

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



***METROPOLITAN AUDIT COMMITTEE
WORKBOOK***

September 10, 2013

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METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
(Revised September 5, 2013)
September 10, 2013 4:00 p.m.

Committee Room 4
205 Metropolitan Courthouse

- I. Call Meeting to Order
- II. Approval of minutes for the July 9, 2013, meeting (Bob Brannon – Committee Chairman) **PAGE 7**
- III. New Business **PAGE 20**
- Discussion on Metropolitan Auditor 2014 recruitment and recommendations for the term July 1, 2014, through June 30, 2022 (Bob Brannon – Committee Chairman, Theresa Costonis – Department of Law, Sonny Lyons – Metro Human Resources Department)
 - Discussion on request to amend current Internal Audit Work Plan to include an audit of Metro Water Services Flood Buy-out Program (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Information Technology Services Telecom Services audit report issued July 12, 2013 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Nashville Fire Department Grant Administration report issued July 26, 2013 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Metropolitan Development and Housing Agency Procurement-to-Pay Process audit report issued August 2, 2013 (Mark Swann – Metropolitan Auditor)
 - Discussion on Hotel Occupancy Taxes for Fiscal Year 2013 audit report issued August 22, 2013 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Clerk and Master audit report issued August 28, 2013 (Mark Swann – Metropolitan Auditor)
 - Committee survey results and annual confirmation of responsibilities outlined in the Metropolitan Nashville Audit Committee Bylaws (Bob Brannon – Committee Chairman, Mark Swann – Metropolitan Auditor)
 - Annual assessment of Metropolitan Auditor's performance (Bob Brannon – Committee Chairman)
 - Bylaws annual review (Bob Brannon – Committee Chairman)
- IV. Old Business **PAGE 36**
- Fiscal Year 2014 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) **PAGE 40**

METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
(Revised September 5, 2013)
September 10, 2013 4:00 p.m.

VI. Internal Audit Project Status (Mark Swann – Metropolitan Auditor) **PAGE 43**

VII. Other Administrative Matters (Mark Swann – Metropolitan Auditor) **PAGE 44**

- FY 2014 Budget
- Audit Committee Member Training: 1) Sexual Harassment and 2) Diversity Awareness

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

- External auditor presentation Metropolitan Nashville Fiscal Year 2013 Comprehensive Annual Financial Report

IX. Adjournment of public meeting – Next meeting Tuesday, December 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**

July 09, 2013

DRAFT MINUTES

On Tuesday, July 09, 2013, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room Four. The following people attended the meeting:

Committee Members

Brack Reed, Vice Chairman
Steve Glover, Metro Council
Richard Riebeling, Director of Finance
Jacobia Dowell, Metro Council

Others

Mark Swann, Metropolitan Auditor
Carlos Holt, Internal Audit Manager
Kimberly Smith, Internal Auditor
Theresa Costonis, Department of Law
David Hunt, Crosslin & Associates, P.C.
Dan Miller, Crosslin & Associates, P.C.

Committee Members Absent

Diane Neighbors, Vice-Mayor
Bob Brannon, Chairman

Quorum present? Yes

Call Meeting to Order

Brack Reed, Vice Chairman, called the meeting to order.

Approval of Minutes

The minutes of the meeting on February 12, 2013, were approved.

New Business

External Auditor Presentation of Audit Plan for FY 2013 Financial Statements (Crosslin & Associates) David Hunt, Crosslin & Associates, P.C., presented the *Audit Plan for FY 2013 Financial Statements*.

A copy of the *Audit Plan for FY 2013 Financial Statements*, which had been prepared by Crosslin & Associates, P.C., was provided to all members of the Committee. Mr. Hunt provided a briefing of the plan. He also noted that most of the personnel on the audit team would remain the same except that Richard Lockwood is no longer with the firm and Ben Nichols will fill Richard's role as overall manager of the engagement.

There were no questions by the Committee.

Discussion on request to amend current Internal Audit Work Plan to include an audit of Fire Department Grant Management (Mark Swann – Metropolitan Auditor)

Mark Swann stated the Fire Chief, Mr. Billy Lynch requested an audit of grant management for the Nashville Fire Department. Mr. Swann initiated the audit and it is currently in the draft report phase awaiting management's response. A motion was moved and second.

Discussion on Audit of Finance Department Metro Investment Pool audit report issued March 28, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that the Metro Investment Pool is the primary mechanism used by the Metropolitan government to invest all of its excess cash at any given point in time. Concerns were raised about the decrease in the investment pool returns during another audit. Even though it is referred to as an investment pool, it serves as both an investment pool and cash management fund for managing Metro Nashville's daily cash needs. The remainder of funds is invested in the Tennessee Local Government Investment Pool. The Tennessee Local Government Investment Pool (LGIP) takes five basis points for administrative fees. In addition, the costs for operating the cash management fund and local administrative costs are also taken out of the returns. In FY 2012, the return from the Tennessee LGIP was less than the total administrative costs resulting in an overall net decrease. Interest charges were made to funds that are part of the Metro Investment Pool and were in a negative position. These charges to the negative balance funds helped offset the lost investment opportunity of the positive funds. All elements are clearly disclosed in the budget each year. Mr. Swann stated that one recommendation is for the Finance Department to do a better job of communicating with other entities within Metro that the fund is more than an investment pool. It is also a cost recovery method that takes care of administrative costs that occur day to day. Out of the 12 months that were tested for correctness of interest allocation, four months had incorrect accounting entries. The SymPro system that was used for allocating costs is very complex and prone to user error when obtaining and entering figures from it. However, SymPro software calculations were independently tested by the Office of Internal Audit with no exceptions noted. One issue was the generic access, having only one user ID. A recommendation is for more individual accountability and better controls over user access.

There were no questions by the Committee.

Discussion on Audit of Nashville Public Library audit report issued March 28, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann indicated that in FY 2013, the Nashville Public Library had a budget of over \$22 million. The audit consisted of a review of revenues and expenditures. The Library was benchmarked with other libraries serving similar populations. In terms of benchmarking, almost every city with a similar population spends more money on libraries than Metro. The Office of Internal Audit determined that revenues were for the most part properly managed. Also, there were no material issues with expenditures. However, shortly after the audit scope period, a temporary shortage of a small cash collection amount was discovered at one of the branch libraries by management. The money, which amounted to .5 percent of the total revenue generated, has since been returned. Controls are working as intended. Some improvements recommended by the Office of Internal Audit include obtaining or creating a mechanism to quantify collection (books and materials) shrinkage (loss). New software settings may be needed that would include controls to note when an item is missing and retain the status without being overwritten although the item was never found.

Mr. Reed inquired about the Four Percent fund. Mr. Swann indicated that those are the small fixed asset purchases. Mr. Glover asked if that goes before the council or is that something the Library does on its own. Mr. Riebeling explained that usually, two or three times per year, the Library and other parties go before the council to request use of the \$20-25 million per year of available Four Percent funds. Mr. Reed then asked that since they had a budget of \$4 million and now have \$2 million remaining, do they still have those funds. Mr. Swann replied that the unused amount should carry forward. Mr. Glover inquired if we are required by charter to give each department Four Percent funds. Mr. Swann replied no. Mr. Riebeling added that some departments, such as Finance, have no need for it. The biggest users of the Four Percent fund are the Library, General Services, Parks, and Fleet Management.

Discussion on Audit of Davidson County Election Commission audit report issued April 17, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that this was a council requested audit. The Office of Internal Audit concluded that the controls are working properly. The counts from the voting machines to the precincts had effective controls. Totals may never be exact between public count and control totals. Some reasons may include the application from the ballot may not be collected or someone may not finish casting their vote. Out of ten precincts, six had a public count that matched the applications exactly, three were off by one count, and one precinct was off by four counts. However, another machine was brought in that was not included on the precinct tally and the 4 votes were picked up on it. The biggest issue with the Election Commission is related to poll worker recruiting. After coordinating efforts with the State, their opinion was that a series of errors made had eroded confidence in the election process. There were several opinions for improvement regarding the process, such as having an early voting site open every day and the change of addresses due to the flood. A statewide deadline for change of addresses is needed to eliminate future problems. Mr. Swann also suggested voting my mail, which is cost effective and popular in some comparable cities; however, there are additional risks associated with it including signature comparisons. Overall, the Election Commission members were good stewards of their funding. One issue that did come up was that approvals were not always documented for credit card purchases. Regarding the purchase of electronic poll books, the procurement and contract development processes were followed; but, purchase orders weren't submitted prior to the shipment of goods, which prevented a verification of funds prior to shipment.

There were no questions by the Committee.

Discussion on Audit of Beer Permit Board audit report issued April 22, 2013 (Mark Swann – Metropolitan Auditor)

The Beer Permit Board office consists of four employees, including two administrators and two inspectors, who license and regulate the commerce of beer and alcoholic content of not more than five percent. In FY 2012, the office conducted 3,400 inspections and processed approximately 400 beer applications and 400 dance applications. The records kept were very detailed. Revenue was tested and the controls in place are working well due to the intensive manual process. Due to the size of the department, there is a segregation of duties issue with the same person receiving cash, recording cash, and making deposits. Also, the staff was encouraged to automate their processes perhaps through the KIVA system.

There were no questions by the Committee.

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)

The Office of Internal Audit contracted this audit with Experis, a contracting firm in Atlanta. They have a Center of Excellency with a concentration in construction auditing. A representative was sent from Arizona with numerous years of experience in construction auditing to review the change orders. He was impressed by the system of controls in place and rated them as the 2nd best observed in terms of the degree of review, process and approval. Seventy-five percent of the change orders were reviewed for appropriateness, including those that went against the contingency fund, and there didn't appear to be anything out of line based on his experience. Metro is significantly below in change order percentage by comparison based on a project of this size, degree of specifications that were available, and the risks associated with it.

Mr. Reed inquired if this would conclude the audit or would it be ongoing. Mr. Swann responded that we are recommending that no more work be done. Additional work could be done if requested. The biggest thing that could be done is to trace payments to contractors and subcontractors, which is already a part of the performance bond requirement. In addition, the insurers are auditing the payroll on all the contractors. Mr. Swann's opinion is that the risk is no longer there. The remaining item is to assure that the asset is appropriately capitalized in the financial statements. This issue will be reviewed by KPMG, the Convention Center Authority external auditor. The recommendation is that additional audit work not be done unless something new comes up that needs to be addressed.

Ms. Dowell inquired about where to obtain a detailed list of paid minority subcontractors. She did not recall getting it. She had seen the consolidated list but wanted to assure that minority vendors were included. Mr. Swann replied that he could retrieve it and it should be on the MCC website. Another audit required him to look at the DBE reporting to assure the calculations were correct. The minority vendor determinations are made by the State. The Office of Internal Audit verified that there was supporting documentation.

Discussion on Audit of Nashville Expo Center Food and Beverage Operations Management Contract audit report issued May 3, 2013 (Mark Swann – Metropolitan Auditor)

Historically, this contract had not been managed the way it should have been. It cannot be determined if certain funding requirements in the contract ever took place. Some leakage of revenues is possible. Monies were still being received during the audit. The understanding is that the contract has been replaced already or in the process of being replaced. The recommendation is that the contract be monitored better on a day-to-day basis.

There were no questions by the Committee.

Old Business

Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)

Mr. Swann noted that 17 hotel/motel audits had been completed totaling \$62 million in hotel revenue. Ten hotels had exceptions that ranged from \$77-\$18,000. Exceptions less than \$10 are not pursued. The Office of Internal Audit will conduct 25 audits this calendar year.

Follow-up on external auditor presentation FY 2012 CAFR, Single Audit, and Management Letter (Bob Reed – Committee Chairman)

No questions were raised from the Committee.

Metro Hotline Status (Carlos Holt – Internal Audit Manager)

Mr. Holt reported that the Office of Internal Audit had no new hotline reports for the month of June. Hotline activity normally slows down in the summer. The hotline is on track to again receive 18 to 22 calls for the year. Mr. Swann indicated that the hotline contract will not be renewed after it ends next year. Mr. Holt added that the State of Tennessee Comptrollers Office has a new hotline that is web based, easy to use, and Metro could simply link to the state site when the contract runs out. This is ideal since many of the issues must be forwarded to the state anyway. This would save \$12,000 per year.

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 the goal is to complete 17 audit projects. Currently, seven projects are completed, 8 are in the fieldwork or draft report phase. Four audits are in process. Three investigations have been completed that were tasked to us from the state's hotline.

Other Administrative Matters (Mark Swann – Metropolitan Auditor)

FY 2014 Budget

Mr. Swann stated that the Office of Internal Audit's new approved budget will continue to decrease. The ability to contract audits out or use contractors has been greatly reduced in the last few years, with \$64,000 remaining and \$12,000 being used for the hotline. Possibly one audit will be conducted on a contracted basis or the funds used for consultants on audits performed internally.

FY 2013 Budget

Mr. Swann stated that the Office of Internal Audit will again be under budget for the year primarily due to open positions and personnel costs.

Staffing

Mr. Swann noted that the Office of Internal Audit is fully staffed, including two new hires: Seth Hatfield and Kimberly Smith.

Staffing – Metropolitan Auditor 2014 Job Posting

As part of the Charter, the Metropolitan Auditor position has to be reapplied for in 2014. By June 2014, another nominated slate of three potential auditors is needed to go before council to vote. Either Human Resources can assist in the recruitment process or the Audit Committee may choose to take on the task themselves. A motion is needed in the minutes for Human Resources to be involved in the process and begin the recruitment process.

Mr. Reed inquired whether this is something that Metro Council has to do. Mr. Swann replied that in the Charter, the initial term ends on June 30, 2014. The next term is for eight years; however, you can always be removed for cause. Previously, recruitment was handled through Human Resources. Three individuals will have to be interviewed and nominated by the Audit Committee for the position. Mr. Holt read the Hiring Process aloud to the Committee.

Ms. Costonis stated that she understood the policy to read that the process would involve Human Resources going through their usually process of posting the position and providing the Committee with qualified applicants. The Committee would in turn select three qualified candidates to recommend to Council. Mr. Swann specified that last time when he was hired, the committee interviewed three, prioritized the order, and submitted them to Council. Mr. Reed inquired about waiting until the next meeting in September to provide time to clarify the details of the process. Mr. Riebeling requested that a Human Resources representative be present at the next meeting in case the Committee decides to utilize their services. Mr. Reed emphasized that he was pleased with Human Resources' previous services. The use of Human Resources is not required. The Metropolitan Clerk could also post the announcement in the paper and Human Resources may not be needed. Mr. Swann agreed to contact Human Resources about attending the next meeting.

Ms. Dowell pointed out that there seemed to be extra costs associated with the recruitment of a new candidate when one is already established in the position with no issues. Mr. Reed responded that it was required by the charter to follow the process of selecting three qualified candidates that they are comfortable could do the job since Council could choose any of the three.

Mr. Riebeling added that the good thing about using Human Resources is that there is a good process already in place that has been used previously.

Mr. Riebeling asked Mr. Swann would he have to reapply for the job like anyone else. Mr. Swann responded yes and he understood that coming into the position.

Mr. Reed asked waiting to make a motion at the September meeting will allow enough time to begin the process. Mr. Swann replied yes. Mr. Glover added that the previous announcement needs to be updated, posted, and allow 30 days for resumes to be submitted. Hopefully, by the beginning of the year, there will be a list of 20 candidates and the Committee can decide how to proceed.

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

Annual Review of Bylaws

Bylaws are included in the workbook provided for review.

Metropolitan Nashville Audit Committee Annual Self-Assessment

Mr. Swann would like to arrange one-on-one interviews with each Audit Committee member before September to collect feedback. He asked Ms. Costonis if the assessment results could be submitted collectively if conducted individually. She replied yes.

Adjournment

The next meeting is scheduled for Tuesday, September 10, 2013.

DRAFT

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

February 12, 2013

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

Committee Members

Bob Brannon, Chairman
Brack Reed, Vice Chairman
Richard Riebeling, Director of Finance
Jacobia Dowell, 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 Auditor Recruitment and Recommendation to the Metropolitan Nashville Council

Sec. 8.121. - Division of metropolitan audit.

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: 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; 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.

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.

Swann, Mark (Internal Audit)

From: Swann, Mark (Internal Audit)
Sent: Thursday, August 29, 2013 2:42 PM
To: 'Bob Brannon'; 'Brack Reed'; Dowell, Jacobia (Council Member); Glover, Steve (Council Member); Neighbors, Diane (Vice Mayor); Riebeling, Richard (Finance - Director's Office)
Cc: Holt, Carlos (Internal Audit); Carter, Tracy (Internal Audit); Potter, Scott (WS); Lomax-O'dneal, Talia (Finance - Budgets (OMB))
Subject: Audit of Metro Nashville Flood Buyout Program

Metropolitan Nashville Audit Committee:

Based on a request received from Talia Lomax-O'dneal, Deputy Finance Director, Office of Management & Budget and review with Scott Potter, Director of Metro Water Services, I am proposing that the Office of Internal Audit Annual 2013 Work Plan be revised to include an audit of the Metro Nashville Flood Buyout Program. The Office of Internal Audit will initiate this audit early next week pending final approval at the next Metropolitan Nashville Audit Committee meeting scheduled for September 10, 2013. Please let me know if you object to this course of action.

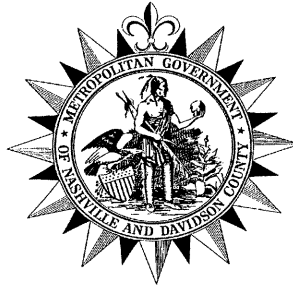
Mark Swann

Mark S. Swann – Metropolitan Auditor

Metropolitan Nashville Office of Internal Audit
Tel: 615 862-6158 | Mobile: 615 974-8700 | Fax: 615 214-3602

Got Issues? Try the Metro Nashville Integrity Line: www.tnwinc.com/MetroNashville

Mark S. Swann
Metropolitan Auditor



OFFICE OF INTERNAL AUDIT
1417 Murfreesboro Road
NASHVILLE, TENNESSEE 37201
615-862-6158

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

July 12, 2013

The Metropolitan Nashville Office of Internal Audit has completed the performance audit of Information Technology Services Telecom Services. This audit was performed in accordance with the annual audit plan approved by the Metropolitan Nashville Audit Committee. The Office of Internal Audit concluded that Metropolitan Nashville Information Technology Services was reasonably managing telecom services to satisfy the operational needs for the Metropolitan Government of Nashville and Davidson County.

Metropolitan Nashville Information Technology Services provides direct support to the Metropolitan Nashville Police Department and in doing so must adhere to the security requirements placed on the Metropolitan Nashville Police Department by the Tennessee Bureau of Investigation and the Federal Bureau of Investigation. These requirements included restricting the distribution of information related to the underlying technology infrastructure and supporting system security services.

Due to the sensitive information included in this report, which could detail vulnerabilities, weaknesses, and possible threats to Metropolitan Nashville's information technology services, the distribution for this report was limited to management of Information Technology Services. This exemption is granted by Tennessee Code Annotated § 10-7-504 (i) (1) "Information that would allow a person to obtain unauthorized access to confidential information or to government property shall be maintained as confidential."

If you have any additional questions, please contact me at (615) 862-6158.

Sincerely,

A handwritten signature in cursive script that reads "Mark S. Swann".

Mark S. Swann

EXECUTIVE SUMMARY

July 26, 2013

The Metropolitan Nashville Office of Internal Audit performed an audit of the processes and controls in place at the Nashville Fire Department related to their grant management.

Results in Brief

Were controls in place and effective to manage grant compliance?

Generally yes. With few exceptions, grants were managed in an effective manner. However, controls should be upgraded in a number of areas as provided in the report to ensure proper accountability and visibility of grant related items.

Approval Process

- *Were controls in place to ensure that grants went through the proper approval process?*

Generally no. The Office of Internal Audit determined that all grant awards were properly approved. However, two of five grant applications did not complete the review process.

Grant Compliance

- *Were expenditures allowed under grant terms and approved by management?*
Yes. A review of expenditures related to each grant was conducted to ensure compliance with grant terms and management approval with no exceptions noted.
- *Were reimbursement requests made within 30 days and based on funding requirements?*

Generally Yes. However, a review of reimbursements showed that the Nashville Fire Department initially requested a small number of reimbursements at a higher rate than allowed by grant terms.

Reporting Compliance

- *Were controls in place to ensure that required grant related reports made to the grantors were complete and timely?*

Yes. Our review showed that the Nashville Fire Department reported as required by the grant terms. No exceptions were noted.

Grant Awards

July 1, 2010 through February 28, 2013

	Grant Awards
All Grants	\$ 9,619,971
- TennCare	269,065
- SAFER 10-12	3,516,513
- AFG 10-12	840,333
- Fire Prevention & Safety	240,900
- AFG 12-13	552,040
- SAFER 12-14	\$ 4,201,120

Key Recommendations

Management of the Nashville Fire Department should:

- Develop and implement written policies and procedures for managing all grants.
- Create standardized, individual grant files containing a complete set of documents for each grant awarded.
- Ensure strict attention to detail of all accounting transactions related to grants.
- Ensure that grant applications are fully approved prior to submission to the grantor.

Management's response can be seen in Appendix C, page 22.

EXECUTIVE SUMMARY

August 2, 2013



Why We Did This Audit

This audit was conducted as part of the approved Metropolitan Nashville Office of Internal Audit 2013 Work Plan.

The audit was initiated based on the number of years that have elapsed since the last audit was conducted by this office.

What We Recommend

MDHA should segregate the duties within the P-Card process, and utilize customizable access rights and audit trail capabilities within the Yardi system.

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

Metropolitan Development and Housing Agency Procurement-to-Pay Process Audit

BACKGROUND

The Metropolitan Development and Housing Agency, hereafter referred to as "MDHA," was created to improve housing conditions for low income eligible families and individuals. The mission of MDHA is to create affordable housing opportunities for residents of Nashville, nurture neighborhoods, and build a greater downtown. The majority of funds are received from the federal government.

OBJECTIVES AND SCOPE

The objectives of the audit were to:

- Determine if controls and procedures were in place to properly manage the procurement-to-pay process for goods and services.
- Determine if applicable KraftCPAs PLLC 2009 report (Review of the Music City Convention Center Construction Project Contracting Practices) recommendations were implemented.

The audit scope included January 1, 2010, through December 31, 2012.

	TRANSACTIONS PROCESSED	VALUE OF TRANSACTIONS
Purchase Orders	448	\$5.2 million
Contracts	152	\$68.0 million
Payments	29,358	\$194.7 million

Also, 24,711 P-Card (like a credit card) transactions were processed totaling \$6.9 million in calendar years 2011 and 2012. United States Department of Housing and Urban Development Section 8 payments were not examined as part of this audit engagement.

WHAT WE FOUND

In general, MDHA has controls in place to effectively manage the procurement-to-pay process and was following applicable federal and state guidelines for purchasing. However, areas of improvement were noted around purchasing card issuance, computer security, and business continuity. Additionally, all recommendations from the KraftCPAs PLLC 2009 report were implemented.

EXECUTIVE SUMMARY

August 22, 2013



Why We Did This Audit

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

What We Recommend

Hotel operator's documentation for room revenue, number of rooms rented, justification for out of service rooms, and exemption claims should be retained for 36 months. Also, they should solicit independent *Service Organization Control 1 Reports* from computer lodging system service providers. This will help ensure the accuracy of financial and statics reports used to prepare hotel occupancy tax returns.

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

Audit of Hotel Occupancy Taxes Fiscal Year 2013

BACKGROUND

The Metropolitan Nashville Government imposes a six percent hotel occupancy tax and a flat \$2.50 per rented room convention center tax. There were 298 hotel operators that filed hotel occupancy taxes since 2009. Nearly 40 percent of the tax is collected from 25 hotels such as the Marriott Opryland, Downtown Radisson, Downtown Sheraton, Lowes Vanderbilt, and the Hutton hotels. The other 60 percent is collected from approximately 270 properties with fewer than 200 rooms.

OBJECTIVES AND SCOPE

The objectives of the audits were to:

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

In fiscal years 2011, 2012, and 2013, annual revenues from hotel occupancy tax were \$38.8 million, \$47.1 million, and \$45.2 million respectively.

A sample of 18 hotel operator's (see Appendix B for locations) tax returns representing \$5.4 million in hotel occupancy taxes were selected for audit. Audit procedures traced revenue and room nights to supporting lodging computer system monthly reports and other supporting documentation, and agreed exemption claims with those allowed within the Metropolitan Nashville Code of Laws.

WHAT WE FOUND

The \$5.4 million in hotel occupancy tax returns reviewed were materially valid. However, ten hotels underpaid taxes by \$22,243 or .41 percent of the \$5.4 million in hotel occupancy tax reported for the 18 properties reviewed. An additional \$10,271 in penalty and interest was calculated, with a total of \$32,514 recommended for recovery.

Tax underpayments ranged between \$12,760 and \$60 for these ten hotels.

EXECUTIVE SUMMARY

August 28, 2013



Why We Did This Audit

The audit was initiated based on the number of years that have elapsed since the last audit was conducted by this office.

What We Recommend

The Clerk and Master could mitigate risks by strengthening reviews and physical controls, confirming leave time balances, creating up to date training materials, and maximizing technology use.

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

CLERK AND MASTER AUDIT

BACKGROUND

The mission of the Clerk and Master is to administer the Chancery Court caseload by maintaining books, records, and case files, to collect and report substantial revenue from delinquent taxes and court costs, to issue, process, and invest funds held as trustee as an arm of the Chancery Court, and to provide public records and information to citizens.

OBJECTIVES AND SCOPE

The objectives of the audit were to:

- Determine if controls and procedures were in place to properly manage fiscal resources.
- Determine if Clerk and Master policies were congruent with state and local guidelines.
- Determine if training manuals and procedures were sufficient.
- Determine if computer systems in place were effective for office needs.
- Determine if internal and external service requirements were being met.

The audit scope included July 1, 2011, through June 30, 2013.

	FY 2012	FY 2013
REVENUES		
Charges, Commissions, and Fees (Program)	1,417,231	1,347,876
Fines, Forfeits, and Penalties (Non-Program)	\$ 679,047	\$ 599,661
Property Taxes (Non-Program)	59,297	54,325
Total Revenues	\$ 2,155,575	\$ 2,001,862
EXPENDITURES		
Personal Services	\$ 1,284,036	\$ 1,293,978
Other Services	213,856	220,856
Total Expenditures	\$ 1,497,892	\$ 1,514,834
FUNDS HELD IN TRUST		
Total Funds Held in Trust	\$ 7,846,618	\$5,053,806

Source: Metro Nashville's EnterpriseOne Financial System

WHAT WE FOUND

In general, the Clerk and Master had controls in place to effectively manage resources and protect assets. Service requirements were being effectively delivered. However, controls could be strengthened in such areas as reviews and reconciliations, leave time, training, and technology.

Metropolitan Nashville Audit Committee Survey - August 2013

<i>Circle one number for each statement</i>		Insufficeint Knowledge	Strongly disagree	Neither agree nor disagree	Strongly Agree		
1	Audit committee members have the appropriate qualifications to meet the objectives of the audit committee's charter, including appropriate financial literacy.	0	1	2	3	4	5
2	The audit committee demonstrates integrity, credibility, trustworthiness, active participation, an ability to handle conflict constructively, strong interpersonal skills, and the willingness to address issues proactively.	0	1	2	3	4	5
3	The audit committee considers, understands, and approves the process implemented by management to effectively identify, assess, and respond to the organization's key risks.	0	1	2	3	4	5
4	The audit committee understands and approves management's fraud risk assessment and has an understanding of identified fraud risks.	0	1	2	3	4	5
5	The level of communication between the audit committee and relevant parties is appropriate; the audit committee chairman encourages input on meeting agendas from committee and board members, management, the internal auditors, and the independent auditor.	0	1	2	3	4	5
6	Written materials provided to audit committee members are relevant and concise.	0	1	2	3	4	5
7	Meetings are held with enough frequency to fulfill the audit committee's duties and at least quarterly.	0	1	2	3	4	5
8	The audit committee understands and gives appropriate consideration to the internal control testing conducted by management, the internal auditors, and the independent auditor to assess the process for detecting internal control issues or fraud. Any significant deficiencies or material weaknesses that are identified are addressed, reviewed, and monitored by the audit committee.	0	1	2	3	4	5
9	The audit committee understands the coordination of work between the independent and internal auditors and clearly articulates its expectations of each.	0	1	2	3	4	5

Name:

Date completed: ~~28~~

Metropolitan Nashville Audit Committee Survey - August 2013

Circle one number for each statement		Insufficeint Knowledge	Strongly disagree	Neither agree nor disagree	Strongly Agree		
10	The audit committee regularly reviews the adequacy of the internal audit function (e.g., the charter; audit plan; budget; compliance; and number, quality, and continuity of staff).	0	1	2	3	4	5
11	The audit committee considers the independent audit plan and provides recommendations.	0	1	2	3	4	5
12	The audit committee is effective?	0	1	2	3	4	5
13	The external auditor (Crossland & Associates) is effective?	0	1	2	3	4	5
14	The internal audit function (Office of Internal Audit) is effective?	0	1	2	3	4	5
15	Which of the following do you consider to be the key elements of the internal audit risk assessment process? Select your top three.						
	a) Active participation by business unit management						
	b) Active participation by executive management						
	c) Active participation by external audit						
	d) Enterprise-wide coverage						
	e) Formal facilitated workshop to validate and prioritize key risks						
	f) Input from other risk management functions						
	g) Linkage to company strategy and key initiatives						

Name:

Date completed: ~~20~~

Robert C. Brannon
Committee Chairman



AUDIT COMMITTEE
1417 Murfreesboro Road
NASHVILLE, TENNESSEE 37201
615-862-6158

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

September 10, 2013

Metropolitan Nashville Audit Committee Members,

Subject: Fiscal Year 2013 Audit Committee Confirmation of Responsibilities

I have reviewed and concur with the attached assessment of the Metropolitan Nashville Audit Committee fiscal year 2013 performance of responsibilities as described in the Metropolitan Nashville Audit Committee Bylaws.

Thank you for your support and service as members of the Metropolitan Nashville Audit Committee.

Respectfully submitted,

Robert C. Brannon

Enclosure – Fiscal Year 2013 Audit Committee Confirmation of Responsibilities

FY 2013 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Financial Statements	1. Review the results of audits, including any difficulties encountered, and follow up as appropriate.	√			FY2012 CAFR Discussed with Crosslin & Associates December 11, 2012; Management Letter and Single Audit discussed February 12, 2013.
	2. Review with Metro Nashville management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.	√			FY2012 Crosslin & Associates audit plan presentation on July 10, 2012.
Risk Management and Internal Control	3. 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	√			Crosslin & Associates FY2012 Management Letter discussed February 12, 2013. Office of Internal Audit reports concerning internal control environment routinely discussed during committee meetings.
	4. Engage with Metropolitan Auditor in performing a Metro Nashville entity-wide risk assessment to form an audit work plan.	√			Internal Audit Annual Work Plan recommendations and risk prioritization reviewed by Committee on February 12, 2013.
	5. Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Hold follow-up to monitor corrective actions implemented by auditee.	√			Status of audit recommendations implementation follow-up included in the Office of Internal Audit <i>Annual Report November 2011 to October 2012</i> issued to Metropolitan Nashville Council on December 20, 2012.
Internal Audit	6. Review and approve the audit plan and all major changes to the plan.	√			Annual Internal Audit Work Plan Approved on February 12, 2013. Prior year Annual Work Plan revised to include General Sessions Courts Probation Department, Davidson County Election Commission, and Hotel Occupancy Tax audits.
	7. Review and approve the Division of Metropolitan Audit Bylaws annually.	√			Bylaws last reviewed September 25, 2012.
	8. Assure continued independence of Metropolitan Auditor. Ensure there are no unjustified restrictions or limitations to the discharge of internal audit responsibilities.	√			Confirmation included in the Office of Internal Audit <i>Annual Report November 2011 to October 2012</i> issued to Metropolitan Nashville Council on December 20, 2012.
	9. Review annually the activities, staffing and organizational structure of the internal audit function.	√			Administration of Internal Audit Office reviewed as a standing Audit Committee meeting agenda item.

FY 2013 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
	10. Review the effectiveness of the internal audit function, including compliance with generally accepted government auditing standards.	√			Last peer review completed April 8, 2011, with an opinion the Metropolitan Nashville Office of Internal Audit quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.
	11. Recommend the appointment of the Metropolitan Auditor.	√			Recommendation made to Metropolitan Nashville Council in August 2007.
	12. For cause remove the Metropolitan Auditor.	√			Not applicable.
	13. At least once per year, review the performance of the Metropolitan Auditor and concur with the annual compensation and salary adjustment.	√			Reviewed during September 25, 2012, Audit Committee meeting. No concerns expressed by Committee members.
Reporting	14. Issue annual report to the Council and Mayor regarding Committee activities, issues and related recommendations.	√			Confirmation included in the Office of Internal Audit <i>Annual Report November 2011 to October 2012</i> issued to Metropolitan Nashville Council on December 20, 2012.
	15. Provide an open avenue of communication between internal audit, the external auditors, and department, board, commission, officer or agency management.	√			
	16. Review any other Government issued reports related to committee responsibilities.	√			State of Tennessee Comptroller's Division of Local Government Audit Report concerning Nashville Electric Service distributed to committee members on December 12, 2012.
Other	17. Ensure committee members undergo appropriate orientation upon appointment.	√			Orientation meetings for new council member appointments conducted in <u>November 2011</u> .
	18. 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.	√			Bylaws last reviewed September 25, 2012.
	19. Confirm annually that all responsibilities outlined in these bylaws have been carried out.	√			Last reviewed and confirmed September 25, 2012.

FY 2013 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Meetings	20. The Committee will meet at least once per quarter	√			FY 2013 - meetings held on July 10, 2012, September 25, 2012, December 11, 2012, and February 12, 2013, additional meeting covering FY 2013 activity held on July 9, 2013.
	21. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor.	√			Agenda, internal audit reports and other selected material provided by e-mail prior to Audit Committee meetings by the Metropolitan Auditor.
	22. Minutes will be prepared by the Metropolitan Auditor.	√			Minutes were prepared and posted on Office of Internal Audit web site after approval.
Composition	23. Follow the provisions provided in Metropolitan Code of Law, Section 2.23.300(E) Division of Metropolitan Audit.	√			Audit Committee membership is consistent with Metropolitan Code of Laws requirements.

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

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

Robert C. Brannon
Committee Chairman



AUDIT COMMITTEE
1417 Murfreesboro Road
NASHVILLE, TENNESSEE 37201
615-862-6158

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

September 10, 2013

Metropolitan Nashville Audit Committee Members,

Subject: Fiscal Year 2013 Metropolitan Auditor Performance Assessment

The Metropolitan Nashville Audit Committee has completed its annual performance review of the Metropolitan Auditor, Mark Swann. The Committee is satisfied with the performance of the Metropolitan Auditor and concurs with the current \$132,600 annual base salary for the Metropolitan Auditor.

Also, the Committee concurs that after completing five years of service, starting his service with the Metropolitan Nashville Government on September 18, 2007, the Metropolitan Auditor, Mark Swann, will earn and accrue vacation leave on a monthly basis at twenty (20) work days or one hundred and sixty (160) hours annually, and will earn and accrue sick leave on a monthly basis at twelve (12) days or ninety-six (96) hours annually, effective October 1, 2012. Upon termination of employment, any earned and unused vacation leave will be paid at the Metropolitan Nashville Government payroll hourly rate for the Metropolitan Auditor.

Respectfully submitted,

Robert C. Brannon

ANNUAL REVIEW AND CONFIRMATION OF BYLAWS

**METROPLITIAN AUDIT COMMITTEE BYLAWS
(See Page 57)**

**DIVISION OF METROPOLITAN AUDIT BYLAWS
(See Page 61)**

**Summary of Hotel Occupancy Tax Audit Results
As of September 10, 2013**

Fiscal Year	Number of Audits	Total Hotel Revenue	Total Tax Reported	Tax Underpaid	Penalty & Interest	Tax Overpaid
2013	18	\$ 63,740,705	\$ 5,385,583	\$ 22,243	\$ 10,271	\$ 1,868
2014	4	6,720,421	658,386	51,451	16,134	4,188
Grand Total	22	\$ 70,461,126	\$ 6,043,969	\$ 73,694	\$ 26,405	\$ 6,056
Fiscal Year	Percent of Tax Underpayment	Net Claims				
2013	-0.4%	\$ 30,647				
2014	-7.8%	\$ 63,397				
Average	-1.2%	\$ 94,044				



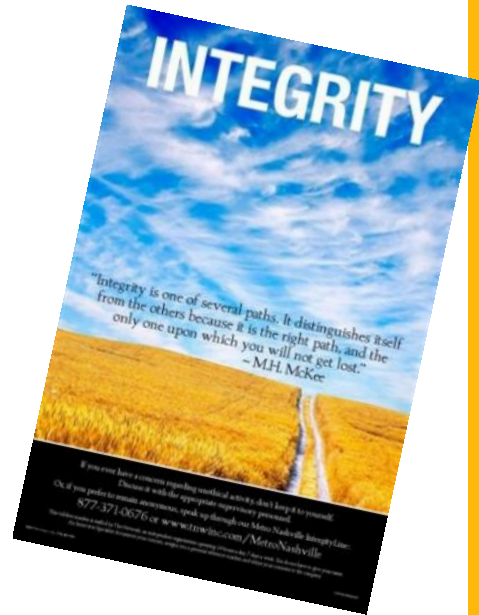
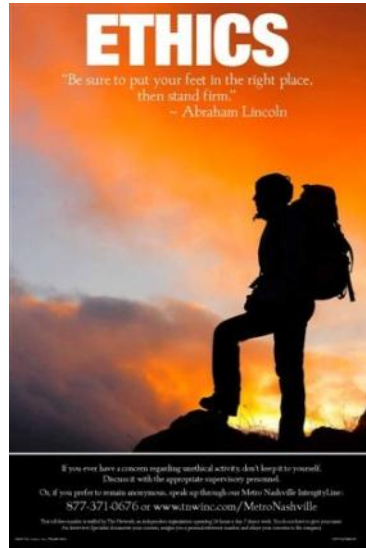
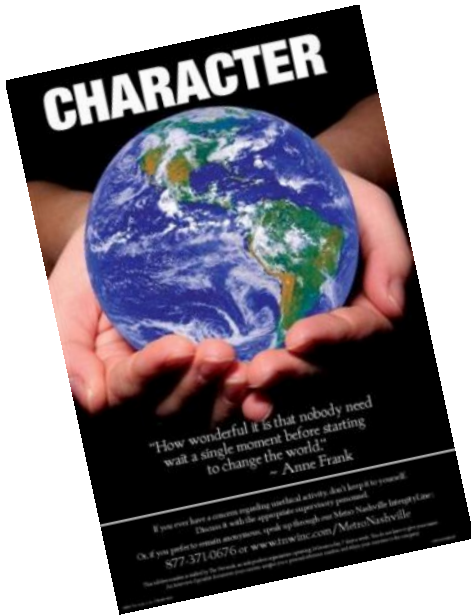
FY 2012 CAFR PRESENTATION



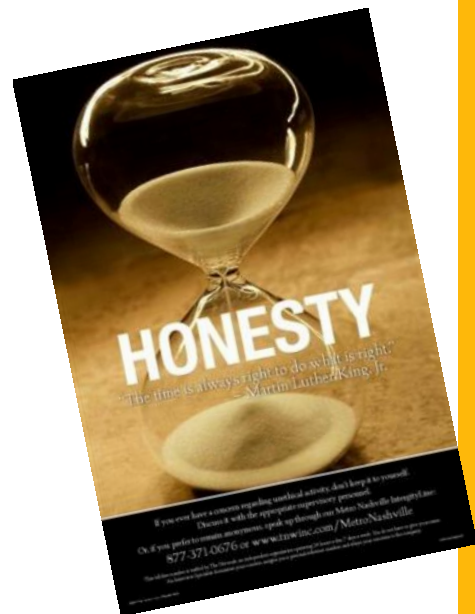
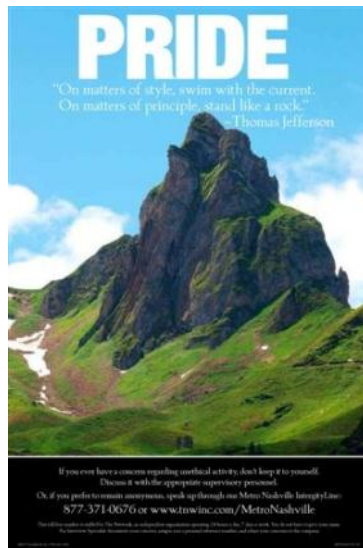
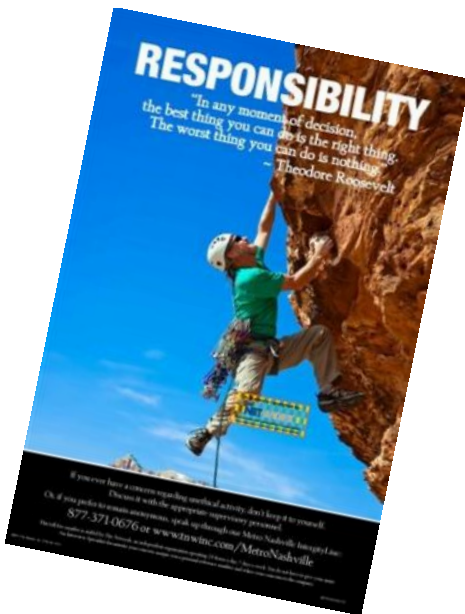
FY 2012 Single Audit

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 September 10, 2013**

Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
In-Progress					
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			✓		Aug-13
10) MDHA Procurement-to-Pay			✓		Aug-13
11) Fire Dept Grants Management			✓		Jul-13
12) Kiva Upgrade Development Project		✓			
13) Soil & Water Conservation			✓	Sep-13	
14) Clerk & Master			✓		Aug-13
15) Circuit Court Clerk - Municipal Citations			✓	Sep-13	
16) Employee Expenses & Credit Card Usage			✓	Sep-13	
17) MNPD Firearms & Equipment Tracking		✓			
18) Industrial Development Board		✓			
19) Nashville Education, Community & Arts Television			✓	Sep-13	
20) Planning Department	✓				
21) District Energy System	✓				
22) Metro Water Services Flood Buy Out Program	✓				
Anticipated to Start Next 3 weeks					
Metro IntegrityLine Alerts Since Jan 1, 2013:					
			Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse, & Suggestions)			15	13	2
Cases Reported to State of TN from Metro Hotline Alert			0	0	0
Cases Tasked to OIA by State of TN			4	4	0
Cases Tasked to OIA by Metro Entities			2	1	1

Note: Goal to complete 17 audit projects in CY 2013. Currently 12 audit projects are completed, and 7 audit projects are in field work or draft report phase.

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

FY 2014 Approved Budget

	Approved FY 2014 Budget	Actual As of Sept 7, 2013	Difference	Notes
Total Salaries & Fringe	\$ 989,800	\$ 174,754	\$ 815,046	
Other Expenses				
Professional & Purchased Services	64,400	-	64,400	
Other Expenses	62,200	2,569	59,631	
Internal Service Fees	56,400	49	56,351	
TOTAL EXPENSES	\$ 1,172,800	\$ 177,372	\$ 995,428	

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

Boards and Commissions play a vital role in Metropolitan Government. Citizens who volunteer to serve Metro Boards and Commissions participate in the process of establishing policy and making quasi-judicial decisions.

TRAINING

Board and Commission members are required to complete sexual harassment and diversity awareness training to comply with the [Mayor's Executive Order No.010](#).

Members may receive this required training by: attending classes offered by Human Resources; listening to CDs which are available with the department representative; or listening to audio training. The audio training is available below on the computer hyperlink:

Members must listen to both audio trainings to comply with Executive Order No. 010.

- [Sexual Harassment](#)
- [Diversity Training](#)

Once the board or commission member listens to both computer hyperlinks, the member must report to their board or commission representative that the training has been completed and the proper forms will be completed and turned into Human Resources.

Other Resources

HANDBOOK

This handbook is intended as a guide for board and commission members. ; If members have a specific question, they should contact their board or commission representative.

ROBERT'S RULES

Metropolitan Nashville Office of Internal Audit

Metropolitan Nashville Audit Committee

Executive Team
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**

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

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**CY 2013 Internal Audit Work Plan Status
As of September 10, 2013**

*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
CY 2013 New Audit Areas			
*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

**CY 2013 Internal Audit Work Plan Status
As of September 10, 2013**

*17 ¹	Water & Stormwater Services Capital Project Management	100	12,000
18	4% Reserve Fund and Asset Accounting Process	800	12,800
CY 2013 Added Audit Projects			
19 ²	Nashville Fire Department Grant Management	600	13,400
Legend to Highlighted Colors			
	Audit Project Completed		
	Audit Project In-Progress		

¹ Deferred due to Metro Water Services contracting Crosslin & Associates on a consulting engagement to review and monitor the project management and other controls related to the Clean Water Abatement Program. Crosslin & Associates to debrief Audit Committee at December 10, 2013 committee meeting.

² Approved by Metropolitan Nashville Audit Committee on July 9, 2013.

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Metropolitan Audit Committee

Metropolitan Code of Laws Section 2.24.300

Term-varied

6 Members

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

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Metropolitan Clerk's Office

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

PURPOSE

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

SCOPE

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

RESPONSIBILITIES

Financial Statements

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

Risk Management and Internal Control

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

Internal Audit

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

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

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

Reporting Responsibilities

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

Other Responsibilities

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

COMPOSITION

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

MEETINGS

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

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

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

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

PURPOSE

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

SCOPE

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

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

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

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

The Metropolitan Auditor shall have authority to:

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

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

AUDIT SCHEDULE

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

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

REPORT OF IRREGULARITIES

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

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

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

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

AGENCY RESPONSE

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

AUDIT FOLLOW-UP

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

REPORTS TO METROPOLITAN AUDIT COMMITTEE

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

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

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

ANNUAL REPORT

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

CONTRACT AUDITORS, CONSULTANTS AND EXPERTS

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

INDEPENDENCE

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

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

STANDARDS OF AUDIT PRACTICE

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

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

FUNDING

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

RECORDS

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

REASSESSMENT

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

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

Article IV. - Division of Metropolitan Audit

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

2.24.300 - Division of metropolitan audit.

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

(Ord. BL2007-1318 § 2, 2007)

Sec. 8.121. - Division of metropolitan audit.

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Council

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

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

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

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

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

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

Metro Code 2.04.033 – Metropolitan Council

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

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

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

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

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

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Division of Metropolitan Audit

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

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

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

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

Tennessee Code Annotated

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

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

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

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

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

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
AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE**

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
AND DAVIDSON COUNTY
METROPOLITAN AUDIT COMMITTEE**

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.”