

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



***METROPOLITAN AUDIT COMMITTEE  
WORKBOOK***

**July 9, 2013**

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**METROPOLITAN NASHVILLE  
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA  
July 9, 2013 4:00 p.m.**

**Committee Room 4  
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Approval of Minutes for the February 12, 2013, Meeting, (Bob Brannon – Committee Chairman)
- III. New Business
  - External auditor presentation FY 2013 Audit Communication (Crosslin & Associates, P.C.)
  - Discussion on request to amend current Internal Audit Work Plan to include an audit of Fire Department Grant Management (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Finance Department Metro Investment Pool audit report issued March 28, 2013 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Nashville Public Library audit report issued March 28, 2013 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Davidson County Election Commission audit report issued April 17, 2013 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Beer Permit Board audit report issued April 22, 2013 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Music City Convention Center Construction Project Interim Report Six – Change Orders audit report issued April 29, 2013 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Nashville Expo Center Food and Beverage Operations Management Contract audit report issued May 3, 2013 (Mark Swann – Metropolitan Auditor)
- IV. Old Business
  - Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)
  - Follow-up on external auditor presentation FY 2012 CAFR, Single Audit, and Management Letter (Bob Brannon – Committee Chairman)
- V. Metro Hotline Status and Investigation Reports (Carlos Holt – Internal Audit Manager)
- VI. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
- VII. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
  - FY 2014 Budget
  - FY 2013 Budget
  - Staffing – Metropolitan Auditor 2014 Job Posting

**METROPOLITAN NASHVILLE  
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA  
July 9, 2013 4:00 p.m.**

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

- Annual Review of Bylaws
- Metropolitan Nashville Audit Committee Annual Self-Assessment
- Metropolitan Auditor Annual Performance Review

IX. Adjournment of public meeting – Next meeting Tuesday, September 10, 2013.



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

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

**February 12, 2013**

**DRAFT MINUTES**

On Tuesday, February 12, 2013, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> Floor, Committee Room 4. The following people attended the meeting:

**Committee Members**

Bob Brannon, Chairman  
Brack Reed, Vice Chairman  
Richard Riebeling, Director of Finance  
Jacobia Dowell, Council Member

**Others**

Mark Swann, Metropolitan Auditor  
Carlos Holt, Internal Audit Manager  
Lauren Riley, Internal Auditor  
J. Dell Crosslin, Crosslin & Associates, P.C.  
John Crosslin, Crosslin & Associates, P.C.  
David Hunt, Crosslin & Associates, P.C.  
Dan Miller, Crosslin & Associates, P.C.  
Theresa Costonis, Department of Law  
Mike Curl, Metro Council Office  
Kim McDoniel, Metro Finance

**Committee Member Absent**

Diane Neighbors, Vice-Mayor  
Steve Glover, Council Member

*Quorum present? Yes*

**Call Meeting to Order**

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

**Approval of Minutes**

The minutes of the meeting on December 11, 2012, were approved.

**New Business**

**External auditor presentation of FY 2012 Single Audit and Management Letter (Crosslin & Associates, P.C.)**

Mr. David Hunt and Mr. John Crosslin with Crosslin & Associates presented the Letter of Recommendations to Management for June 30, 2012. They began by discussing the differences between material weaknesses and significant deficiencies. Three primary areas were discussed as being recurring items within Metro: lack of segregation of duties; lack of timely bank reconciliations and failing to make timely cash deposits. Mr. Dan Miller, also with



Crosslin & Associates, then presented the A-133 Single Audit for the year ended June 30, 2012. Crosslin & Associates distributed these two presentations to the committee for review. Although no questions were raised from the committee, Mr. Brannon stated that the presentations would be held for review and any additional action would be made at the July meeting.

Discussion on request to amend current Internal Audit Work Plan to include an audit of Nashville Expo Center (State Fair) Ovations Food Service Contract (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that a request was made by the State Fair prior to the December Audit Committee Meeting to amend the Audit Work Plan to include a contract review of the Ovations Food Service contract. Mr. Swann requested consideration of the revision for approval by the Committee. Mr. Swann noted that the audit was approximately 75-80% complete, but should the request for amendment be denied, all work would cease immediately.

Ms. Dowell moved to approve the amendment. Mr. Reed seconded. Motion carried.

Mr. Brannon noted that the Committee was notified via email prior to the meeting that the audit work was taking place.

Discussion on Audit of Payments From and To Nashville Electric Services audit report issued January 17, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann explained an audit was performed of payments in-lieu of taxes and payments to and from Nashville Electric Services (NES). Mr. Swann stated that re-performance of the Finance Department's complex calculations and spreadsheet revealed no errors.

Mr. Swann noted the biggest issue during the audit was the plant asset which accounts for approximately two thirds of the payment. For fiscal year 2012, Metropolitan Nashville Government paid NES \$58 million for electric services and received \$26.7 million for payment in-lieu of property taxes and reimbursement for shared use of the Metro Nashville 800 MHz trunked radio system. Mr. Swann stated that the shared bill-out of the radio system utilized historical procedures for the allocation. However, none of these procedures were in writing. Mr. Swann stated that Internal Audit recommended the Metropolitan Government Emergency Management Committee establish a formal process to determine the cost structure for maintenance and operation of the radio system infrastructure before allocating the total cost to internal users and external agencies. Additionally, the procedures should be reviewed on a regular basis.

Mr. Swann stated an under billing of \$67,537 by Metro Radio Communications was calculated over a three year period during the audit. Internal Audit believes Metro made a mistake in the billing process.

Mr. Brannon asked if NES would pay the under billing. Mr. Swann responded he was not aware if Metro had billed NES.

Mr. Brannon asked if Metro would bill NES. Mr. Swann responded that he was told Metro would go back and bill NES or negotiations would take place about increasing the NES share.

No additional questions were raised from the committee.

Discussion on Audit of the Acceptable Use of Information Technology Assets – Metro Action Commission audit report issued February 8, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that the final portion of the Acceptable Use policy audit was completed. Mr. Swann explained that this audit covered Metro's adherence to and awareness of the security policy within the Metro Action Commission. Approximately 35 employees were surveyed, and a sample of internet logs and emails were obtained. Mr. Swann stated that overall results were satisfactory. The only area noted was a training issue, as approximately one third of employees believe their emails are private. One employee was noted as having a thumb drive that was unencrypted.

Mr. Brannon asked if anything ever came of the lost thumb drive five years ago. Mr. Swann responded that nothing ever came of the incident as far as he is aware.

Discussion of the Office of Internal Audit Recommended 2013 Annual Work Plan (Mark Swann – Metropolitan Auditor)

Mr. Swann stated he distributed the proposed 2013 Annual Work Plan to the Committee prior to the meeting, and he received minimal responses. Mr. Swann explained that the goal of the plan is to have an audit in all auditable entities within a five to six year cycle. Mr. Swann noted the plan fits with the resources Internal Audit currently has and anticipates.

Ms. Dowell asked about the process to submit a request for an audit. Mr. Swann responded that an email or phone call is sufficient. Mr. Swann stated the only received audit request from a council member was to audit the central office of Metro Schools (MNPS).

Ms. Dowell stated this was an audit she was interested in and would like to know when the last audit was performed. Mr. Swann recommended that should an audit take place, an outside consulting firm be used. Mr. Swann noted that the central office staffing is a managerial decision based on what they believe they need as far as staffing. Mr. Swann pointed to past payroll, IT security management, and food services audits within schools. Additionally, Mr. Swann noted the CY 2013 Audit Plan contains an audit of the Student Management System application.

Ms. Dowell noted that with the Central Office reorganization there has been concern and input from outside parties. Mr. Swann recommended that the topic be narrowed for a specific audit. Ms. Dowell agreed and stated that outside parties were concerned that full time employees had no job function, were working only part time, or were working a few hours a week and not coming into the office. Mr. Swann noted that these concerns were partially addressed by a previous audit response that the schools will begin using the "Kronos" system for time management. This implementation will provide additional accountability. Ms. Dowell stated she would ask for a specific objective for the Central Office audit.

Mr. Riebeling responded that this request was pretty broad to audit all functions of the MNPS central office. With regard to the "Kronos" time management system, he stated that is an area that Metro as a whole is looking at possibly implementing and the next meeting on the topic would be in a few weeks.

Mr. Swann explained that the CY 2013 Audit Work Plan contains eight audits from CY 2012 that will roll into CY 2013. The Plan contains 18 additional audits for CY 2013. Two investigations are held open in case any arise. Within the Plan, 1,000 hours are allocated to investigations; 9,300 hours are allocated to audits. In the audit hours are 1,000 hours for hotel audits. This will

allow for approximately 20 hotel audits for the year. Mr. Swann stated that though 2,000 hours were discussed as being allocated to hotel audits, he saw it as better to limit this to 1,000 hours and spend time on other audits. Hotel audits thus far have found under payments ranging from \$486 to \$18,694.

Mr. Brannon asked for the total amount of underpayments discovered in the completed hotel audits. Mr. Swann responded with total underpayments of \$21,616.

Mr. Riebeling questioned which areas have not been audited in a while. Mr. Swann responded on this particular Audit Work Plan, the Assessor of Property, the Planning Department, the Industrial Development Board, and Capital Project Management for Water and Stormwater are all new areas or higher risk areas.

No other questions were raised from the committee.

Mr. Brannon asked if there was a motion to approve the Audit Work Plan. Mr. Reed motioned for approval. Ms. Dowell second. Motion carried.

### **Old Business**

#### Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)

Mr. Swann noted this was sufficiently covered during the discussion of the CY 2013 Audit Work Plan.

Mr. Brannon agreed.

#### Audit of Nashville Electric Services by State Comptroller's County Audit Division (Mark Swann – Metropolitan Auditor)

Mr. Swann noted this audit report was issued. Mr. Riebeling stated the response from the council members was that the issue was taken seriously and addressed and that the board chair did an excellent job laying to rest any concerns. Mr. Swann noted that NES stated they felt management was the first line of defense and internal audit was the second line. They felt they failed in this regard and want to improve.

Mr. Brannon asked what staff they have in Internal Audit. Mr. Swann responded that they have six members, but did have three at one time. Mr. Riebeling added that they have hired Kraft CPAs to look into whether they may remain independent if they are working for the agency. Mr. Swann added by IIA standards, they would be independent. Mr. Swann stated that there is a difference in a Board that is compensated, volunteer, or accepting full risk. Additionally, Audit Committee meetings had been cancelled numerous times in the past year; thus, minimal oversight from the Nashville Electric Services Audit Committee.

No other questions were raised from the committee.

#### Follow-up on external auditor presentation FY 2012 CAFR (Bob Brannon – Committee Chairman)

Mr. Swann questioned the Crosslin representatives about the rising balances in the un-reconciled items mentioned previously. Mr. Swann asked if there was a total dollar value. Mr.

Holt added years ago when Internal Audit discovered the amount, it was several thousands of dollars. A check for this amount was handed over to the General Fund. Mr. Hunt noted that the amount cannot be taken as unidentified property. The recommendation they would make is to write a check to the General Fund.

Mr. Riebeling asked if a motion was needed to accept the CAFR.

Mr. Brannon stated he preferred to keep the CAFR open in case someone finds an issue later.

Metro Integrity Line (Hotline) Status and Investigation Reports (Carlos Holt – Internal Audit Manager)

Mr. Holt advised that three hotline alerts were received in January – one safety, one policy, and one fraud. One issue is currently open. Mr. Holt added that for the 2012 calendar year, 32 original incidents were reported to the hotline covering nine different types of issues.

Mr. Brannon asked if fraud issues were required to be reported to the State. Mr. Holt responded that this is correct.

Ms. Dowell questioned about reporting the fraud to the State. Mr. Swann responded that if certain criteria and thresholds were met, then the suspected fraud would be turned over to the State. Mr. Holt added that the categories assigned to previous complaints were chosen by the person making the claim. Thus, the category is not indicative of the true outcome of the investigation. Mr. Swann added that the hotline is not for HR issues, which is being stressed to employees.

Internal Audit Project Status (Mark Swann – Metropolitan Auditor)

Mr. Swann presented the status of audit projects for the Office of Internal Audit. Mr. Swann noted that 18 projects were completed since this time last year. As of now, eight projects from CY 2012 are open. One audit was outsourced to ITS.

**Other Administrative Matters (Mark Swann – Metropolitan Auditor)**

FY 2014 Proposed Budget

Mr. Swann stated that a two percent budget cut was required. This equates to \$22,000 for the Office of Internal Audit. Mr. Swann proposed the cut be made to professional services.

FY 2013 Budget

Mr. Swann stated that the Office of Internal Audit will be on budget this year.

Staffing

Mr. Swann advised that an internal auditor resigned. A Senior Auditor was hired. There are currently two open positions that are budgeted. These will be filled in the future.

Nashville Chapter Tennessee Society of CPA's Reappoint for Mr. Brannon

Mr. Swann noted that Mr. Brannon had been reappointed to another term for the Nashville Chapter of the Tennessee Society of CPA's committee appointment. Mr. Swann expressed his appreciation for Mr. Brannon's service to the committee over the past years.

**Consideration of Items for Future Meetings** (Bob Brannon - Committee Chair)

Mr. Swann noted that if any items arise before the July meeting, another meeting may be scheduled if necessary.

**Meeting adjourned after 65 minutes.**

The next meeting is scheduled for Tuesday, July 9, 2013.

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

**December 11, 2012**

On Tuesday, December 11, 2012, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> Floor Committee Room 4. The following people attended the meeting:

Committee Members

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

Others

Mark Swann, Metropolitan Auditor  
Carlos Holt, Internal Audit Manager  
Qian Yuan, Internal Auditor  
J. Dell Crosslin, Crosslin & Associates, P.C.  
Rich Lockwood, Crosslin & Associates, P.C.  
David Hunt, Crosslin & Associates, P.C.  
Theresa Costonis, Department of Law  
Sharon Wahlstrom, Public Works  
Kim McDoniel, Metro Finance

Committee Member Absent

Diane Neighbors, Vice-Mayor

*Quorum present? Yes*

**Call Meeting to Order**

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

**Approval of Minutes**

The minutes of the meeting on September 25, 2012, were approved.

**New Business**

External auditor presentation of fiscal year 2012 Comprehensive Annual Financial Reports (Crosslin & Associates, P.C.)

Mr. David Hunt with Crosslin & Associates presented the Comprehensive Annual Financial Reports for Metropolitan Government of Nashville & Davidson County fiscal year 2012.

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

Discussion on Agreed-Upon Procedure for the General Sessions Court Probation Office report issued September 27, 2012 (Mark Swann – Metropolitan Auditor)

Metropolitan Auditor Mark Swann explained that this was a follow-up to an audit of the Probation Office years back when there were several control break-downs. The procedure looked at revenue collection, monitoring services, drug testing, segregation of duty, and user access rights to probation system. Issues found in previous audit, such as reconciliation of drug tests to revenue, and use of manual receipts have been addressed with controls implemented. Unnecessary access rights were found assigned to users in the probation information system. Recommendation was made and accepted by the Probation Office to review the roles in the adult probation system.

No question was raised from the committee.

Discussion on Audits of the Acceptable Use of Information Technology Assets (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that the Acceptable Use policy was issued as a part of renewed efforts to improve Metro's information security after several incidents occurred in the past. Three areas, namely Nashville Expo Center, Emergency Management and Metro Action Commission, were tested for the compliance of the policy. Two reports were issued and report on Metro Action Commission is in draft phase. Mr. Swann stated that overall results were satisfactory.

No question was raised from the committee.

Discussion on Audit of Contract Monitoring Process at Metro Nashville Public Works audit report issued October 2, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated at Public Works, thirty seven vendors were paid over \$400,000 in the audit period and four vendors with eight contracts valued about 21 million were chosen and reviewed. Overall, Public Works monitoring process was satisfactory. Some exceptions were found such as, annual true-up process stipulated in contract not occurred, best available quantified information should be used in invitation to bid and change order over \$100,000 needed actual cost and price data for review.

No question was raised from the committee.

Discussion on the Information Technology Services' Certificate Service audit report issued October 19, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that the certificate service is used for information security awareness improvement. It provides identity management to build trust relationships. Metro's public facing website uses outside vendor. Internally Metro used our own certificates to identify our own application and machines. ITS requested the review two years ago before a vendor was finally found to complete the review. Recommendations were made by this review but no major exceptions found which might cause break down of the system. Mr. Swann stated that the report was confidential and no more details can be released.

Mr. Brannon asked what should be done to read the report. Mr. Swann answered that readers should be finger printed and to pass CJIS background check.

Discussion on Audit of Metro Nashville's Motor Fuel Usage audit report issued October 25, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that Fleet Management manages Metro's motor fuel and diesel fuels. Fuel cards were used by Public Works, Fire Department, and Metro Parks. Metro Schools manages its own fuel. Nine million dollars' worth of fuel was purchased during 2012. The major finding is that no inventory reconciliation had been done. Three random fuel tanks were randomly selected to reconcile purchases, usage and quantity on-hand. 26% variance was found going one way or the other. Various reasons found to be lack of meters maintenance and usage monitoring. Going forward, the Fleet Management agreed to do monthly inventory reconciliation on all the tanks.

Another observation from this audit is that out of over two hundred fifty one thousand fuel card transactions, over fifteen thousand were not authorized by policy in buying higher grade. Recommendation was to work with vendor to provide additional control to block the unauthorized grade. The audit recommended that a specialized fuel management system and equipment in place to improve accountability.

Mr. Brannon asked whether Police Department uses this fuel. Mr. Swann answered that Police uses fuel cards at the facilities managed by General Services. Police also has their own underground tanks.

No other question raised by the committee.

Discussion on the Audit of Nashville Career Advancement Center audit report issued November 27, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that the Nashville Career Advancement Center uses Federal funds and was audited by grants and the State. The Center got clean opinions from those audits and we rely on these audit reports. Additional test on payroll was done and we have no observations and recommendations.

No question raised by the committee.

Discussion on the Audit of the Metropolitan Nashville Historical Commission audit report issued December 3, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that the audit found the Historical Commission did tremendously better than the time of last audit before his time. Documents were kept well in compliance with policies and procedures. However, for the project of preserving Nashville City Cemetery, a sole source contract was approved at low amount but actual spending was much higher to over eight hundred thousand dollars. No documentation found for the effort of looking for other bids. This audit also recommended that the Commission should continue to consider provide incentive program for historical restoration at local level.

No question raised by the committee.

Discussion on the Audit of Nashville Fire Department Drug Inventory audit report issued October 26, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that overall the Fire Department had better controls than Health Department over the controlled substances. The audit recommended the reconciliation of purchases and usage periodically. The Fire Department was in agreement.



No question raised by the committee.

#### Announcement

Mr. Swann announced that he will request amendment of the audit plan due to a request from State Fair for an audit of Ovation concessionaire contracts. Mr. Riebeling stated that Mr. Swann should consider that Ovation had four contracts with Metro buildings. Nothing further was discussed on this issue.

No comments and question was raised on new business items. Mr. Brannon stated that no action required at this point.

#### **Old Business**

##### Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)

Mr. Swann presented the status of Hotel Occupancy Tax audits. He advised that six hotels were audited and \$18,694 recovered from one hotel, and another potential three thousand dollar tax underpaid due to lack of documentations. Mr. Swann stated that the hotels changed owner frequently and the auditors had to find the owners who had the records.

Mr. Glover asked what time period was audited. Mr. Swann said that it could be up to three years. Mr. Brannon asked how many hotels there are in total. Mr. Swann answered that there are about 250 hotels. Mr. Glover asked how many revenue the occupancy tax represents. Mr. Swann answered about forty million dollars a year.

##### Audit of Nashville Electric Services by State Comptroller's County Audit Division (Mark Swann – Metropolitan Auditor)

Mr. Swann said the report is scheduled to be released on Thursday morning at nine o'clock. Mr. Swann will send a link or copy of the report to the committee.

##### Follow-up on external auditor presentation FY 2011 Management Letter and Single Audit (Bob Brannon – Committee Chairman)

Mr. Brannon moved to approve the FY 2011 Management Letter and Single Audit Report. Motion carried by the committee.

##### Metro Hotline Status and Investigation Reports (Carlos Holt – Internal Audit Manager)

Mr. Holt advised that 29 Hotline alerts were received this year, where 23 were anonymous, and 6 non-anonymous. Other requests were received from the State and other Metro entities. All investigations were conducted, closed and reported.

Mr. Brannon asked Mr. Holt whether he thinks the hotline is effective. Mr. Holt answered absolutely.

##### Internal Audit Project Status (Mark Swann – Metropolitan Auditor)

Mr. Swann presented the status of audit projects at the Office of Internal Audit. Mr. Swann advised that the goal for calendar year 2012 was to complete 16 audit projects. As of now, 16

projects were completed. Two are in draft report phase and three are in field work phase about to be completed. One audit will be started next week and three others in January.

### **Other Administrative Matters (Mark Swann – Metropolitan Auditor)**

#### Office of Internal Audit Annual Performance Report November 1, 2011 to October 31, 2012

Mr. Swann presented the Internal Audit Annual Performance Report. He showed the heat map of audit coverage over the past five years. Mr. Swann advised that 239 recommendations made this year and the acceptance rate is continuously 87%. This rate is lowed by State Trial Court not accepting any of the recommendations. About a hundred recommendations are in open status and most of those were from last three months. As of now there are twenty eight recommendations remained over a year old, partial due to funding issue. One other reason for a recommendation still open is that no one can answer the question what level of merchant Codes Department is pertaining to credit card payments transactions in accordance with Payment Card Industry standards.

Mr. Glover asked about how the accepted recommendations were reported. Mr. Swann advised that the implementation of the recommendations was self-reported. Follow-up audits were not done due to lack of resources. Mr. Glover stated that the self-reporting is a good process.

#### FY 2013 Budget

Mr. Swann stated that the Office of Internal Audit will be on budget this year.

#### Staffing

Mr. Swann advised that another senior auditor resigned and there are two openings in the senior auditor position. Senior Auditor position was open and posted for hire and the process should start the following week.

#### Other

Mr. Swann asked whether the committee wants to accept the Annual Performance Report and forward it to Metro Council. Mr. Riebeling moved to accept the report and forward it to the Council. Mr. Brannon second. Motion carried.

### **Consideration of Items for Future Meetings (Bob Brannon - Committee Chair)**

No items were discussed.

### **Meeting adjourned after 75 minutes.**

The next meeting is scheduled for Tuesday, February 12, 2013.





## FY2013 Audit Communication

## Swann, Mark (Internal Audit)

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**From:** Lynch, Billy (NFD)  
**Sent:** Friday, March 01, 2013 2:39 PM  
**To:** Swann, Mark (Internal Audit)  
**Cc:** Hagar, Leigh Anne (NFD-ADM); Holt, Carlos (Internal Audit)  
**Subject:** Audit Request

Mark, I am requesting if possible that Your Office review the oversight of the Grants presently monitored by the Nashville Fire Department specifically a Professional Development Grant and Two Safer Grants

I know you presently have an employee reviewing a few other issues in the Department. Thanks

# EXECUTIVE SUMMARY

March 28, 2013

Results in Brief	Background and Recommendations																					
<p>An audit of the Department of Finance's Metro Investment Pool was conducted.</p> <p style="text-align: center;"><b>Key Audit Objective</b></p> <p><i>Were controls in place to ensure correct allocation of interest income and interest charges where applicable?</i></p> <p><b>Generally yes.</b> However, some strengthening of controls is needed to ensure correct allocation of interest income, interest charges and expenses.</p> <p>Key sub-objectives used to determine the primary audit objective included:</p> <ol style="list-style-type: none"> <li>1. Were interest incomes received from the Tennessee Local Government Investment Pool accurate?           <p><b>Yes.</b> Interest income agreed with stated applied interest rates.</p> </li> <li>2. Were fund account balances correctly and properly booked?           <p><b>Generally no.</b> Four out of the twelve months reviewed showed variances in stated and actual applied amounts.</p> </li> <li>3. Were the processing controls within SymPro accurate?           <p><b>Yes.</b> Time weighted investment values were recalculated to ensure calculations generated by SymPro were accurate as intended.</p> </li> <li>4. Was data within SymPro and EnterpriseOne consistent and reconciled?           <p><b>Yes.</b> General ledger balances from EnterpriseOne matched balances from SymPro with no exceptions observed.</p> </li> <li>5. Were expenses allocated to positive fund balances related to investment activity?           <p><b>Generally yes.</b> However, numerous expenses were more operational than investment related.</p> </li> </ol>	<p style="text-align: center;"><b>Metropolitan Investment Pool</b> <b>July 1, 2010 through June 30, 2012</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">FY 2012</th> <th style="width: 20%; text-align: center;">FY 2011</th> </tr> </thead> <tbody> <tr> <td>Average Daily Principle Investment</td> <td style="text-align: right;">\$551 million</td> <td style="text-align: right;">\$504 million</td> </tr> <tr> <td>Average Monthly Yield</td> <td style="text-align: right;">0.12%</td> <td style="text-align: right;">0.21%</td> </tr> <tr> <td>Total LGIP Interest Income</td> <td style="text-align: right;">\$687,274</td> <td style="text-align: right;">\$993,507</td> </tr> <tr> <td>Imputed Interest from Negative MIP Fund Balances</td> <td style="text-align: right;">\$167,578</td> <td style="text-align: right;">\$287,031</td> </tr> <tr> <td>Less: Total MIP Expense</td> <td style="text-align: right;">\$749,421</td> <td style="text-align: right;">\$749,894</td> </tr> <tr> <td><b>Total MIP Net Return</b></td> <td style="text-align: right;"><b>\$224,884</b></td> <td style="text-align: right;"><b>\$411,371</b></td> </tr> </tbody> </table> <p>Key recommendations of this report include:</p> <ul style="list-style-type: none"> <li>• Determine if the Metro Investment Pool is aptly named or would it be more appropriately referred to as the Metro Nashville's Pooled Cash Account or similar moniker.</li> <li>• Clearly communicate the purpose of the Metro Investment Pool as a mechanism to maximize investment yields for Metro's temporarily idle cash so as to fund expenses related to forecasting and mobilization of Metro's daily cash requirements.</li> <li>• Determine if after declassifying the Metro Investment Pool as an investment vehicle, Metro would be better served simply retaining interest income for Treasury cash management operations and not charging interest to negative balance funds (mostly consisting of grants).</li> <li>• Work with SymPro Software to determine if user identification information can be utilized and recorded to create an auditable trail for managements review.</li> </ul>		FY 2012	FY 2011	Average Daily Principle Investment	\$551 million	\$504 million	Average Monthly Yield	0.12%	0.21%	Total LGIP Interest Income	\$687,274	\$993,507	Imputed Interest from Negative MIP Fund Balances	\$167,578	\$287,031	Less: Total MIP Expense	\$749,421	\$749,894	<b>Total MIP Net Return</b>	<b>\$224,884</b>	<b>\$411,371</b>
	FY 2012	FY 2011																				
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<b>Total MIP Net Return</b>	<b>\$224,884</b>	<b>\$411,371</b>																				

# EXECUTIVE SUMMARY

March 28, 2013

Results in Brief	Fiscal Data and Recommendations																		
<p>An audit of the Nashville Public Library was performed. Key objectives and conclusions were as follows:</p> <ul style="list-style-type: none"> <li>• <i>Were revenue receipts received at the Nashville Public Library real, complete, and accurately recorded in bank and accounting records?</i> <b>Yes.</b> No material discrepancies were found.</li> <li>• <i>Were payroll expenditures for services performed or benefits earned at the approved rate of compensation?</i> <b>Yes.</b> No material discrepancies were found.</li> <li>• <i>Were expenditures aligned with the service delivery objectives of the Nashville Public Library?</i> <b>Yes.</b> No material discrepancies were found.</li> <li>• <i>Were library collections properly secured?</i> <b>Yes.</b> No material discrepancies were found.</li> <li>• <i>How do per capita measures and statistical information such as circulation, patron visits, types of expenditures, sources of revenue flows compare to public libraries in similar jurisdictions?</i>  Comparable governmental jurisdictions spend more money for library services than the Nashville Public Library, over \$7 million or 30 percent more. However, Nashville Public Library program attendance and e-circulations exceeded this group. Printed material circulation, CD/DVD circulation, and reference assistance were behind peer jurisdictions by approximately one half. <sup>1</sup></li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="width: 33%;">FY 2012</th> <th style="width: 33%;">Budget</th> <th style="width: 33%;">Actual</th> </tr> </thead> <tbody> <tr> <td>Operating Expense</td> <td style="text-align: right;">\$19,901,100</td> <td style="text-align: right;">\$20,109,676</td> </tr> <tr> <td>Four Percent Funds</td> <td style="text-align: right;">4,001,080</td> <td style="text-align: right;">1,941,303</td> </tr> <tr> <th colspan="3" style="text-align: center;">FY 2011</th> </tr> <tr> <td>Operating Expense</td> <td style="text-align: right;">\$19,695,000</td> <td style="text-align: right;">\$19,406,122</td> </tr> <tr> <td>Four Percent Funds</td> <td style="text-align: right;">4,210,403</td> <td style="text-align: right;">2,209,323</td> </tr> </tbody> </table> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Leverage the Millennium system to develop a methodology for tracking, monitoring, and quantifying items missing from the library's collection.</li> <li>• Develop a policy defining at what specific length of time an item should be missing before it is classified as lost/stolen.</li> <li>• Develop a report to be distributed to appropriate levels of management detailing the current number of missing items and the increase or decrease over time.</li> <li>• Segregate cash receipt functions within the conference room section.</li> </ul>	FY 2012	Budget	Actual	Operating Expense	\$19,901,100	\$20,109,676	Four Percent Funds	4,001,080	1,941,303	FY 2011			Operating Expense	\$19,695,000	\$19,406,122	Four Percent Funds	4,210,403	2,209,323
FY 2012	Budget	Actual																	
Operating Expense	\$19,901,100	\$20,109,676																	
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FY 2011																			
Operating Expense	\$19,695,000	\$19,406,122																	
Four Percent Funds	4,210,403	2,209,323																	

<sup>1</sup> National Public Library Association 2011 Statistical Report

# EXECUTIVE SUMMARY

April 17, 2013

The Metropolitan Nashville Office of Internal Audit performed an audit of the processes and controls in place at the Davidson County Election Commission. Subsequent to the start of this audit project, the Coordinator of Elections for the Tennessee Secretary of State initiated a review of Davidson County Election Commission practices. A separate special report addressing specific concerns not included in the scope of this audit will be forthcoming from the Coordinator of Elections.

Results in Brief	Key Recommendations
<p><u>Election Process</u></p> <ul style="list-style-type: none"> <li>• <i>Were controls to ensure the integrity of the election process efficient and working as management intended?</i></li> </ul> <p><b>Yes.</b> The Office of Internal Audit staff attended poll worker training, reviewed controls surrounding voter registration, voter machine maintenance, security, and election canvassing. Controls were in place and working as management intended.</p> <p><u>Fiscal Resources</u></p> <ul style="list-style-type: none"> <li>• <i>Were the procedures followed in the procurement of the 440 electronic poll books in compliance with Metro Nashville Purchasing Code and Regulations?</i></li> </ul> <p><b>Generally yes.</b> The procurement and contract development process was followed for the purchase. However, purchase orders were not used prior to shipment of goods. <li>• <i>Were fiscal resources such as personnel time, operational expenditures, and capital and tracked assets being managed?</i></li> <p><b>Generally yes.</b> A review of payroll, timekeeping, purchasing, and procurement card transactions showed that management of the Davidson County Election Commission were being good stewards of funds appropriated to support election activities. <li>• <i>Have previous audit recommendations from the Tennessee Comptroller's Division of County Audit report <u>Limited Review of Information System Controls</u> dated June 8, 2008, been implemented?</i></li> <p><b>Generally no.</b> A review of the status of implementation showed that only two out of the seven accepted recommendations were implemented.</p> </p></p>	<p><u>Election Process</u></p> <ul style="list-style-type: none"> <li>• Continue the practice of self-evaluation and improving the election processes by reviewing election risks along with opportunities for improvement.</li> <li>• Enhance information security practices.</li> </ul> <p><u>Fiscal Resources</u></p> <ul style="list-style-type: none"> <li>• Use purchase order to request goods and services.</li> <li>• Verify invoice rates against contract schedules.</li> <li>• Ensure procurement card purchase policy guidelines are followed.</li> <li>• Ensure the staff responsible for hiring poll workers is not also responsible for poll worker payroll processing.</li> <li>• Maintain capital and valuable equipment listings.</li> </ul> <p>Management's response can be seen in Appendix A, page 29.</p>



# EXECUTIVE SUMMARY

April 24, 2013

Results in Brief	Fiscal Data and Recommendations												
<p>An audit of the Metropolitan Beer Board was performed.</p> <p style="text-align: center;"><b>Audit Objectives</b></p> <ul style="list-style-type: none"> <li>• <i>Were policies and procedures as set forth by the Metropolitan Beer Board effectively implemented?</i></li> </ul> <p><b>Yes.</b> Policy and procedures were effectively implemented. No exceptions were noted.</p> <ul style="list-style-type: none"> <li>• <i>Was revenue receipts received at the Metropolitan Beer Board real, complete, and recorded in bank and accounting records?</i></li> </ul> <p><b>Yes.</b> All revenue was deposited and recorded. No exceptions were noted.</p> <ul style="list-style-type: none"> <li>• <i>Was leave time for Metropolitan Beer Permit Board employees tracked, monitored, and recorded?</i></li> </ul> <p><b>Yes.</b> All uses of leave were supported by required documentation. No exceptions were noted.</p>	<p style="text-align: center;"><b>Operational Expenses Fiscal Years 2012 and 2011</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 35%; text-align: center;">2012</th> <th style="width: 35%; text-align: center;">2011</th> </tr> </thead> <tbody> <tr> <td>Budget</td> <td style="text-align: right;">343,700</td> <td style="text-align: right;">321,400</td> </tr> <tr> <td>Actual</td> <td style="text-align: right;">297,955</td> <td style="text-align: right;">337,207</td> </tr> <tr> <td>Variance</td> <td style="text-align: right;">23,444</td> <td style="text-align: right;">(15,807)</td> </tr> </tbody> </table> <p>Management of the Metropolitan Beer permit Board should:</p> <ul style="list-style-type: none"> <li>• Take steps to segregate responsibilities for the receipt and recording of cash.</li> <li>• Continue to pursue technological processes to replace manual efforts.</li> </ul>		2012	2011	Budget	343,700	321,400	Actual	297,955	337,207	Variance	23,444	(15,807)
	2012	2011											
Budget	343,700	321,400											
Actual	297,955	337,207											
Variance	23,444	(15,807)											

# EXECUTIVE SUMMARY

April 30, 2013

Results in Brief	Background and Recommendations										
<p>The Metropolitan Nashville Office of Internal Audit engaged Experis Finance to perform an audit of the Music City Convention Center construction project. Key areas reviewed included:</p> <ul style="list-style-type: none"> <li>• Change Order Process.</li> <li>• Change Orders.</li> <li>• Contract language for risks and potential language changes.</li> </ul> <p>Audit objectives and conclusions were as follows:</p> <ul style="list-style-type: none"> <li>• <i>Does the change order process have sufficient controls in place?</i> <b>Yes.</b> Procedures currently in place provide reasonable assurance that the program is managed effectively and efficiently.</li> <li>• <i>Are the change orders appropriate and in accordance with the contract?</i> <b>Yes.</b> The review of a sample of change orders verifies they have been processed in accordance with the written policy, and approved in accordance with the terms of the contract.</li> <li>• <i>Are there risk areas and/or contract language recommendations for change in future contracts?</i> <b>Yes.</b> Risk areas include general conditions, general requirements, fixed labor rates, and self-performed work.</li> </ul>	<div style="text-align: center;"> <p><b>Change Orders</b> <b>As of February 20, 2013</b></p> <table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 20%; text-align: center;">Total Costs</th> </tr> </thead> <tbody> <tr> <td><b>Original GMP</b></td> <td style="text-align: right;">\$415,000,000</td> </tr> <tr> <td><b>GMP Change Orders</b></td> <td style="text-align: right;">6,392,020</td> </tr> <tr> <td><b>Non-GMP Change Orders</b></td> <td style="text-align: right;">13,171,698</td> </tr> <tr> <td><b>Current Contract</b></td> <td style="text-align: right;">\$434,563,718</td> </tr> </tbody> </table> </div> <p>Key recommendations of this report include:</p> <ul style="list-style-type: none"> <li>• Review lump sum general conditions costs prior to executing the contract.</li> <li>• Review fixed labor rates in detail before executing the contract.</li> </ul>		Total Costs	<b>Original GMP</b>	\$415,000,000	<b>GMP Change Orders</b>	6,392,020	<b>Non-GMP Change Orders</b>	13,171,698	<b>Current Contract</b>	\$434,563,718
	Total Costs										
<b>Original GMP</b>	\$415,000,000										
<b>GMP Change Orders</b>	6,392,020										
<b>Non-GMP Change Orders</b>	13,171,698										
<b>Current Contract</b>	\$434,563,718										

# EXECUTIVE SUMMARY

May 3, 2013

Results in Brief	Background and Recommendations												
<p><i>An audit of the Metropolitan Nashville Expo Center portion of the contract with Ovations Food Services, LP was performed.</i></p> <p style="text-align: center;"><b>Audit Objectives</b></p> <ul style="list-style-type: none"> <li>• <i>Did the Metropolitan Nashville Expo Center adequately monitor contractor performance?</i></li> </ul> <p><b>No.</b> The majority of problematic issues regarding commissions, marketing funds, capital reserve funds, subcontractor commissions and service, required certified public accountant opinions and equipment status were not addressed in a timely manner. Documentation was not always retained regarding notifications and communications that were conducted. Many unresolved matters could have been avoided through effective contract monitoring.</p> <ul style="list-style-type: none"> <li>• <i>Were food and beverage commissions and fee rates reported and paid in accordance with contract terms?</i></li> </ul> <p><b>Generally no.</b> Cash registers were not always used, computed commissions were not always paid or were improperly calculated and some marketing funds remain unspent.</p> <ul style="list-style-type: none"> <li>• <i>Did the contractor employ an independent certified public accountant to furnish a written statement each year complying with contract terms for an opinion without caveat?</i></li> </ul> <p><b>Generally no.</b> The annual statements were limited agreed-upon-procedures with disclaimers of opinion and frequently furnished late.</p> <ul style="list-style-type: none"> <li>• <i>Was the \$500,000 capital investment equipment purchased, maintained, and depreciated in accordance with contract terms?</i></li> </ul> <p><b>Generally no.</b> Lists of equipment and depreciation schedules were not maintained, and not all equipment was purchased as required.</p>	<p style="text-align: center;"><b>Metro Nashville Expo Center's Contract with Ovations Food Services, LP</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="text-align: center;">Six Fiscal Years Ended July 31, 2007 - July 31, 2012</th> <th style="text-align: center;">Cumulative Actual</th> </tr> </thead> <tbody> <tr> <td>Concession Sales</td> <td style="text-align: right;">\$1,108,335</td> </tr> <tr> <td>Café and Catering Sales</td> <td style="text-align: right;">\$1,021,225</td> </tr> <tr> <td>Service Charges</td> <td style="text-align: right;">\$40,750</td> </tr> <tr> <td>Subcontract Net of COS*</td> <td style="text-align: right;">\$561,861</td> </tr> <tr> <td>Subcontract COS*</td> <td style="text-align: right;">\$1,262,598</td> </tr> </tbody> </table> <p>*COS = Cost of Sales</p> <p>Key recommendations of this report specify that management of the Nashville Expo Center should:</p> <ul style="list-style-type: none"> <li>• Establish a written plan with designated responsibilities to monitor each element of the performance of the contractor for the remaining period and any new contract.</li> <li>• Request immediate payment of the \$4,280 commission underpayment for the fiscal year ended July 31, 2007, plus any applicable penalty and interest, if applicable.</li> <li>• Request that any unspent marketing funds be made available to the Nashville Expo Center.</li> <li>• Determine if payment was received for the contractor selling refreshments stands to a third party, subsequently agreeing to a 50 percent split of the price paid.</li> <li>• Request that the contractor specifically identify the \$84,255.30 purchase from the previous contractor or provide usable replacement equipment.</li> <li>• Request that the contractor make the capital investment equipment unspent amount of \$12,385.06 available to the Nashville Expo Center upon contract expiration or sooner.</li> <li>• Determine if the 3.25 percent capital reserve fund payments between August 2006 and September 2007 were received (\$19,700).</li> </ul>	Six Fiscal Years Ended July 31, 2007 - July 31, 2012	Cumulative Actual	Concession Sales	\$1,108,335	Café and Catering Sales	\$1,021,225	Service Charges	\$40,750	Subcontract Net of COS*	\$561,861	Subcontract COS*	\$1,262,598
Six Fiscal Years Ended July 31, 2007 - July 31, 2012	Cumulative Actual												
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Service Charges	\$40,750												
Subcontract Net of COS*	\$561,861												
Subcontract COS*	\$1,262,598												

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Metropolitan Nashville Office of Internal Audit  
Hotel Occupancy Tax Audit Status  
July 9, 2013

Total number of hotels audited		<b>17</b>
Total hotel revenue amount audited	\$	62,822,200.00
Number of hotels underpaid		10
Total under paid tax amount*	\$	32,334.00
Number of hotels overpaid		1
Total over paid tax amount	\$	975.00

\*Under paid tax amounts ranged between \$77 and \$18,694



## FY 2012 CAFR PRESENTATION



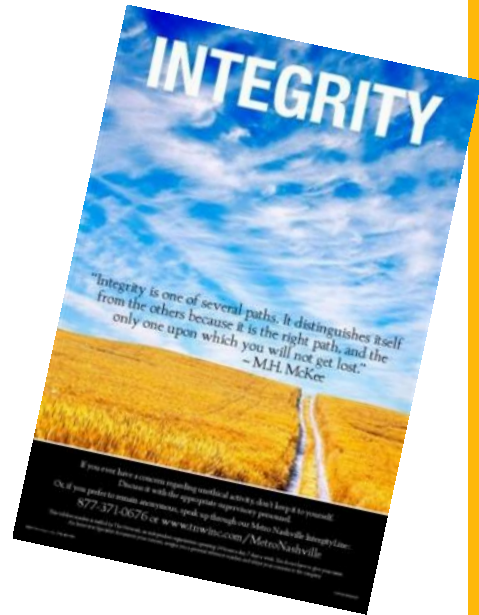
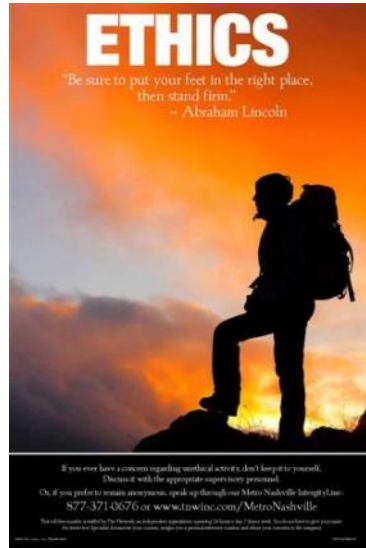
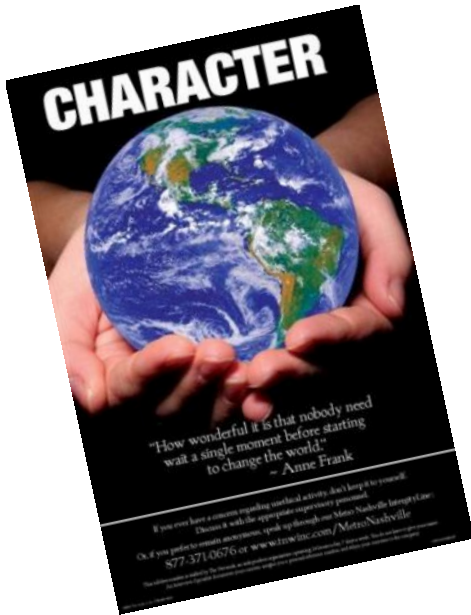
**FY 2012 Single Audit**

**FY 2012 Management Letter**

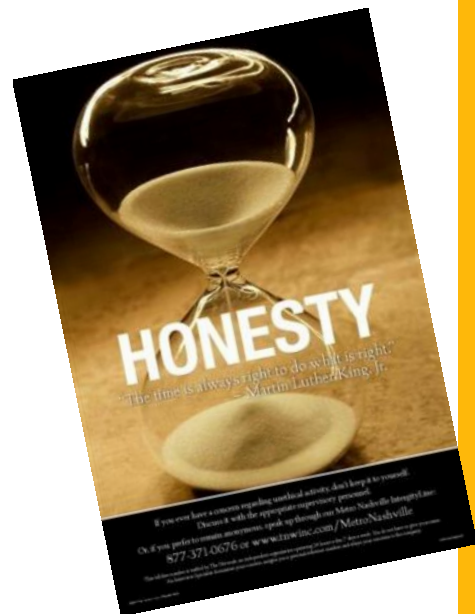
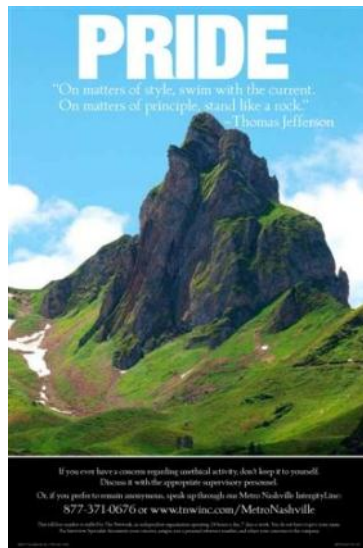
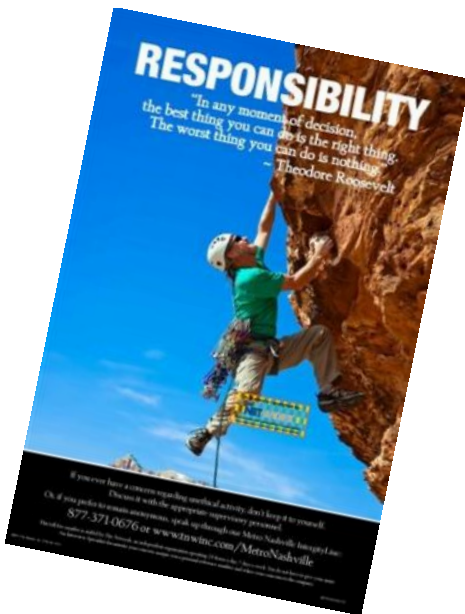




After five years of service the Office of Internal Audit is still promoting



Characteristics of a strong workforce



The Network developed different poster designs for the Office of Internal Audit to promote the Metro Nashville IntegrityLine. These posters identify characteristics the office wishes to demonstrate and promote for the Metropolitan Government of Nashville and Davidson County



**Metropolitan Office of Internal Audit  
Audit Project Status  
As of July 9, 2013**

Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
<b>In-Progress</b>					
1) Treasury - Metro Investment Pool			✓		Mar-13
2) Metro Nashville Library			✓		Mar-13
3) Davidson County Election Commission			✓		Apr-13
4) MDHA Procurement-to-Pay			✓		Jul-13
5) Beer Board			✓		Apr-13
6) Music City Convention Center - Change Orders			✓		Apr-13
7) Nashville Expo Center - Ovations Contract			✓		May-13
8) ITS Telecommunications			✓	Jul-13	
9) Hotel/Motel Occupancy Tax			✓	Jul-13	
10) MDHA Procurement-to-Pay			✓	Jul-13	
11) Fire Dept Grants Management			✓	Jul-13	
12) Kiva Upgrade Development Project	✓				
13) Soil & Water Conservation		✓			
14) Clerk & Master		✓			
15) Circuit Court Clerk - Municipal Citations		✓			
16) Employee Expenses & Credit Card Usage		✓			
17) MNPD Firearms & Equipment Tracking	✓				
18) Industrial Development Board	✓				
19) Nashville Education, Community & Arts Television	✓				
<b>Anticipated to Start Next 3 weeks</b>					
<b>Metro IntegrityLine Alerts Since Jan 1, 2013:</b>			<b>Total</b>	<b>Closed</b>	<b>Pending</b>
Metro Hotline Alerts (Fraud, Waste & Abuse, & Suggestions)			10	10	0
Cases Reported to State of TN from Metro Hotline Alert			0	0	0
Cases Tasked to OIA by State of TN			4	3	1
Cases Tasked to OIA by Metro Entities			0	0	0

**Note:** Goal to complete 17 audit projects in CY 2013. Currently 7 audit projects are completed, and 8 audit projects are in field work or draft report phase.



**Office of Internal Audit Budget versus Actual  
GSD General Fund as of July 7, 2013**

**FY 2013 Approved Budget**

	<b>Approved FY 2013 Budget</b>	<b>Actual As of July 7, 2013</b>	<b>Difference</b>	<b>Notes</b>
Total Salaries & Fringe	\$ 989,800	\$ 830,950	\$ 158,850	
Other Expenses				
Professional & Purchased Services	156,200	129,050	27,150	
Other Expenses	63,200	55,039	8,161	
Internal Service Fees	68,700	68,074	626	
<b>TOTAL EXPENSES</b>	<b>\$ 1,277,900</b>	<b>\$ 1,083,113</b>	<b>\$ 194,787</b>	

30003 General Fund 4% Reserve      \$ 21,429      \$ 13,356      \$ 8,073      AX Core Server Software & Training

**FY 2014 Approved Budget**

	<b>*Approved FY 2013 Budget</b>	<b>2 Percent Budget Cut</b>	<b>Approved FY 2014 Budget</b>	<b>Notes</b>
Total Salaries & Fringe	\$ 989,800	\$ -	\$ 989,800	
Other Expenses				
Professional & Purchased Services	86,200	21,800	64,400	
Other Expenses	63,200	1,000	62,200	
Internal Service Fees	68,700	-	56,400	
<b>TOTAL EXPENSES</b>	<b>\$ 1,207,900</b>	<b>\$ 22,800</b>	<b>\$ 1,172,800</b>	

\* - Excludes \$70,000 FY 13 carry forward for professional services

# Metropolitan Nashville Office of Internal Audit

<b>Metropolitan Nashville Audit Committee</b>
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<b>Executive Team</b>
Mark Swann CPA, CIA, CISA, ACDA Metropolitan Auditor X26158 <hr style="width: 20%; margin: 10px auto;"/> Carlos Holt MS-Admin, MS-Finance & Acctg CPA, CIA, CFE, CGAP Audit Manager x26430

### Audit Talent Pool

Tracy Carter CFE Senior Auditor x26429	Joseph McGinley MS-Mgmt, CISSP, CISA Senior Auditor x26407	Lauren Riley Macc, CPA Senior Auditor x26286	William (Bill) Walker CPA, CIA Senior Auditor x26714	Qian Yuan MS-Info Sys, CISA, ACDA Senior Auditor x26111
	Seth Hatfield Macc Auditor I x74591	Herman (Jack) Henry CPA, CGFM Auditor II x26456	Kimberly Smith MBA Auditor I x74593	

**METROPOLITAN NASHVILLE AUDIT COMMITTEE  
2013 MEETING PLAN**

<b>Meeting Date</b>	<b>Proposed Agenda Topics</b>
February 12, 2013	<ul style="list-style-type: none"> <li>• External Audit Single Audit and Management Letter presentation</li> <li>• Internal Audit Annual Work Plan approval</li> <li>• Internal Audit issued report discussion</li> <li>• Follow-up Comprehensive Annual Financial Report</li> </ul>
July 9, 2013	<ul style="list-style-type: none"> <li>• External Audit plan and required communications</li> <li>• Internal Audit issued report discussion</li> <li>• Follow-up Comprehensive Annual Financial Report, Single Audit Report, and Management Letter</li> </ul>
September 10, 2013	<ul style="list-style-type: none"> <li>• Metropolitan Audit Committee self-assessment</li> <li>• Metropolitan Auditor performance review</li> <li>• Bylaws annual review</li> <li>• Internal Audit issued report discussion</li> </ul>
December 10, 2013	<ul style="list-style-type: none"> <li>• External Audit Comprehensive Annual Financial Report</li> <li>• Office of Internal Audit Annual Performance Report</li> <li>• Internal Audit issued report discussion</li> </ul>





## Attachment A – CY 2013 Audit Plan

*Co-source	CY 2012 Audits In Progress	Hours	Total Hours
*1	Metro Nashville Information Technology Services - Primary Government Telecommunications	60	60
2	Library	150	210
3	Metropolitan Development and Housing Authority – Procurement to Pay Process and Contract Monitoring	700	910
4	Finance Department - Metro Investment Pool	80	990
5	Hotel Occupancy Tax Audits	150	1,140
6	Davidson County Election Commission	500	1,640
7	Beer Board	350	1990
8	Nashville Expo Center - Ovations Food Services Contract	150	2,140
<b>CY 2013 New Audit Areas</b>			
*1	Convention Center Authority – Music City Convention Center Construction Contract Monitoring	60	2,200
2	Assessor of Property	800	3,000
3	Mayor's Office	800	3,800
4	Police Firearms and Equipment Tracking	800	4,600
5	Industrial Development Board	500	5,100
6	Hotel Occupancy Tax Audits	800	5,900
7	Soil & Water Conservation	400	6,300
8	Circuit Court Clerk - Municipal Citations Other Than Traffic Process	400	6,700
9	Criminal Justice Planning Unit	400	7,100
10	Nashville Education, Community & Arts TV Corporation	400	7,500
11	Travel, Entertainment and Purchase Card Usage (Metro General Government)	800	8,300
12	District Energy System - Vendor Contract / Price Agreement Compliance	800	9,100
13	Clerk & Master (Operations & Fiduciary Funds)	800	9,900
14	Planning Commission	800	10,700
15	MNPS Student Management System (Chancery) Application	600	11,300
16	Accela Automation (KIVA Land Management Replacement) Application	600	11,900
*17	Water & Stormwater Services Capital Project Management	100	12,000
18	4% Reserve Fund and Asset Accounting Process	800	12,800

*Execute a Focused, Dynamic Audit Plan*



# Metropolitan 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. Robert C. Brannon</b>	<b>Chm</b>	<b>2/2/2013</b>	<b>3/20/2017</b>
173 Jefferson Square Nashville, TN 37215- (615) 385-2491      bbrannon@associatedpackaging.com Representing: TSCPA, Nashville Chapter			
<b>Ms. Jacobia Dowell</b>		<b>10/18/2011</b>	<b>9/30/2013</b>
2609 Welshcrest Drive Antioch, TN 37013- (615) 498-7094      jacobia.dowell@nashville.gov Representing: Metro Council			
<b>Mr. Steve Glover</b>		<b>10/18/2011</b>	<b>9/30/2013</b>
4576 Raccoon Trail Hermitage, TN 37076- (615) 866-9514      steve.glover@nashville.gov Representing: Metro Council			
<b>Vice Mayor Diane Neighbors</b>		<b>9/1/2011</b>	<b>8/31/2015</b>
One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357      diane.neighbors@nashville.gov Representing:			
<b>Mr. Brack Reed</b>		<b>2/1/2011</b>	<b>3/20/2015</b>
511 Union Street, Suite 1400 Nashville, TN 37219- (615) 770-8494      brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce			
<b>Mr. Richard M. Riebeling</b>		<b>9/1/2011</b>	<b>8/31/2015</b>
One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151      richard.riebeling@nashville.gov Representing: Director of Finance			

Printed 04-Feb-13

**Metropolitan Clerk's Office**



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

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**PURPOSE**

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

**SCOPE**

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

**RESPONSIBILITIES**

Financial Statements

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

Risk Management and Internal Control

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

Internal Audit

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

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

Reporting Responsibilities

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

Other Responsibilities

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

## **COMPOSITION**

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

## **MEETINGS**

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

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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.





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**PURPOSE**

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

**SCOPE**

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

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

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

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The Metropolitan Auditor shall have authority to:

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

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

## **AUDIT SCHEDULE**

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

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

## **REPORT OF IRREGULARITIES**

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

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**ACCESS TO EMPLOYEES, RECORDS AND PROPERTY**

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

**AGENCY RESPONSE**

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

**AUDIT FOLLOW-UP**

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

**REPORTS TO METROPOLITAN AUDIT COMMITTEE**

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

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

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**ANNUAL REPORT**

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

**CONTRACT AUDITORS, CONSULTANTS AND EXPERTS**

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

**INDEPENDENCE**

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

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

**STANDARDS OF AUDIT PRACTICE**

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

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**FUNDING**

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

**RECORDS**

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

**REASSESSMENT**

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



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

**Article IV. - Division of Metropolitan Audit**

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

**2.24.300 - Division of metropolitan audit.**

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

*(Ord. BL2007-1318 § 2, 2007)*





**Sec. 8.121. - Division of metropolitan audit.**

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

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

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**METROPOLITAN GOVERNMENT OF NASHVILLE  
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**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT**

*Council*

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

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

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

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

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

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

*Metro Code 2.04.033 – Metropolitan Council*

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

*Mayor and Department of Metropolitan Finance*

*Metro Charter Section 5.03 – Power and authority of mayor.*

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

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

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

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

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

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**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT**

***Division of Metropolitan Audit***

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

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

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

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

***Tennessee Code Annotated***

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

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

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

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

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

***T.C.A. 9-3-406***

(a) An **audit committee** created pursuant to this chapter shall **establish a process** by which employees, taxpayers or other **citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity.** The detailed information received pursuant to such a report of

**METROPOLITAN GOVERNMENT OF NASHVILLE  
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**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT** illegal, improper, wasteful or fraudulent activity or any investigation of this activity, except those matters disclosed in the final reports, shall be considered audit working papers and shall be confidential under the provisions of title 10, chapter 7.”

***T.C.A. 9-4-304***

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

Notwithstanding any law to the contrary, **working papers created, obtained or compiled by an internal audit staff are confidential and are therefore not an open record** pursuant to Title 10, Chapter 7.”

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

**Local Government Instances of Fraud Reporting Act**

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

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

***Other Related Provisions***

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

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

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

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

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

**METROPOLITAN GOVERNMENT OF NASHVILLE  
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**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT**  
“That **neither the mayor, the metropolitan council, nor any other officer, department board or commission of the metropolitan government, shall have or exercise and authority whatsoever over the electric power board created under the terms and provisions of this Charter**, other and except to the extent herein expressly provided, and the provisions of this article shall prevail over any conflicting provisions appearing in any other article in this Charter.”

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

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

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