocation was approximately 20 percent throughout the 32-month audit period. The strategy and risk tolerance behind the asset allocation should be specified in the Investment Policy. (See Observation A.)

The Metropolitan Nashville Statement of Investment Policy was assessed to determine if best practices for defined benefit investment policies were being met. The review found that 6 out of 10 (60 percent) best practices were not addressed in the Metropolitan Nashville Statement of Investment Policy. (See Observation B.)

The Metropolitan Nashville Government has not had an independent experience study to monitor the quality of actuarial services performed for the pension plan as recommended by the Government Finance Officers Association. (See Observation D.)

3. *Is the governance over pension fund investments in line with public pension governance best practices?*

**Generally, yes.** Most Investment Committee members have several years of experience on the Investment Committee and based on a review of meeting minutes and recordings, committee members were engaged and actively monitoring the pension fund. The Investment Committee members met the seven duties of a fiduciary highlighted in the *U.S. Public Pension Handbook: A Comprehensive Guide for Trustees and Investment Staff* by Von M. Hughes.

The Investment Committee met 4 out of 5 (80 percent) core competencies included in The Clapman Report 2.0: Model Governance Provisions to Support Pension Fund Best Practice Principles published by The Stanford Institutional Investor Committee of Fund Governance. While the

Investment Committee has received education and training from the Office of the Treasurer and investment consultant, the training has largely been ad hoc, and annual evaluation of committee skills has not been performed. (See Observation C.)

## AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives to sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. See **Appendix B** for a description of the observation *Assessed Risk Rating*.

### Observation A – Private Equity Investments

Private equity investments were knowingly overallocated based on the asset allocation specified in the Statement of Investment Policy during the entire 32-month audit period. The asset allocation range in the Investment Policy for private equity investments is 5 to 15 percent. As of the end of the audit period on February 28, 2021, the target allocation for private equity investments was at 12 percent. The allocation in private equity investments increased from 17.6 percent in the third quarter of 2018 to 22.7 percent in the first quarter of 2021, largely due to the strong performance in the asset class. The average allocation in private equity was 20.9 percent for the audit period. Private equity investments seek to earn higher returns than that of the publicly traded equity investments and are considered a higher risk alternative investment.

Public pension data was pulled from publicplansdata.org which is the product of a partnership between The Center for Retirement Research at Boston College and MissionSquare Research. Data analytics software was used to isolate the asset allocation data for 174 funds and a small subset of pension funds with an approximate fund balance between \$2.5 billion and \$5 billion. The average allocation of the 174 funds and the subset of pension funds were compared to the asset allocation for the Metropolitan Nashville pension fund. The results of the comparison can be seen in Exhibit C below.

#### Exhibit C – Asset Allocation Peer Comparison

Pension Fund	Equity	Fixed Income	Real Estate	Misc. Alternative	Private Equity	Hedge Funds	Commodities	Cash
<b>174 Pension Funds</b>	46%	24%	8%	2%	9%	7%	3%	1%
<b>28 Funds (Approximately \$2.5 to \$5.0 billion in Assets)</b>	41%	28%	10%	0%	10%	8%	0%	0%
<b>Metro Nashville Pension Fund</b>	31%	35%	9%	0%	23%	1%	0%	1%

Source: publicplansdata.org and NEPC Quarterly Investment Summary Report

It is evident that the strategy behind the Metropolitan Nashville asset allocation is an outlier from other public funds when it comes to equity investments. Based on explanations received from the Finance Manager and investment consultant, the asset allocation strategy is focused on controlling the volatility of market price rather than focusing on investments that have potentially high returns but add more fluctuations in the funds' market value. Private equity investments are priced on a quarterly basis, as opposed to in real time. This explains why the Metropolitan Nashville asset allocation has larger allocations in speculative investments with less price fluctuation like private equity and less of an allocation in more volatile investments like public equities. An example of this strategy in action would be the recent market downturn in the spring of 2020 due to the COVID-19 pandemic. The Metropolitan Nashville pension fund balance did not decrease as much as other peer pension funds. However, other



peer public funds outperformed the Metropolitan Nashville pension fund during the market recovery due to higher allocations in public equities.

The Metropolitan Nashville Investment Committee has a valid strategy behind the asset allocation. However, the strategy and risk tolerance behind the asset allocation should be clearly communicated in the Statement of Investment Policy.

Additionally, actions to rebalance the pension fund portfolio should be taken or the asset allocation should be amended if it is determined the risk tolerance of the committee would allow for a higher allocation in private equity investments.

*Criteria:*

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- Metropolitan Government of Nashville and Davidson County Employee Benefit System – Statement of Investment Policy
- Government Finance Officers Association, Best Practices – Investment Policies for Defined Benefit Plans
- Hughes V. (2019). *U.S. Public Pension Handbook: A Comprehensive Guide for Trustee and Investment Staff*. New York, NY: McGraw-Hill.

*Assessed Risk Rating:*

**High**

*Recommendations for management of the Office of the Treasurer to:*

1. Clarify the strategy and the risk tolerance behind the asset allocation in the Statement of Investment Policy.
2. Address the overallocation of private equity investments by either rebalancing the pension fund portfolio or amending the asset allocation if it is determined that the risk tolerance of the Investment Committee would allow for a higher allocation in the private equity asset class.

***Observation B – Defined Benefit Investment Policy Best Practices***

The Metropolitan Nashville Statement of Investment Policy should be improved to be more in line with best practices for defined benefit plans. Best practices from the Government Finance Officers Association and U.S. Public Pension Handbook were identified and the Metropolitan Nashville Statement of Investment Policy was assessed to determine if the statement was in line with best practices. The review found that 6 out of 10 (60 percent) of best practices were not being met.

The Metropolitan Nashville Investment Committee should make the following additions to the Statement of Investment Policy:

**Roles, responsibilities, and standards of care:** Roles and responsibilities of individuals within the pension investment management process within the Investment Policy should be identified. Examples of these roles include the Investment Committee members, the Metropolitan Treasurer, Finance Manager, investment consultant, investment managers, and Investment Committee attorney.

**Investment diversification strategy:** The strategy behind the asset allocation policy is not clarified in the Investment Policy. For example, one strategy behind the asset allocation is to limit the volatility of fund

which is obtained through higher allocations in less volatile investments like private equity and fixed income and lower allocations in more volatile investments like public equities.

**Safekeeping, custody, and internal controls:** The Investment Policy does not include guidelines for internal control that will enhance segregation of duties and the risk of fraud.

**Reporting and disclosures standards:** The Investment Policy should include the frequency of reporting to the Investment Committee and what should be including in the reporting. The Investment Policy specifies that investment managers should report quarterly to the Office of the Treasurer and investment consultant, but the frequency of reporting the Investment Committee is not specified. In practice, quarterly performance reports are presented to the Investment Committee by the investment consultant.

**Statement of goal, purpose, or mission:** A statement of investment philosophy in the Investment Policy clarifies the goals, purpose, and mission for the beneficiaries of the pension fund.

**Legal standards:** Legal standards including definitions and explanations behind the prudent investor rule and fiduciary duty should be added to the Investment Policy.

Including the above elements into the Statement of Investment Policy will decrease the risk that delegated investment management tasks are not carried out as the Investment Committee intended and ensure that key pension information is communicated to investment staff, managers, consultants, and beneficiaries.

#### *Criteria:*

- COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Government Finance Officers Association, Best Practices – Investment Policies for Defined Benefit Plans
- Hughes V. (2019). *U.S. Public Pension Handbook: A Comprehensive Guide for Trustee and Investment Staff*. New York, NY: McGraw-Hill.

#### *Assessed Risk Rating:*

**Medium**

#### *Recommendation for management of the Office of the Treasurer to:*

Amend the Investment Policy to be more in line with established best practices for defined benefit investment policies.

### ***Observation C – Investment Committee Core Competencies and Education***

No annual evaluation of Investment Committee member skills as recommended by fund governance best practices has occurred. The Clapman Report 2.0: Model Governance Provisions to Support Pension Fund Best Practice Principles published by The Stanford Institutional Investor Committee of Fund Governance summarized the core competencies that public pension trustees should have as:

- Each trustee should have a thorough understanding of the fund’s obligations.
- The board should include individuals with investment and financial market expertise.

- On a regular basis, trustees should obtain education that provides and improves core competencies.
- Trustees should be able to obtain intelligible explanations of recommended actions by investment staff and advisors.
- The fund should engage in an annual evaluation of trustee skills and, when appropriate, develop a plan for improving and expanding the board’s competencies.

Training and education for the Investment Committee members has largely been ad hoc with training being initiated when a need arises during the normal course of committee business. Most recently, the Investment Committee has received education on the investment climate in Asia as well as factoring environmental, social, and governance into investment decisions.

Ensuring that the Investment Committee members have the necessary core competencies is important specifically because the Metropolitan Nashville Government Charter does not require investment and financial experience as a condition of appointment to the Investment Committee. The only requirements for mayoral appointments to the Investment Committee are ten years of business experience and an interest in benefit and retirement programs. The three mayoral appointments on the Investment Committee have several years of experience serving on the committee.

*Criteria:*

- COSO, Control Activities—Principle 11—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- The Stanford Institutional Investors’ Forum Committee on Fund Governance, Clapman Report 2.0: Model Governance Provisions to Support Pension Fund Best Practice Principles
- Hughes V. (2019). *U.S. Public Pension Handbook: A Comprehensive Guide for Trustee and Investment Staff*. New York, NY: McGraw-Hill.

*Assessed Risk Rating:*

**Medium**

*Recommendation for management of the Office of the Trustee to:*

Perform an ongoing annual evaluation of Investment Committee skills and, if needed, develop a plan for improving and expanding the committee’s competencies.

***Observation D – Independent Experience Study***

An independent experience study should be used by the Investment Committee to monitor the quality of actuarial services performed for the pension plan. An independent experience study involves using an outside actuary to review the actuarial methods and assumptions of the consulting actuary of the pension plan. Experience study are helpful to enhance the credibility of the actuarial valuation process, increase public trust in how the pension plan is being governed, help plan fiduciaries assess whether the pension plan is meeting its funding objectives, and provide recommendations for improving the actuarial valuation report. The Metropolitan Nashville pension fund is approaching 100 percent funded status. The use of an experience study would give further assurance to the fiduciaries and beneficiaries of the plan that the pension plan is well funded.

As a best practice for public pensions, the Government Finance Officers Association recommends actuarial audits be conducted for pension funds every five years.

*Criteria:*

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- Government Finance Officers Association, Best Practices – Actuarial Audits

*Assessed Risk Rating:*

**Medium**

*Recommendation for management of the Office of the Treasurer to:*

Conduct an experience study to review the actuarial services provided for the Metropolitan Nashville pension fund at least once every five years.

### ***Observation E – Office of the Treasurer Staffing***

Staffing within the Office of the Treasurer should be evaluated to ensure internal resources are sufficient to assist the Investment Committee in managing an approximate \$4 billion pension fund while also ensuring critical investment tasks are segregated to protect against potential undue influence from investment fund managers. The pension is managed within the Office of the Treasurer by two employees, a Finance Manager and Finance Officer II.

The Finance Manager is responsible for several critical management tasks including the identification and analysis of potential investments, performing ongoing risk analysis, monitoring of the investment portfolio, and ensuring compliance with the Statement of Investment Policy. The Finance Manager will also develop professional relationships with managers and travels to annual conferences held by asset managers within the pension fund. Ideally, the Office of the Treasurer would have investment analysts that have the responsibility of identifying potential investment opportunities, researching the investment opportunities, and providing that information to a chief investment officer or portfolio manager that makes the decision to move forward with the investment. The Finance Manager is currently fulfilling the role of the analyst and the portfolio manager. It should be noted that NEPC, LLC will review all investments that are selected by the Office of the Treasurer before the investment is brought before the Investment Committee for approval. However, this does not prevent the opportunity for the Finance Manager to receive perceived or actual undue influence.

Another option could include procuring the services of a discretionary consultant that has the responsibility of identifying investment opportunities and presenting the potential investments to the Investment Committee and then redefining the roles of the Office of the Treasurer staff to include monitoring managers and consultants and being the inhouse expertise to the Investment Committee. Per the *U.S. Public Pension Handbook: A Comprehensive Guide for Trustees and Investment Staff* by Von M. Hughes, public plans that lack the resources of larger public plans will acquire the services of a discretionary consultant or outsourced chief investment officer as a cost-effective alternative to building up an internal investment staff.

*Criteria:*

- COSO, Control Activities—Principle 11—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Hughes V. (2019). *U.S. Public Pension Handbook: A Comprehensive Guide for Trustee and Investment Staff*. New York, NY: McGraw-Hill.

*Assessed Risk Rating:*

**Medium**

*Recommendation for management of the Office of the Treasurer to:*

Perform a cost-benefit analysis for adding additional resources to ensure the Office of the Treasurer can effectively assist the Investment Committee in managing the pension fund and ensure protection against undue influence from fund managers. Resources could include hiring additional investment analysts or redefining the roles of existing staff and procuring an outsourced chief investment officer.

## **GOVERNMENT AUDITING STANDARDS COMPLIANCE**

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We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

## **METHODOLOGY**

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To accomplish our audit objectives, we performed the following steps:

- Interviewed key personnel within the pension investment management process.
- Reviewed and analyzed documentation for compliance with the Tennessee Code Annotated, Metropolitan Nashville Code of Laws, and other applicable laws, regulations, and policies.
- Evaluated internal controls currently in place.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

## **AUDIT TEAM**

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Seth Hatfield, CPA, CIA, CFE, In-Charge Auditor

Bill Walker, CPA, CIA, CFE, Audit Manager

Lauren Riley, CPA, CIA, CFE, ACDA, CMFO, Metropolitan Auditor

## APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Risk</i>	<i>Recommendations for the management of the Office of the Treasurer to:</i>		
<b>H</b>	A.1 – Clarify the strategy and the risk tolerance behind the asset allocation in the Statement of Investment Policy.	<b>Accept</b> A large initiative to update the Investment Policy is already under way and is expected to go before the Investment Committee at the next quarterly meeting.	06/30/2022
<b>M</b>	A.2 – Address the overallocation of private equity investments by either rebalancing the pension fund portfolio or amending the asset allocation if it is determined that the risk tolerance of the Investment Committee would allow for a higher allocation in the private equity asset class.	<b>Accept</b> The Investment Committee has approved the overallocation and no assets will be divested. The Investment Policy will be updated to show new risk tolerance with higher allocation percentages.	06/30/2022
<b>M</b>	B.1 – Amend the Statement of Investment Policy to be more in line with established best practices.	<b>Accept</b> A large initiative to update the Investment Policy is already under way and is expected to go before the Investment Committee at the next quarterly meeting.	06/30/2022
<b>M</b>	C.1 – Perform an annual evaluation of Investment Committee skills and, if needed, develop a plan for improving and expanding the committee’s competencies.	<b>Accept</b> A large initiative to update the Investment Policy is already under way. The update will include an annual requirement of 8 hours of investment training a year for each investment committee member.	06/30/2022
<b>M</b>	D.1 – Conduct an Experience Study to review the actuarial services provide for the Metropolitan Nashville pension fund at least once every five years.	<b>Accept</b> A recommendation will be made to the Committee to hire a second actuary to review the current firm’s assumptions.	06/30/2022

## APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<b>M</b>	E.1 - Perform a cost-benefit analysis for adding additional resources to ensure the Investment Office can effectively assist the Investment Committee in managing the pension fund and ensure protection against undue influence from fund managers. Resources could include hiring additional investment analysts or redefining the roles of existing staff and procuring an outsourced chief investment officer.	<p><b>Accept</b></p> <p>We will recommend to the Investment Committee to do a cost benefit analysis</p>	06/30/2022



**Metropolitan Nashville Office of Internal Audit**  
**Audit Project Status**  
**As of October 22, 2021**

Audit Plan Year February 2021 to January 2022 Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
1) Juvenile Court Clerk Cash Collections and Trust Management					Mar-21
2) Emergency Communication Center					Mar-21
3) Metro Water Services Water Billing					Mar-21
4) NGH Procurement Follow-Up					Apr-21
5) NGH Pharmacy Operations Follow-Up					Mar-21
6) Fund Restrictions, Commitments, and Assignment					Jun-21
7) MNPDP Fiscal Management					May-21
8) Public Defender					Sep-21
9) Public Works Revenues			✓	Oct-21	
10) Metro Nashville Employee Benefit Board Pension Investments					Oct-21
11) Health Department IT Security and Governance ( <i>Kraft CPAs</i> )		✓			
12) Municipal Auditorium Follow-Up					May-21
13) MNPS Procurement Process		✓			
14) Codes Complaints Process					Oct-21
15) Drug Court 4 Audit Follow Up		✓			
16) Library Security Follow Up		✓			
17) EEOC Form 164 Follow Up		✓			
18) Codes Fuel Card Follow Up		✓			
19) Arts Commission Follow Up		✓			
20) Treasury Collections Follow Up		✓			
<b>Completed Investigations</b>					<b>Final</b>
<b>Metro Integrity Line Alerts - February 2021 to February 2022</b>			<b>Total</b>	<b>Closed</b>	<b>Pending</b>
Metro Hotline Alerts (Fraud, Waste, & Abuse)			14	12	2

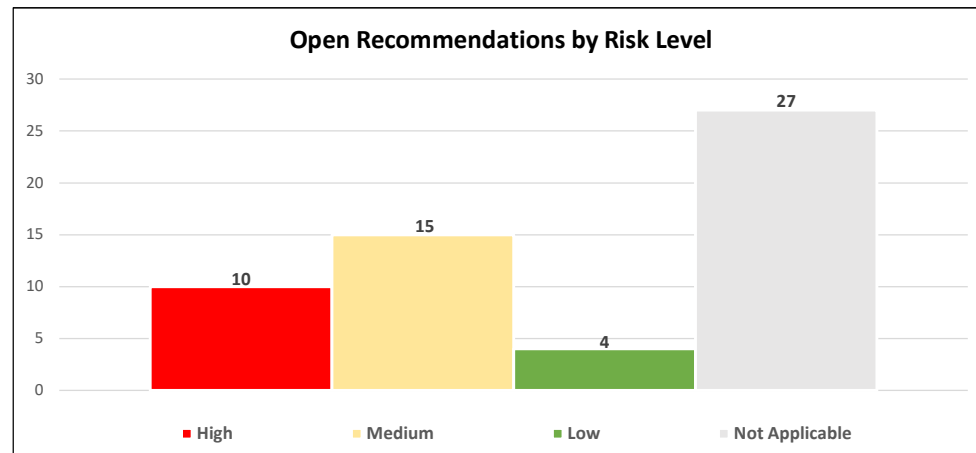
**Note:** Goal to complete 17 audit projects for Plan Year 2021. Currently 11 completed audit projects.

**Metropolitan Nashville Office of Internal Audit  
2021 Recommended Work Plan**

<b>*Co-source</b>		<b>CY 2020 Audits In Progress / Carry Forward</b>	<b>Budget Hours</b>	<b>Status</b>
1	Emergency Communications Center		200	Issued
2	Juvenile Court Clerk		200	Issued
3	Metro Water Services Billing Process		200	Issued
4	Fund Assignments, Restrictions, and Commitments		300	Issued
5	MNPD Fiscal Management		600	Issued
6	Nashville General Hospital Follow-Ups: Pharmacy and Procure to Pay		150	Issued
7	Barnes Fund Operations and Follow-Up ( <i>Carry Forward</i> )		800	
8	Public Works Revenue Collections ( <i>Carry Forward</i> )		600	Reporting
9	Metropolitan Nashville Employee Benefit Board Pension Investments ( <i>Carry Forward</i> )		800	Issued
10	Office of Internal Audit Peer Review ( <i>Carry Forward</i> )		100	
<b>CY 2021 New Audit Areas</b>				
11	Coronavirus Aid, Relief, and Economic Security (CARES) Spending Process		800	
12	Metro Water Services Water and Sewer Collections		800	
13	Metro Codes Complaints Process		600	Issued
14	Public Works Parking Management		600	
15	Public Defender		600	Issued
16	Agricultural Extension Service		600	
17	Hotel Occupancy Tax Audits – 2021		400	
18	Nashville General Hospital Human Resources Process		800	
19	Metro Nashville Public Schools Procurement		800	Fieldwork
<b>Information Technology Risk</b>				
20*	Enterprise Assessment of Departmental Information Security		400	
21*	Health Department – Information Technology Security Management and Governance		200	Fieldwork
<b>Audit Recommendation Follow-up</b>				
22	Recommendation Implementation Follow-Up Audits		800	Ongoing
	<b>Total Audit Services</b>		<b>11,350</b>	

Implementation Status Update as of October 22, 2021

Audit Department List	Year	# Accepted	Open Recommendations Before Follow-Up	Implementation Due by 9/30/2021	Open Recs After Response	Notes
Assessor's Office	2014	14	3		3	
Historic Zoning and Historical Commission Work Force	2015	7	1		1	
Parks and Recreation Maintenance Division	2015	2.5	1		1	
General Government Occupational Safety Program	2017	24	23		23	
DCSO Information Technology Security Practices (CONFIDENTIAL)	2017	45	2	X	0	
Finance Department Procurement And Business Assistance Office	2018	13	1	X	1	Revised Date
Metro Water Services Fire Hydrant Inspections	2018	10	2		2	
Municipal Auditorium	2019	6	4		4	
NGH Pharmacy Operations	2019	17	1		1	
Metro Parks and Recreation Relationships with Nonprofits	2020	2	1	X	0	
Election Commission Information Systems	2020	8	1		1	
MNPS Capital Projects Process	2020	4	1	X	0	
Criminal Justice Center Project	2020	5	1	X	1	Revised Date
Trustee	2021	7	2		2	
Metro Water Services Billing Process	2021	2	1		1	
Emergency Communications Department	2021	2	1	X	0	
Fund Commitments, Restrictions, and Assignments	2021	2	2		2	
MNPD Revenues	2022	1	1	X	0	
Public Defender's Office	2022	3	3		3	
Property Standards Complaints Process	2022	8	4		4	
Pension Investments	2022	6	6		6	
			62		56	



**Recommendation Implementation Changes  
As of June 15, 2021**

Audit/Investigation Name	Responsible Entity	Observation	Response	Due Date	Risk	Latest Update	Revised Due Date
<b>Procurement Division</b>	Finance	Seeking accreditation from a national professional procurement organization.	ACCEPT - The Procurement Division is reviewing the criteria necessary to achieve The National Institute of Government Purchasing (NIGP) OA4 Accreditation. This accreditation recognizes agencies that lead the public procurement profession through the implementation of best practices. Agencies meeting the minimum requirements are OA4-accredited for three years. The Accreditation includes a review of 11 core areas including Mission and Strategies, Organizational Structure, Authority and Responsibility, Planning and Scheduling, Standards and Specifications, Personnel and Professional Development, Best Practices, Audit and Evaluation, Cooperative Procurement, Property Management, and Procurement Technology. A milestone date of May 30, 2019, has been established to review achievement of the criteria with the hope of achieving accreditation by the end of 2019. Full implementation of this recommendation is subject to funding availability.	6/30/2021	<b>N/A</b>	Due to the ongoing COVID pandemic, the Procurement Division had to delay submission of its accreditation application in order to focus on operational needs while transitioning to remote work and electronic processes of procurement activities. The Procurement Division intends to submit its application by June 30, 2022; possibly sooner.	6/30/2022
<b>Criminal Justice Center Project</b>	Finance	Consider including requirements in contract solicitations for the disclosure of related parties, especially those for construction contracts.	Accept -The Purchasing Division will consider the manner with which any requirement related to recommended disclosures are included in solicitations, along with any implication on the Procurement Regulations which would require action of the Procurement Standards Board.	6/30/2021	<b>M</b>	In progress -- The Procurement Division is in process of proposing additional language for review and consideration by the Procurement Standards Board; however, due to the COVID pandemic, the PSB has yet to have a quorum at its scheduled meetings. The Procurement Division would request additional time to implement the recommendation.	6/30/2022

**Office of Internal Audit Budget versus Actual  
GSD General Fund as of September 30, 2021  
FY 2022 Approved Budget**

		<b>FY 2022 Budget</b>	<b>Actual</b>	<b>Difference</b>	<b>Notes</b>
Total Salaries & Fringe		\$ 1,252,600	\$ 245,698	\$ 1,006,902	
Other Expenses					
Professional & Purchased Services		\$ 192,200	\$ 28,271	163,929	
Building Rent Parkway Towers		\$ 59,500	\$ 14,678	44,822	
Other Expenses		\$ 81,600	\$ 5,927	75,673	
Internal Service Fees		\$ 51,300	\$ 12,825	38,475	Information Technology
<b>TOTAL EXPENSES</b>		<b>\$ 1,637,200</b>	<b>\$ 307,399</b>	<b>\$ 1,329,801</b>	<b>19% of budget used to date</b>

<b>Office of Internal Audit Budget History</b>				
<b>For the year ending June 30,</b>	<b>Co-sourcing Audit Budget</b>	<b>Total Budget</b>	<b>Co-sourcing Percent of Budget</b>	<b>FTE</b>
2012	165,000	1,265,400	13%	10
2013	156,200	1,277,900	12%	10
2014	60,200	1,179,300	5%	10
2015	45,100	1,214,900	4%	10
2016	75,100	1,290,400	6%	10
2017	125,100	1,382,900	9%	10
2018	248,000	1,545,700	16%	10
2019	248,000	1,566,100	16%	10
2020	248,000	1,574,900	16%	10
2021	195,800	1,565,100	13%	10
2022	192,200	1,637,200	12%	10

# Metropolitan Nashville Office of Internal Audit

## Executive Team

**Lauren Riley**

MAcc, CPA, CIA, CFE, ACDA, CMFO  
Metropolitan Auditor

## Project and Office Management Leadership

**William (Bill) Walker**

CPA, CIA, CFE

Audit Manager

**Seth Hatfield**

MAcc, CPA, CIA, CFE

Principal Auditor

Project Quality, Milestone/Project Budget Monitoring, Hotline Support,  
Training Plans, GAGAS Compliance, Office Support, etc.

## Audit Talent Pool

**Innocent Dargbey**

MS-Finance, MBA,  
CPA, CMFO, CICA  
Senior Auditor

**James Carson**

MBA, CIA, CFE  
Senior Auditor

**Mary Cole**

MAcc, CPA, CFE, CISA,  
CGFM  
Senior Auditor

**Nan Wen**

MS-Info Sys, MS-  
Acctg, CPA  
Senior Auditor

**Laura Henry**

MAcc, CFE  
Senior Auditor

**Elizabeth Andrews**

CFE  
Auditor I

**Jessica Henderson**

Auditor I

# Audit Committee

Metropolitan Code of Laws Section 2.24.300  
Term-varied  
6 Members

		<u>Date of Appt.</u>	<u>Term Exp.</u>
<b>Mr. C. Thomas Bates</b>	<b>Vice Chair</b>	<b>3/22/2021</b>	<b>3/31/2025</b>
5257 Fredericksburg Way East Brentwood, TN 37027- (615) 504-2425      tombates@bcpas.com Representing: Nashville Chapter of the TSCPA			
<b>Ms. Kelly Flannery</b>		<b>10/5/2021</b>	<b>8/31/2023</b>
One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151      kelly.flannery@nashville.gov Representing: Metropolitan Director of Finance			
<b>Ms. Sharon Hurt</b>		<b>10/5/2021</b>	<b>8/31/2023</b>
One Public Square, Suite 204 Nashville, TN 37201- (615) 862-6151      sharon.hurt@nashville.gov Representing: Metropolitan Council			
<b>Mr. Brack Reed</b>	<b>Chair</b>	<b>2/20/2015</b>	<b>3/20/2023</b>
222 Second Avenue South #1400 Nashville, TN 37201- (615) 770-8100      brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce			
<b>Vice Mayor Jim Shulman</b>	<b>Ex Officio</b>	<b>9/6/2018</b>	<b>8/31/2023</b>
One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357      jim.shulman@nashville.gov Representing: Vice Mayor of Metropolitan Government of Nashville			
<b>Ms. Kyonzte Toombs</b>		<b>10/5/2021</b>	<b>8/31/2023</b>
One Public Square, Ste. 204 Nashville, TN 37201- (615) 862-6151      kyonzte.toombs@nashville.gov Representing: Metropolitan Council			

**METROPOLITAN NASHVILLE AUDIT COMMITTEE  
2021 MEETING PLAN**

<b>Meeting Date</b>	<b>Proposed Agenda Topics</b>
February 9, 2021 (Tuesday)	<ul style="list-style-type: none"> <li>• Office of Internal Audit Annual Performance Report</li> <li>• Internal Audit Annual Work Plan approval</li> <li>• Internal Audit issued report discussion</li> <li>• Open Audit Recommendations Status</li> </ul>
April 13, 2021 (Tuesday)	<ul style="list-style-type: none"> <li>• Election of Chairman and Vice Chairman</li> <li>• External Audit Single Audit and Management Letter presentation</li> <li>• Metropolitan Auditor performance review</li> <li>• Internal Audit issued report discussion</li> <li>• Open Audit Recommendations Status</li> </ul>
June 22, 2021 (Tuesday)	<ul style="list-style-type: none"> <li>• FY2020 External Audit plan and required communications</li> <li>• Internal Audit issued report discussion</li> <li>• Open Audit Recommendations Status</li> </ul>
September 14, 2021 (Tuesday) Rescheduled - October 26, 2021 (Tuesday)	<ul style="list-style-type: none"> <li>• Metropolitan Audit Committee self-assessment</li> <li>• Bylaws annual review</li> <li>• Internal Audit issued report discussion</li> <li>• Open Audit Recommendations Status</li> <li>• External Audit Comprehensive Annual Financial Report Audit Progress Executive Session</li> </ul>
November 23, 2021 (Tuesday)	<ul style="list-style-type: none"> <li>• Internal Audit issued report discussion</li> <li>• Open Audit Recommendations Status</li> <li>• External Audit Comprehensive Annual Financial Report Audit Progress Executive Session</li> </ul>
December 14, 2021 (Tuesday)	<ul style="list-style-type: none"> <li>• External Audit Comprehensive Annual Financial Report</li> <li>• Open Audit Recommendations Status</li> <li>• Internal Audit issued report discussion</li> </ul>



# Metropolitan Nashville Audit Committee

## Executive Session Checklist

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- The published agenda must disclose the general nature of the items to be discussed in executive session.  
See, T.C.A. §9-3-405(f)
- All business which is public in nature shall be conducted first.  
See, T.C.A. §9-3-405(g)(1)
- During the regular public session committee must vote to go into private executive session. Must obtain a majority to be successful.  
See, T.C.A. §9-3-405(d)
- Chair must announce during the public portion of the meeting that no business other than the matters stated generally on the published agenda shall be considered during the confidential executive session.  
See, T.C.A. §9-3-405(e)
- Adjourn the public portion of the meeting.  
See, T.C.A. §9-3-405(g)(2)
- Only individuals whose presence is reasonably necessary in order for the committee to carry out its executive session responsibilities may attend the portion of the executive session relevant to that person's presence.  
See, T.C.A. §9-3-405(h)

## Permissible Executive Session Subject Matter

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1. Items deemed not subject to public inspection under §§ 10-7-503 and 10-7-54, 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
4. Information protected by federal law
5. Matters involving information under § 9-3-406 where the informant has requested anonymity  
See, T.C.A. § 9-3-405(d)