

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



***METROPOLITAN AUDIT COMMITTEE***

***WORKBOOK***

**October 22, 2013**

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**METROPOLITAN NASHVILLE  
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA  
(Revised)  
October 22, 2013 4:00 p.m.**

**Committee Room 4  
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Approval of minutes for the October 8, 2013, meeting and revised minutes for the September 10, 2013, meeting (Bob Brannon – Committee Chairman) **Page 7 & Page 12**
- III. Old Business
  - Discussion on the potential scope of work for a comprehensive performance audit of Metropolitan Nashville Public Schools (Mark Swann – Metropolitan Auditor) **Pages 26 to 32**
  - Discussion on request to amend current Internal Audit Work Plan to include a comprehensive performance audit of Metropolitan Nashville Public Schools (Mark Swann – Metropolitan Auditor) **Page 37**
- IV. 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**

**October 8, 2013**

**DRAFT MINUTES**

On Tuesday, October 8, 2013, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> Floor, Committee Room 4. The following people attended the meeting:

**Committee Members**

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

**Others**

Mark Swann, Metropolitan Auditor  
Carlos Holt, Audit Manager  
Bill Walker, Internal Audit  
Theresa Costonis, Department of Law  
Mike Curl, Office of the Metropolitan Nashville Council  
Hank Clay, Metropolitan Nashville Public Schools

**Committee Member Absent**

Diane Neighbors, Vice-Mayor

*Quorum present? Yes*

**Call Meeting to Order**

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

**Approval of Minutes**

The minutes of the meeting on September 9, 2013, were approved.

**New Business**

**Discussion on the request to amend the current Internal Audit Work Plan to include a comprehensive audit of the Metropolitan Nashville Public Schools.**

Mr. Swann stated that the Office of Internal Audit had received a request by the Metropolitan Nashville Council to perform a comprehensive performance audit of the Metropolitan Nashville Public Schools. Subsequent to this request, Mr. Swann met with Mr. Rebeling (Metropolitan Nashville Finance Director), Dr. Register (Director of Metropolitan Nashville Public Schools), and Chris Henson (Metropolitan Nashville Public Schools) to discuss the request and the possible scope and financing mechanism for the audit. Mr. Swann stated all parties are agreeable and welcoming of the audit. Mr. Swann then discussed previous audits conducted within the Metropolitan Nashville Public School system subsequent to the last comprehensive audit conducted in 2001 by MGT. Numerous audits and management consulting engagements have been conducted which were less in scope than the MGT audit but did cover a wide range



of functional areas within the school system. Mr. Swann reviewed the listing of management consulting and audit reports contained in the Committee Workbook, page 27. A brief discussion was pursued regarding some of the recommendation of these audits.

Councilmember Glover inquired how the audit request from the Metropolitan Nashville Council compared to the 2001 MGT audit. Mr. Swann referred the committee to page 28 of the Workbook which outlines the scope of work as requested by the Metropolitan Nashville Council and what is typically seen in these type audits. Mr. Swann also advised that the MGT audit project was a comprehensive audit with 230 recommendations being made. Of the 230, 205 were implemented as of 2006.

Mr. Riebeling advised one of the primary challenges to developing a scope of work is that you have 40 members of the Metropolitan Nashville Council, one Mayor, many people with a large variance in what they expect to look at in this audit. Mr. Swann referred the Committee back to page 28 of the Workbook to review a potential scope of work.

Mr. Swann advised he believed this audit to be time sensitive. Councilmember Dowell concurred and discussed how the primary objective of this audit should be to determine and assess how effective MNPS is utilizing available funding and how funding is allocated, particularly per school. For example, if the District is spending certain dollars per child, how much of this amount is for direct education, transportation, maintenance, and so forth. Councilmember Glover advised he believed that when looking at these numbers, one must consider things like transportation as being part of the education delivery bucket.

Councilmember Dowell's primary concern about MNPS was how effectively is appropriated funds being utilized and how much of it actually gets filtered down to the delivery of educational services to the child.

Councilmember Dowell stated the audit should look at what type of services could be contracted out, are staffing levels too high, and so forth. Councilmember Dowell indicated that she is asked by constituents why funding amounts vary per school. She advised there may be a good reason for the variance but she currently cannot answer the question. Mr. Swann advised that a system possibly could be put in place that provides that information and the external auditors, as part of their annual audit plan, could provide assurance that the information provided is reasonable. Councilmember Dowell also advised that such information would be useful in answering constituents' questions about where the money is going (there are complaints that the kids are not seeing all of the additional funding), why funding levels vary from school to school (there are complaints about a variance in resources between schools), and comparison of private school cost to public school cost for example, a specific school may spend \$9,000 per student and a local private school may charge \$5,000 per year. What are the differences in these costs?

Councilmember Glover warned that a debate could ensue over what constitutes education delivery services. Transportation costs, for example, may be viewed as administrative cost by some but in his mind it should be education delivery because you have to get a child to school to teach them. Councilmember Dowell agreed but advised Metro needs to know that transportation cost is reasonable. Councilmember Dowell wants to know how we optimize the funding to maximize the amount going to direct education. Councilmember Dowell advised knowing the difference between direct cost and indirect cost would be vital information.

Mr. Swann referred to a copy of an audit conducted at Anchorage, Alaska that addresses some of these issues. Mr. Swann advised the scope could be divided into two buckets; how does

MNPS compare in relation to best practices and identifying and ascertaining the efficacy of how funding is being allocated per child.

Mr. Swann discussed the need for the committee to approve any modification or addition to the formal Internal Audit Annual Work Plan. Mr. Swann suggested that before such an approval was granted a determination of the scope should be made. After which, an RFP could be generated with a solicitation of bids to follow. Once bids began filtering in, the Committee could assess the cost of the audit. Mr. Riebeling stated that limited funding was available to conduct the audit. Mr. Swann stated that the scope of the audit could be broken down into smaller, more manageable areas with vendors being given the opportunity to bid on individual scope segments and make bids to conduct all scope items in their entirety. Once all the various bids come in, the Committee could assess what Metro Nashville could afford and what scope of work would be desirable to pursue. Mr. Swann also suggested there could be individual segments that the Office of Internal Audit staff could perform and thus reduce cost.

The question was raised by Mr. Reed regarding how much enforcement power would the Committee have in regards to the final recommendations made from the audit report. Ms. Costonis advised the committee's enforcement power is limited. Operations of the Metropolitan Nashville Public School reside in the School Board. She advised that the Metropolitan Nashville Council has the power of the purse strings but that was about it. Mr. Glover cautioned the Committee that there may be unintended consequences to the recommendations. Moreover, a large sum of money could be expended to produce a report in which recommendations are not implemented.

Mr. Brannon inquired how long it would take to generate a scope of work and come up with a Request for Proposal. He suggested the possibility of forming a sub-committee to facilitate the process. Mr. Swann advised that potentially members of the Committee could be on the Request for Proposal evaluation committee. Mr. Swann advised the time to generate a Request for Proposal scope of work for Committee review would take about a week. Mr. Brannon advised he would like to see it by the next Committee meeting. Mr. Swann advised he would have the Request for Proposal at the next meeting but that it would not be enough time, given Metropolitan procurement policies, to have bids ready in that time frame.

Councilmember Glover reiterated the risk of unintended consequences and that one must be aware of the inherent, fundamental differences when looking at a school such as Julia Green and Harris Hillman. Councilmember Dowell suggested the need for a pie chart for each school to get an allocation of how money is being spent. She also suggested an evaluation of staffing levels for administrative type functions was needed. She wanted to see how much money was making it to the classroom. Mr. Swann advised that a similar audit from Anchorage, Alaska addressed some of those issues. Moreover, the Texas Comptroller's Office has a website whereby the citizenry can view information regarding how funds are being allocated. Both the Anchorage report and format of the Texas website might be something to be considered in the audit. Councilmember Glover advised that evaluations of different schools can be very complicated and challenging.

Mr. Riebeling stated he wanted the audit to go forward. The Office of Internal Audit was directed to conduct the necessary preliminary work to generate a proposed scope of work. A meeting would be set up at a later date for the Committee to review and approve the scope of work. The question was raised as to whether Committee members could discuss this audit between themselves before the next meeting. Ms. Costonis advised they could not speak to other committee members outside of an official, public meeting. However, they could discuss the audit

individually with Office of Internal Audit staff. Councilmember Glover stated that the scope of this audit could take over a year and that a time limit should possibly be part of the Request for Proposal. Mr. Swann advised that audits have been conducted in shorter time frame but at a higher cost.

Councilmember Glover asked about the time frame for a final report to be issued and how long did it take the 2001 MGT audit to be conducted. Mr. Swann advised the 2001 MGT audit took a year. Mr. Riebeling advised there are more readily available sources of information which may help facilitate the timeliness of the project. It was noted that the Metropolitan Nashville Council would like to see a final report prior to the fiscal year 2015 budget hearings. Mr. Swann advised the time frame of the report could be included in the Request for Proposal.

A motion for the Office of Internal Audit to generate a proposed scope of work that the Committee will review at a subsequent meeting was made. The motion was approved.

### **Old Business**

#### Discussion on the status of audit project:

Mr. Swann advised there was little variance in project status for current engagements since the previous meeting on September 9, 2013. Several audits, four, had moved into the reporting phase. An audit report of the Metropolitan Citations Process will be released in the next couple of days. Mr. Swann referred the Committee to the section of the Workbook, page 37, which contained this information if they desired to review it.

#### Discussion on Hotel Occupancy Taxes for Fiscal Year 2013 audit report issued August 22, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann informed the Committee that audits on the Hotel Occupancy Tax were still underway. There are currently two large claims in the works totaling a range of \$40,000 to \$50,000. Total claims for fiscal year 2014 thus far appear to be close to \$100,000. Another audit is in the pipeline which could have potential claims in excess of \$130,000. Mr. Swann advised the collectability of this money may be an issue. Mr. Swann advised a common theme in conducting these audits is lack of appropriate supporting documentation. The Office of Internal Audit is attempting to utilize alternative audit steps, such as reviewing bank statements, to compensate for this lack of documentation. The lack of proper documentation is frustrating the anticipated time frame to complete these audits.

A legal issue has also developed regarding hotels who have transformed themselves into apartment complexes yet still, on occasion, house patrons whose length of stay is less than 30 days (patrons who stay over 30 days are exempt from paying the tax). The codes/laws governing classification of these issues varies for these entities in relation to the Codes Department and the Health Department. The Health Department, in form, does not view these entities as hotels. Consequently, some of the owners of these establishments have stopped paying taxes. Mr. Swann advised he was in the process of setting up a meeting between the Metropolitan Treasury Department, Legal Department, Health Department, and Codes Department to gain additional clarity on the subject.

Discussion on Metropolitan Auditor 2014 recruitment and recommendations for the term July 1, 2014, through June 30, 2022.

It was noted that nothing of significance had changed since the September 9, 2013, meeting. Mr. Swann advised that the job description presented at the last meeting could be reviewed for possible changes in the December 2013 Committee meeting. The Committee would make its recommendation and then present the candidate to be approved by the Metropolitan Nashville Council. Ms. Costonis concurred and advised she had reviewed minutes pertaining to the prior selection process. It was noted that a majority vote was needed by the Metropolitan Nashville Council to meet the confirmation requirements.

**Meeting adjourned after 52 minutes.**

The next meeting will be scheduled in the next few weeks.

DRAFT

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

**September 10, 2013**

**Revised Draft Minute**

On Tuesday, September 10, 2013, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> Floor, Committee Room 4. The following people attended the meeting:

**Committee Members**

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

**Others**

Mark Swann, Metropolitan Auditor  
Seth Hatfield, Internal Auditor  
Sonny Lyons, Human Resources  
Theresa Costonis, Department of Law  
Rachelle Gallimore-Scruggs, Department of Law

**Committee Member Absent**

Diane Neighbors, Vice-Mayor

*Quorum present? Yes*

**Call Meeting to Order**

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

**Approval of Minutes**

The minutes of the meeting on July 9, 2013, were approved.

**New Business**

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)

Ms. Costonis briefed the Committee on the process that should be followed for the upcoming selection of Metropolitan Auditor. Ms. Costonis stated that the Metropolitan Nashville Charter 8.121 provision was straightforward. There is a process spelled out for the selection of the Metropolitan Auditor that involves the Committee identifying three qualified candidates. A majority of the Metropolitan Council will select one of those candidates or, if none are chosen, require the Committee to find three more qualified candidates. Ms. Costonis stated that it is advisable that Human Resources be utilized for the selection process as they have the resources and are objective.

Mr. Reed asked what would happen if the Committee could not find three candidates.

Ms. Costonis explained that the charter uses the word “shall” so three candidates would need to be found.

Sonny Lyons presented the job description for the Metropolitan Auditor to the Committee. Mr. Lyons requested the Committee review the job description to determine if any changes need to be made. Mr. Lyons briefed the board on the services that were provided during the previous selection process. Mr. Lyons stated that Human Resources would be willing to help with the process again if called upon.

There was a discussion as to whether a resolution or ordinance was needed for the appointment and it was agreed that would need to be clarified before the next meeting. There was a discussion as to what the timeframe for the selection process should be. Richard Riebeling suggested the candidates be delivered to the Metropolitan Nashville Council in April before the budget discussions begin.

Mr. Lyons stated that the goal would be to post the position in January, go through the interview process in February and March, and deliver the candidates to Metro Council in April.

Ms. Dowell asked if there is a certain amount of time a job posting is left out.

Mr. Lyons stated it depends on the position and what is agreed upon with the Department posting the position. He stated that 30 days is too long and that 10 days to two weeks is better.

Mr. Lyons said he would be at the December Committee meeting and any changes to the job description should be completed by that time.

A motion to use Metro Nashville Human Resources for the Metropolitan Auditor selection process was carried.

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)

Mr. Swann explained that allegations were made to the Deputy Director of Finance about some improprieties involving the Flood Home Buyout Program. Mr. Swann stated that Scott Potter, Director of Metro Water Services, requested an audit be performed of the program in order to get the highest level of assurance. Mr. Swann stated the allegations of fraud would be investigated as part of the audit.

There were no questions about the amendment.

Mr. Glover motioned for the amendment of the audit plan. Ms. Dowell second. Motion carried.

Discussion on Audit of Information Technology Services Telecom Services audit report issued July 12, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann noted that the Audit Committee received a letter stating an audit of Information Technology Services Telecom had been completed. The report was restricted because it involves infrastructure that supports the police department and other government entities. Mr. Swann stated that there was an issue with the disaster recovery plan being incomplete. The audit found that Information Technology Services is doing a good job at verifying the rates on contracts that are used for billings. Mr. Swann stated the departments are responsible for

ensuring that all lines billed to them are lines being used for governmental services. Mr. Swann stated he doesn't know if the departments are actually performing this check, but explained it was an area that would be looked at in the future. There were no questions about the audit from the Committee.

Discussion on Audit of Nashville Fire Department Grant Administration report issued July 26, 2013.

Mr. Swann explained the audit was initiated at the request of Fire Chief Billy Lynch. Mr. Swann stated that five grants and a TennCare agreement related to EMS reimbursements were reviewed, totaling \$9.6 million. Mr. Swann stated that these were primarily SAFER grants used for staffing, equipment, and training. Mr. Swann noted that the Fire Department is in compliance with the grant terms, but needs to document the grant process and implement procedures for managing grants. Mr. Swann stated that the grant applications were not being reviewed by Metro Legal, Metro Finance, or Metro Council prior to submission.

Mr. Brannon asked why they were not being reviewed.

Mr. Swann stated they were not submitted for review, but were reviewed by Metro Council after the grants were accepted.

Mr. Riebeling explained that the request should be brought before Metro Finance and Metro Legal before submission to ensure everyone is on board.

Mr. Swann stated that the Fire Department agreed to complete this step going forward.

Mr. Swann explained that the department was using the wrong rates labor but this was caught during the review process and corrected before the end of the grant period.

There were no other questions from the Committee.

Discussion on Audit of Metropolitan Development and Housing Agency Procurement-to-Pay Process audit report issued August 2, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that an audit was completed of the Metropolitan Development and Housing Agency (MDHA) procurement process and a follow up of the 2009 audit by Kraft CPAs. Mr. Swann noted that all recommendations from the 2009 audit report had been implemented. MDHA processed \$194 million in payments in a two year audit period. Mr. Swann explained that Section 8 payments were included in that figure but were scoped out of the audit. There was an issue involving Section 8 that came up since the audit concluded<sup>1</sup>. Mr. Swann explained that there were no issues with their procurement process. Mr. Swann stated 75% of employees have a procurement card and had about \$7 million in P-card transactions during the audit period. Mr. Swann stated that no irregularities were observed with the use of P-cards but a recommendation was made to help strengthen their review process. It was recommended that those higher in the department not have P-cards since their transactions are not being reviewed. Mr. Swann stated that improvements to strengthen controls around their Yardi computer system were recommended in the report and accepted by MDHA.

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<sup>1</sup> Subsequent to approval of the September 10, 2013 Minutes it was determined that this issue was communicated in error by Mr. Swann. The issue did not involve the Section 8 program. The matter has been reported to the the State of Tennessee Comptroller's Office and the Metropolitan Nashville Police Department.

Mr. Reibeling asked if Section 8 was scoped out by Internal Audit or MDHA.

Mr. Swann stated that Internal Audit scoped it out due to the size of Section 8 and because it is reviewed by the Federal Government.

Ms. Dowell asked if we would do an Audit of Section 8 due to the issue that arose after the audit.

Mr. Swann explained that the issue was reported to the State Comptroller's Office so it may be handled by the state or it could be turned over to Metro Internal Audit.

There were no other questions about the audit.

Discussion on Hotel Occupancy Taxes for Fiscal Year 2013 audit report issued August 22, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that 18 hotels were audited during Fiscal Year 2013 and found that less than half a percent of taxes were underpaid. There have also been four hotel audits completed during the current fiscal year, including one that was underpaid over \$56,000.

Mr. Brannon asked if the hotel operator would be financially able to pay that amount.

Mr. Swann stated that he collected the tax originally so he should be able to pay. Mr. Swann stated that he could not determine if it was deliberate or not. The hotel operator may have had someone in his organization pointing him in the wrong direction which is why the hotel audits are important.

Discussion on Audit of Clerk and Master audit report issued August 28, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that the audit of the Clerk and Master focused on revenue collection and expenditures. The Office of Clerk and Master collects \$2 million a year and spends about \$1.5 million a year. Recommendations included improving their reconciliation process, leave time tracking, training, and use of technology.

Mr. Brannon asked who the funds held in trust belonged to.

Mr. Hatfield explained that the funds involved in Chancery Court cases are held until the case is resolved.

Mr. Brannon asked if there were any problems with the funds held in trust.

Mr. Swann stated that no problems were found.

Committee survey results and annual confirmation of responsibilities outlined in the Metropolitan Nashville Audit Committee Bylaws (Bob Brannon – Committee Chairman, Mark Swann – Metropolitan Auditor)

Mr. Swann briefed the Committee on results of the survey which had four respondents. Effectiveness of the Committee, internal auditors, and external auditors were ranked highly. An



area of improvement included having Metro management and external auditors engaged in the risk assessment process. Another Committee member requested more exposure of the final Comprehensive Annual Financial Report (CAFR) to the entire Metropolitan Nashville Council.

Mr. Swann presented the FY 2013 Audit Committee Confirmation of Responsibilities to the audit Committee. Mr. Swann stated that the audit Committee met all expectations during the 2013 fiscal year.

Motion for the acceptance of the FY 2013 Audit Committee Confirmation of Responsibilities carried.

Annual assessment of Metropolitan Auditor's performance (Bob Brannon – Committee Chairman)

Mr. Swann explained that an assessment of the Metropolitan Auditor's performance was required by the Metropolitan Nashville Charter. An additional clarification was added to the assessment which stated that unused accrued and earned vacation time will be paid to the Metropolitan Auditor upon termination.

Motion for the acceptance of the annual assessment of the Metropolitan Auditor carried.

Mr. Reed complemented the new audit report implemented by Metro Internal Audit. Mr. Reed stated it was much more readable and was well laid out. Mr. Swann complemented Lauren Riley, who was instrumental in changing the report format.

Bylaws annual review (Bob Brannon – Committee Chairman)

Mr. Brannon asked if there were any comments or suggestions after reviewing the bylaws.

There were no comments or suggestions raised by the Committee.

**Old Business**

Fiscal Year 2014 Hotel Occupancy Tax audits (Mark Swann – Metropolitan Auditor)

Mr. Swann summarized the hotel audits that have been completed to date. 22 hotel audits have been completed covering close to \$70 million in revenue. Mr. Swann explained that net claims totaled close to \$100,000. The hotels are being given credit for overpayments during the three year audit period. Mr. Swann explained to the Committee that most of the hotels were owned by small business entrepreneurs and the auditors are working hard to cooperate with them. Mr. Swann stated that there is the possibility that the owners could be upset about the audits and requested the Committee contact him if anything comes up.

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

Mr. Brannon stated that the Committee received copies of fiscal year 2012 CAFR, Single Audit, and Management Letter. Mr. Brannon asked if there were any additionally comments about the documents.

There were no questions.

Motion for the acceptance of the external auditor presentation fiscal year 2012 CAFR, Single Audit, and Management Letter carried.

Metro Hotline Status and Investigation Reports (Mark Swann – Metropolitan Auditor)

Mr. Swann noted that the Office of Internal Audit receives one to two hotline calls a month. Fifteen hotline calls were received this year and two of those calls are still open.

Internal Audit Project Status (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that 12 out of 17 audits in the audit plan have been completed. There are seven audits in the field work or draft stage. Mr. Swann informed the Committee that they could expect four or five reports before the next audit Committee meeting.

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

FY 2014 Budget

Mr. Swann stated that the Office of Internal Audit is currently under budget.

Audit Committee Member Training

Mr. Swann reminded the Committee members that sexual harassment and diversity training was required of all Committee members. Mr. Swann stated that only three members have completed this training.

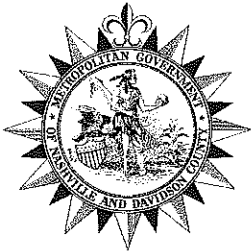
**Consideration of Items for Future Meetings (Bob Brannon - Committee Chair)**

Mr. Brannon stated that the external auditor presentation of the Metropolitan Nashville Fiscal Year 2013 Comprehensive Annual Financial Report would be a large part of the next meeting.

**Meeting adjourned after 45 minutes.**

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





## METROPOLITAN COUNCIL

Member of Council

September 17, 2013

Members of the Audit Committee  
Metropolitan Government of  
Nashville & Davidson County  
One Historic Public Square  
Nashville, TN 37201

Dear Audit Committee Members:

We, the undersigned Councilmembers, respectfully submit for your consideration a request for a performance audit of the Metropolitan Nashville Public Schools for the purpose of informing our funding decisions in FY 2015 and beyond. It has been over 13 years since a similar effort was undertaken in 2000-2001 by MGT of America under the supervision of Internal Audit. Further, it has been six years since implementation of the MGT of America recommendations have been evaluated. As was the case with the last audit, we view this process as an opportunity to highlight areas where MNPS performs above its peers while making recommendations that will help our schools move to the next level.

Given the size and complexity of MNPS, we propose that the performance audit be conducted once again by a contractor selected through a competitive process who has the experience and expertise for such an undertaking. The contractor should have a reputation for producing performance audits of complex governmental entities, including school districts, with reasonable, practical recommendations that can be implemented over a number of years. We expect the selected contractor will use, to the extent appropriate, the work of MGT and more recently that of Tribal Group and the Annenberg Foundation.

While we defer to the professionals in Internal Audit, we believe the following items should be included in the performance audit:

- Assess all major operations for strengths, weaknesses and inefficiencies, and make recommendations for improvements, citing any financial impacts. This assessment should include an analysis of total education spending at MNPS to determine the amount of direct classroom expenditures (those things that directly and routinely impact students in the classroom like teacher and principal compensation, textbooks and classroom technology); indirect classroom expenditures (also known as classroom support -those things that are managed or filtered through the central office like transportation, information technology infrastructure, building maintenance and repair); and administrative expenditures (those things that do not directly or indirectly serve students like management and supervision, benefits management, human resources and public relations.) This analysis should also include school level data for each MNPS school, including charters, that sets forth expenditures for each of category of direct classroom, indirect classroom (also known as classroom support) and administrative expenditures.
- Evaluate planning and research surrounding services provided to students and teachers, and evaluate the execution of programs designed to enhance student performance. This review should consider MNPS's process for evaluating initiatives and programs (including those funded by federal and private grants) for efficacy and taxpayer value with recommendations for improvement if necessary.

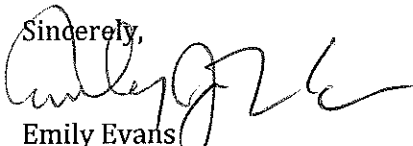
Members of the Audit Committee  
Page Two  
September 17, 2013

- A review of staffing and recruitment policies to ensure that minimum standards are met in the classroom and that administrative or non-teaching positions are not staffed in excess of policy. This assessment should consider the performance of teacher and principal recruitment efforts and professional development programs.
- An assessment of the charter school budget allocation and its impact on the resources available to non-charter schools with recommendations for mitigation, if appropriate and consistent with state law.
- Develop findings and recommendations for any areas where performance should be improved, including financial impacts and measurable implementation goals, where possible. This assessment should include a review of those non-classroom functions to identify those that might be similar to or redundant with the Metro general government including but not limited to building maintenance and management, information technology infrastructure, procurement, and transportation and fleet management with recommendations, if any.
- A review of any unimplemented recommendations from the MGT of America audit to determine if they are still valid and update as necessary.
- Develop a long-range planning model to help the school system achieve goals to fulfill its educational mission and to enhance its overall effectiveness in the community. This long-range model should ensure that MNPS budgetary priorities are aligned with policy goals and strategic objectives.
- Describe any instances of non-compliance with laws and regulations or any instances of fraud, abuse or illegal acts noted.


In conducting the performance audit, we expect the contractor to engage the parent and teacher communities for ideas and input. We further expect that the contractor will provide the proper context for its findings through benchmarking against similar school systems and, for the purposes of evaluating non-education functions, against the general Metropolitan Government itself.

Thank you in advance for your time and attention to the very important matter.

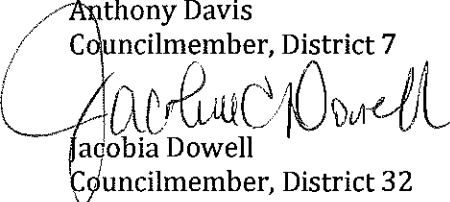
Sincerely,



Emily Evans  
Councilmember, District 23



Anthony Davis  
Councilmember, District 7



Jacobia Dowell  
Councilmember, District 32

~~DD~~  
Tony Kemper

James Zedny

Buddy [unclear]

Doug Perdue

Walter Hunt

Roni Stee

Shel [unclear]

Erica Gilmore  
[unclear]

Burley Moller

Chapin [unclear]

[unclear]

Jim [unclear]

[unclear]

[unclear]

Devetha Blacklock

Members of Council

Edith Baylor Langster

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Frank R. Harrison

Jason [unclear]

Jason [unclear]

Kan Burnett

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~~Ms [unclear]~~

C. A. W.

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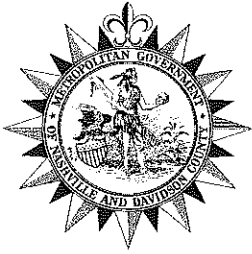
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Christopher L. Thomas

Sandra V. Moore

Members of Council



## METROPOLITAN COUNCIL

Member of Council

September 17, 2013

The Honorable Karl Dean, Mayor  
Metropolitan Government of  
Nashville & Davidson County  
One Historic Public Square, Suite 100  
Nashville, TN 37201

Dear Mayor Dean:

Attached please find a letter to the Audit Committee of the Metropolitan Government requesting a performance audit of Metro Nashville Public Schools. We are writing today to ask for your support of our request. As we note in the letter, it has been quite a number of years since a performance audit was conducted. Performance audits have great value in the way they not only encourage improvement but celebrate success. We expect the results of an MNPS performance audit to do just that.

We understand and appreciate this project is a major undertaking. However, since MNPS occupies almost half of the Metro Government's budget we think it prudent and in the public's best interest to pursue this effort. The 2001 audit was 50% funded by the Metro General fund and 50% funded through private donations. We hope that we can once again pursue a similar arrangement so this mid-year request has a minimum impact on approved budgets. The objectivity of the audit shall be preserved by the oversight of the independent Department of Internal Audit.

Thank you in advance for your time and attention to this matter.

Sincerely,

Emily Evans  
Councilmember, District 23

Anthony Davis  
Councilmember, District 7

Jacobia Dowell  
Councilmember, District 32

Tony Thompson

~~DD~~

Buddy Wilson

Doug Pabue

Walter Hunt

Ronnie Stone

John Evigne

~~Rita Arnold~~

~~Stu Wilson~~

Buffy Noller

Chelli Lynn

J. L. B. #

Kim Harro

Jim Mc

Jay

~~CS~~

Devette Black

Members of Council

Edith Saylor Langster

~~Edith~~

Frank L. Harrison

Joan #

Jovan Cott

Jane Bennett

Wanda

Chad M

Scott

~~Bob~~

Al Young

Kim Jones

Christopher L. Harmon

Sandra v. Moore

Members of Council



## Swann, Mark (Internal Audit)

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**From:** Fabian Bedne <fbedne@gmail.com>  
**Sent:** Friday, September 20, 2013 4:20 PM  
**To:** Swann, Mark (Internal Audit)  
**Subject:** Re: Metropolitan Nashville Public Schools Performance Audit Request

Thank you.

Can we add a question to the audit? What should the per student cost be to run the school system and achieve the goals using data from similar school systems.

Fabian Bedne (from my phone)  
615.829.6226

On Sep 20, 2013 4:14 PM, "Swann, Mark (Internal Audit)" <[Mark.Swann@nashville.gov](mailto:Mark.Swann@nashville.gov)> wrote:

Dear Councilmembers:

Your request to add a performance audit for the Metropolitan Nashville Public Schools to the 2013 Internal Audit Work Plan was received and will be considered at a special called Metropolitan Nashville Audit Committee meeting. This meeting is tentatively scheduled for Tuesday, October 8, 2013, at 4:00 p.m. in Council Committee Room 4, 205 Metropolitan Nashville Courthouse.

Preliminary project planning work will begin on this project as internal audit resources become available in the next few days.

Please contact me at [\(615\) 862-6158](tel:6158626158), or [\(615\) 974-8700](tel:6159748700), if you would like to meet about any specific concerns related to this request.

**Mark S. Swann – Metropolitan Auditor**

Metropolitan Nashville Office of Internal Audit  
Tel: [615 862-6158](tel:6158626158) | Mobile: [615 974-8700](tel:6159748700) | Fax: [615 214-3602](tel:6152143602)

Got Issues? Try the Metro Nashville Integrity Line: [www.tnwinc.com/MetroNashville](http://www.tnwinc.com/MetroNashville)

## Summary of MNPS Audit and Management Consulting Reports

Report/Project	Date	Recommendations
MGT of America Performance Audit of MNPS	January 2001	230 (March 2006, 205 Implemented)
CSS Magellan Project Recommendation Report (Procurement/Contracts Management, Inventory Management, Financial Management, Human Resources, Federal Programs, Organizational)	November 2009	102
CSS Human Capital Division		
Transportation Department (First Student)	April 2011	
School Nutrition (Noser Consulting LLC)	July 2011 & April 2012	
Food Services Department (Council of Great City Schools)	October 2010	
OIA – Information Security	July 2009	4
OIA – Food Service Program	August 2010	8
OIA – MNPS Payroll Process	March 2012	19
OIA – MNPS Custodian Outsourcing	August 2012	1
Metro Nashville Single Audit (Crossland & Associates)	Annually	
Metro Nashville CAFR (Crossland & Associates)	Annually	
Metro Nashville Management Letter (Crossland & Associates)	Annually	
Metro Nashville Activity Funds (Crossland & Associates)	Annually	
Tennessee Department of Education - Fiscal Oversight and Management Review Process	2013	
Council of Great Schools Performance Measurement and Benchmarking (District #47)	October 2012	
Chamber of Commerce Annual Report Card - 2012	2012	5
Chamber of Commerce Annual Report Card - 2011	2011	5
Chamber of Commerce Annual Report Card - 2010	2010	10
<b><i>Instructional Delivery and Student Performance</i></b>		
Tribal – End of Semester 1 Report	December 2011	
Tribal – Progress and Next Steps	December 2012	
Lynch School of Education, Boston College – Inspirational School Partnership with the MNPS	August 2012	
Annenberg Institute of School Reform – MNPS Achieves Evaluation Year 1	December 2010	
Annenberg Institute of School Reform – MNPS Achieves Evaluation Year 2	November 2011	
Annenberg Institute of School Reform – MNPS Achieves Evaluation Year 3	November 2012	

**REQUEST FOR PROPOSAL (RFP)  
INFO TEMPLATE**

**The following information must be submitted with the requisition for issuance of a Request For Proposal (RFP):**

**The information requested can be submitted on this form. Submit the required information under the headings listed. Additional documents may be attached as needed.**

**RFP Title:** Operational/Performance Audit of Metropolitan Nashville Public Schools

**Justification for RFP:** The Metropolitan Nashville Office of Internal Audit anticipates the contract amount to exceed \$10,000 to complete the requested internal audit services.

**Recommended Evaluation Team Members:**

Voting members: Mark Swann (Metropolitan Auditor), Carlos Holt (Internal Audit Manager), William “Bill” Walker (Sr. Auditor), Audit Committee Member (To Be Determined)

**Purpose/Objective**

**Purpose:** The Metropolitan Government of Nashville and Davidson County (Metro) is requesting sealed proposals from qualified firms for the purchase of the following services and products:

An independent operational/performance audit of the Metropolitan Nashville Public Schools to include a detailed report and supporting documentation as described herein.

**Objective:** The objective to be met through the award of the Request For Proposal is to enter into a contract with the selected vendor to perform an operational/performance audit of the Metropolitan Nashville Public Schools (MNPS). The audit will highlight where MNPS performs above or below its peers while making recommendations that will add long-term value to the school system.

The final product will consist of audit report in sufficient detail to provide a clear understanding of the work performed (including the nature, timing, extent, and results of engagement procedures performed), criteria used; the evidence obtained and its source; the conclusions reached; and the recommendations referred to above.

**Background**

MNPS is the 42nd largest urban school district in the nation. The consolidated city-county district covers Nashville and Davidson County, an area of about 525 square miles.

MNPS is a vast and diverse school system, serving over 81,000 students from more than 80 different countries, speaking more than 70 different languages. MNPS has evolved over the

years into one of the most racially, ethnically, and socio-economically diverse school districts in the country. The district is comprised of 153 schools, including 72 elementary schools, 34 middle schools, 21 high schools, 3 alternative schools, 4 special education schools, and 19 charter schools. MNPS is also proud to have the region's first Big Picture High School, as well as 12 high schools implementing themed-based Academies and a Middle College High School that offers dual high school and college enrollment.

The school district is led by a nine-member elected Board and its appointed Director of Schools. Funds for the system's operation are approved and provided by the Metropolitan Nashville City Council, as the Board has no taxing authority.

The last comprehensive performance audit report was issued in January 2001. Several management consulting and Metropolitan Nashville Office of Internal Audit reports are available which cover specific aspects of MNPS operations (Food Services, Human Capital, Financial Management, Payroll, Transportation, Instructional Delivery, and so forth).

The Metropolitan Nashville Office of Internal Audit is responsible for providing independent performance, financial, and other audit services for Metro.

### **Scope of Services**

The review will at a minimum include the following objectives:

#### **Objective 1: Assess Major Operations**

This objective is to assess all major operations for strengths, weaknesses and inefficiencies, evaluate insourcing versus alternative sourcing mechanisms (leveraging existing Metropolitan Nashville Government functions/agencies or other providers), and recommend improvements, citing any financial impact. The areas reviewed should include:

- District Organization and Management
- Education Service Delivery
- Human Capital
- Financial Management
- Facilities Management
- Food Services
- Transportation
- Safety and Security
- Technology Management

The areas reviewed should provide an analysis of overall district staffing levels. The goal is to answer the questions about whether MNPS is overstaffed, understaffed, or appropriately staffed, and where. This should include a review of staffing and recruitment policies to ensure minimum

standards are met in the classroom and ensure administrative or non-teaching positions are not staffed in excess of policy.

The assessment of Human Capital practices should include an assessment of the teacher and principal recruitment program along with the professional development program.

#### Objective 2: Review Initiative and Program Evaluation Methodology

Evaluate the methodology used by MNPS to determine the feasibility, and success or failure of individual initiatives and programs designed to enhance student performance for efficacy and taxpayer value.

#### Objective 3: Analysis of Total Education Spending

To the extent practicable, provide benchmarking and analysis of MNPS total expenditures and individual school level cost reporting using existing National Center for Education statistics classification of expenditures (instruction, support services, operation of noninstructional services, facilities acquisition and construction, and debt services). Ideally the deliverable would group expenditures as follows:

- Direct Classroom (directly and routinely impact students in classrooms like teachers and principal compensation, textbooks, and classroom technology).
- Indirect Classroom (classroom support like transportation, information technology infrastructure, and building maintenance and repair).
- Administrative (things that do not directly or indirectly serve students like management and supervision, benefits management, human resources, and public relations).

This analysis should include total cost and per pupil cost for MNPS and charter schools. The goal is to provide information to assist policy makers in ensuring adequate and equitable funding of schools and programs is available to provide every student with the foundation of knowledge, skills and character necessary to excel in higher education, work and life.

This information should include an assessment of charter school budget allocation and its impact on resources available to non-charter schools with recommendations for mitigation, if appropriate and consistent with state law.

#### Objective 4: Illegal Acts and Fraud Consideration

Document any instances of non-compliance with laws and regulations, fraud, and/or illegal acts in the operation.

#### Objective 5: Draft Report

Issue a Draft Report to the Metropolitan Nashville Office of Internal Audit wherein the observations and recommendations are supported by work performed and adequately cross referenced to working papers. The recommendations contained in the report should include estimated financial impact and measurable implementation goals, where possible.

The Draft Report will provide the contractor and the Metropolitan Nashville Office of Internal Audit an opportunity to review. The Metropolitan Nashville Office of Internal Audit will seek

clarification and a corrective action plan for any recommendations from the management of MNPS prior to issuing the Final Report.

**Objective 6: Final Report**

Issue a Final Report that includes supporting documentation, spreadsheets, analysis, a bibliography, and any other materials pertinent to, and in support of, the observations outlined in the report. Recommendations should include financial impact and measurable implementation goals where possible. The report must contain an executive summary, outline of the engagement objectives, scope of the work performed (including any limitations on the scope and any issues that might be relevant to likely users), methodology used to address the engagement objectives, and observations with recommendations for improvement.

The Final Report will subsequently be incorporated into an audit report that will be issued by the Metropolitan Nashville Office of Internal Audit. This report, the Contractor's Final Report and management's responses will be bound together as a single document and available to the public once completed by all parties.

Contractor may be required to provide a public presentation of audit results to the Metropolitan Nashville Council, Board of Education, and Metropolitan Nashville Audit Committee.

**Constraints on the Contractor:**

Contractor shall work under the direction of the Metropolitan Nashville Office of Internal Audit.

Contractor shall follow the general standards (Chapter 3, specifically independence requirements) and standards for performance audits as prescribed by Government Auditing Standards, 2011 Revision (Yellow Book). Contractor agrees to complete the Metropolitan Nashville Office of Internal Audit Project Statement of Independence form during the engagement planning phase.

Original working papers or copies thereof (if the Contractor retains the original) produced by the Contractor will become property of the Metropolitan Nashville Office of Internal Audit.

Contractor will be exposed to and have access to information considered sensitive or classified as confidential as per Tennessee Code Annotated Section 10-7-504 (a) (22). Contractor agrees that all information, opinions, analysis, or other work product provided will be provided only to and become the property of the Metropolitan Nashville Office of Internal Audit and may be disclosed only to same by the Contractor. The Metropolitan Nashville Office of Internal Audit will have sole and complete discretion how to use and whether to use work products provided by Contractor and will also be free to use Contractor's name as a participating consultant for this engagement.

Contractor agrees that their participation in any media interviews will be limited to stating that they were used as a consultant and further referring information requests to the Metropolitan Auditor.

Contractor shall comply with Public Chapter 587 of 2007, as codified in Tennessee Code Annotated Section 49-5-413, which requires all contractors to facilitate a criminal records check conducted by the Tennessee Bureau of Investigation and the Federal Bureau of Investigation for each employee prior to permitting the employee to have contact with students or enter school grounds when students are present.

**Contractor Personnel Requirements:**

Contractor must demonstrate proof of previous positive experience of reviewing or auditing large urban public school districts.

Evaluation of proposed team members' experience will be taken into consideration in the evaluation of proposal responses.

**Contractor Responsibilities:**

Selected contractor is subject to the terms and conditions set forth in the attached Contract for Services.

During the execution of the engagement, the following deliverables and/or work products will be created to facilitate successful completion and control project quality:

- Work Program
- Audit Working Papers
- Audit Reports (Draft and Final) with Executive Summary
- Public Presentation of Audit Results
- Bi-weekly Status Reports with Metropolitan Nashville Office of Internal Audit

**Metro Departmental Responsibilities:**

Metro will assist selected contractor in scheduling of meetings and provide reasonable office space and telephone services.

Assistance can be provided by personnel from the Metropolitan Nashville Office of Internal Audit. Any audit assistance will be under the direction of the Contractor.

**Evaluation Criteria and Weights:**

The information listed below shall be submitted with each proposal and should be submitted in the order shown. Each section should be clearly labeled, with pages numbered and separated by tabs. Failure by an offeror to include all listed items may result in the rejection of its proposal.

**Tab I, Business Plan**

**Plan Total points available for this criterion are 15 points.**

- Open with a cover letter indicating the underlying philosophy of your firm in providing the requested service/product. Express your understanding of the contract scope and the desired deliverables.

- Provide a detailed plan of your firm's proposed approach (including major tasks and sub-tasks).
- Address the functional requirements of this solicitation.
- Include what established criteria you will be using to compare and evaluate functions of the Metropolitan Nashville Public Schools.
- Include a proposed quality assurance plan your firm will conduct to ensure the performance of contract deliverables.
- Include a detailed timeline for completion of the audit.
- Attached at the end of this solicitation is the proposed contract. Those respondents submitting a signed and notarized contract, without exceptions, will receive the maximum consideration for this portion of the business plan evaluation. You may indicate exceptions to the general terms and conditions of the RFP and/or to the insurance requirements but scores will reflect Metro's assessment of the impact for these considerations.

**Tab II, Experience and Qualifications**

**Total points available for this criterion are 25 points.**

- Include the description of the proposed team, and the role to be played by each member of the proposed team.
- Include the resumes of all managers, senior level supervisors, and key personnel (indicate if they are a subcontractor) who will be involved in providing the required services. The resumes should include license(s) and certification(s) these individuals may have that would convey their ability to perform this project.
- Estimate the number of hours each person will contribute to the project/contract.
- Address your firm's financial health to completely perform the contract. Identify any areas of concern or limitations that Metro should consider.

**Tab III, Compensation and Cost Data**

**Total points available for this criterion are 20 points.**

Provide the hourly rates for individuals to be assigned to the project, and the estimated time each individual will spend on the project along with the estimated time to perform work on-site in Nashville. The hourly rate should indicate if travel time will be charged, a separate rate for travel time may be included in the compensation schedule. Out of pocket expenses will be billed at the actual amounts incurred and follow Metropolitan Nashville Government Finance Department's Travel Policy. Out of pocket expenses include, but are not limited to, air and ground transportation, accommodations, food, and other expenses of similar nature. Include all estimated out of pocket expenses associated with this engagement

Submit a detailed cost structure for each scope of work objective along with a guaranteed maximum total price for the four cost proposals requested below.



1. Objective 1: Assess Major Operations, Objective 4: Illegal Acts and Fraud Consideration, Objective 5: Draft Report, and Objective 6: Final Report
2. Objective 2: Review Initiative and Program Evaluation Methodology, Objective 4: Illegal Acts and Fraud Consideration, Objective 5: Draft Report, and Objective 6: Final Report
3. Objective 3: Analysis of Total Education Spending, Objective 4: Illegal Acts and Fraud Consideration, Objective 5: Draft Report, and Objective 6: Final Report
4. Provide an overall guaranteed maximum total price to complete all six audit objectives.

Additional work requested by Metro, above the scope of this project, will be billed to Metro at the hourly rates proposed.

#### **Tab IV, Capacity and Ability to Meet Scheduling Requirements**

**Total points available for this criterion are 15 points.**

- Discuss your understanding of the delivery requirements for this contract.
- Describe in detail how your firm is structured to ensure timely delivery of these services/products.
- Address any delivery concerns you have in performing this project and propose ways to mitigate your firm's concerns.

#### **Tab V, Key Past performance and References**

**Total points available for this criterion are 15 points.**

Provide a listing of three (3) previous customers that purchased your services/product that were of similar size and scope. The services provided to these clients should have characteristics as similar as possible to those requested in this RFP. Information provided for each client shall include the following:

- a) Client name, address, email and current telephone number
- b) Description of services provided
- c) Time period of the project or contract
- d) Budgeted amount and final billing amount (explain any cost variance)

Failure to provide complete and accurate client information, as specified here, may result in the disqualification of your proposal and will be reflected in the scoring.

#### **Tab VI, Small Business Participation**

**Total points available for this criterion are 10 points.**

The List of Proposed Small Businesses must be completed and signed by a company officer empowered to bind the Proposer to the provisions in this RFP and any contract awarded pursuant to the RFP. The Proposer must submit a List of Proposed Small Businesses OR a statement that no small businesses are proposed.



**Internal Estimate for Completion  
Audit of MNPS**

Task	EstimatedDuration	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
RFP Development	2 weeks									
RFP Committee Review	1 week									
Purchasing Review	1-3 days									
* RFP Posted	4 weeks									
RFP Evaluation	2 weeks									
Contract Award	2 weeks									
Audit Work	12 to 16 weeks									
* Draft Report Review	4 weeks									
Final Report										

## Swann, Mark (Internal Audit)

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**Subject:** FW: Metro Nashville Public Schools Performance Review

**From:** Lesli Cathey [mailto:Lesli.Cathey@lbb.state.tx.us]  
**Sent:** Wednesday, October 02, 2013 3:47 PM  
**To:** Hatfield, Seth  
**Subject:** Re: Metro Nashville Public Schools Performance Review

Hi Seth,  
We haven't recently reviewed any districts in this size range, but these are the consulting costs for some others to give you an idea of the range:

- 2013 Beaumont ISD with 19,848 students: \$285,143
- 2007 Irving ISD with 32,620 students: \$277,790
- 2003 Brownsville ISD with 42,541 students: \$350,000
- 2001 Dallas ISD with 159,908 students: \$800,000

Let me know if we can provide any other information.

Sincerely,  
Lesli Cathey  
Manager, School Performance Review  
Texas Legislative Budget Board  
512-475-0213  
[lesli.cathey@lbb.state.tx.us](mailto:lesli.cathey@lbb.state.tx.us)

2001 Metropolitan Nashville Public Schools - MGT of America with 69.579 students: \$499,570



**CY 2013 Internal Audit Work Plan Status  
As of October 22, 2013**

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

**CY 2013 Internal Audit Work Plan Status  
As of October 22, 2013**

*17 <sup>1</sup>	Water & Stormwater Services Capital Project Management	100	12,000
18	4% Reserve Fund and Asset Accounting Process	800	12,800
<b>CY 2013 Added Audit Projects</b>			
19 <sup>2</sup>	Nashville Fire Department Grant Management	600	13,400
20 <sup>3</sup>	Water & Stormwater Services Flood Home Buyout Program	600	14,000
<b>Legend to Highlighted Colors</b>			
	Audit Project Completed		
	Audit Project In-Progress		

<sup>1</sup> 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.

<sup>2</sup> Approved by Metropolitan Nashville Audit Committee on July 9, 2013.

<sup>3</sup> Approved by Metropolitan Nashville Audit Committee on September 10, 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>
<b>Mr. Robert C. Brannon</b> 173 Jefferson Square Nashville, TN 37215- (615) 385-2491      bbrannon@associatedpackaging.com Representing: TSCPA, Nashville Chapter	<b>2/2/2013</b>	<b>3/20/2017</b>
<b>Ms. Jacobia Dowell</b> 2609 Welshcrest Drive Antioch, TN 37013- (615) 498-7094      jacobia.dowell@nashville.gov Representing: Metro Council	<b>9/17/2013</b>	<b>8/31/2015</b>
<b>Mr. Steve Glover</b> 4576 Raccoon Trail Hermitage, TN 37076- (615) 866-9514      steve.glover@nashville.gov Representing: Metro Council	<b>9/17/2013</b>	<b>8/31/2015</b>
<b>Vice Mayor Diane Neighbors</b> One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357      diane.neighbors@nashville.gov Representing:	<b>9/1/2011</b>	<b>8/31/2015</b>
<b>Mr. Brack Reed</b> 511 Union Street, Suite 1400 Nashville, TN 37219- (615) 770-8494      brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce	<b>2/1/2011</b>	<b>3/20/2015</b>
<b>Mr. Richard M. Riebeling</b> One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151      richard.riebeling@nashville.gov Representing: Director of Finance	<b>9/1/2011</b>	<b>8/31/2015</b>

Printed 18-Sep-13

**Metropolitan Clerk's Office**



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

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**PURPOSE**

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

**SCOPE**

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

**RESPONSIBILITIES**

Financial Statements

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

Risk Management and Internal Control

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

Internal Audit

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

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

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

Reporting Responsibilities

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

Other Responsibilities

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

## **COMPOSITION**

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

## **MEETINGS**

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

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

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



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

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**PURPOSE**

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

**SCOPE**

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

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

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



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

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The Metropolitan Auditor shall have authority to:

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

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

## **AUDIT SCHEDULE**

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

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

## **REPORT OF IRREGULARITIES**

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

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

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**ACCESS TO EMPLOYEES, RECORDS AND PROPERTY**

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

**AGENCY RESPONSE**

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

**AUDIT FOLLOW-UP**

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

**REPORTS TO METROPOLITAN AUDIT COMMITTEE**

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

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

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

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**ANNUAL REPORT**

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

**CONTRACT AUDITORS, CONSULTANTS AND EXPERTS**

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

**INDEPENDENCE**

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

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

**STANDARDS OF AUDIT PRACTICE**

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

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

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**FUNDING**

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

**RECORDS**

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

**REASSESSMENT**

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



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

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

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

**2.24.300 - Division of metropolitan audit.**

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

*(Ord. BL2007-1318 § 2, 2007)*



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

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

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

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**METROPOLITAN GOVERNMENT OF NASHVILLE  
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.”