

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



METROPOLITAN AUDIT COMMITTEE

WORKBOOK

February 13, 2014

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**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
February 13, 2014 4:00 p.m.**

**Committee Room 4
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Approval of Minutes for the December 9, 2013, December 10, 2013, December 19, 2013, and December 23, 2013 Meetings, (Bob Brannon – Committee Chairman)
- III. New Business
 - Election of Committee Chairman and Vice Chairman (Bob Brannon – Committee Chairman)
 - Discussion on Audit of the Industrial Development Board audit report issued December 16, 2013 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Metropolitan Nashville Credit Card and Expense Reimbursement Top Users audit report issued December 26, 2013 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Metro Water Services Home Buyout Program audit report issued January 29, 2014 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of the Mayor’s Office audit report issued January 30, 2014 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Metropolitan Nashville Police Department Firearms and Equipment Tracking audit report issued February 6, 2014 (Mark Swann – Metropolitan Auditor)
 - Discussion of Office of Internal Audit Recommended 2014 Annual Work Plan (Mark Swann – Metropolitan Auditor)
- IV. Old Business
 - Update on Metropolitan Auditor 2014 recruitment (Bob Brannon – Committee Chairman, Sonny Lyons/Les Bowron – Metro Human Resources Department)
 - Update on the status of the comprehensive performance audit of Metropolitan Nashville Public Schools (Mark Swann – Metropolitan Auditor and McConnell Jones Lanier & Murphy LLP)
 - Follow-up on the FY 2013 CAFR external auditor presentation (Bob Brannon – Committee Chairman)
 - Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)
- V. Metro Hotline Status and Investigation Reports (Carlos Holt – Internal Audit Manager)
- VI. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
- VII. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
 - FY 2014 Budget Status
 - FY 2015 Budget Proposal

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
February 13, 2014 4:00 p.m.**

- 2013 Office of Internal Audit Performance Report and 2013 Audit Committee Report to Council

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

IX. Adjournment of public meeting – Next meeting Metropolitan Auditor interviews (Date to be determined).



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**

December 9, 2013

DRAFT MINUTES

On Monday, December 9, 2013, at 4:30 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 1. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman

Brack Reed, Vice Chairman

Richard Riebeling, Director, Metropolitan Nashville Department of Finance

Jacobia Dowell, Council Member

Steve Glover, Council Member

Others

Mark Swann, Metropolitan Auditor, Metropolitan Nashville Office of Internal Audit

Carlos Holt, Audit Manager, Metropolitan Nashville Office of Internal Audit

Emily Evans, Metropolitan Nashville Council Member

Theresa Costonis, Attorney, Metropolitan Nashville Department of Law

Jon Cooper, Director, Metropolitan Nashville Council Office

Hank Clay, Assistant to the Director of Schools, Metropolitan Nashville Public Schools

Tabitha Holt, McConnell, Jones, Lanier, and Murphy

Nick Stuart, Evergreen Solutions

Daniel Coleman, MGT of America

Jeff Gossage, Director, Metropolitan Nashville Procurement Division

Sara Sloan, Purchasing Agent, Metropolitan Nashville Procurement Division

Committee Member Absent

Diane Neighbors, Vice Mayor

Quorum present? Yes

Call Meeting to Order

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

Audit Committee legal representative from the Department of Law

Ms. Costonis advised the committee members that they could evaluate the proposals received in a public meeting but any substantive discussion would be problematic since the proposals are

non-public documents until an award is made. She suggested that an executive session may be used to discuss and evaluate the proposals and would be in compliance with Tennessee law.

Motion on Executive Session

Mr. Glover then made a motion that the committee first discuss and then vote on going into executive session. The motion to begin the discussion and later vote was seconded and subsequently approved.

After a brief discussion on the particulars of an executive session, Mr. Brannon called for a vote. The vote was two in favor and two opposed. Mr. Brannon voted in favor of the motion and the motion carried.

Announcement of Executive Session

Mr. Brannon announced that the committee was going into executive sessions for the purpose of evaluation and deliberation of proposals for the pending and ongoing audit of Metropolitan Nashville Public Schools. If the evaluations were completed during this meeting, any decision related to this review would be considered at the next scheduled Metropolitan Nashville Audit Committee meeting on Tuesday, December 10, 2013, at 4:00 p.m.

Meeting adjourned after 90 minutes.

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

December 10, 2013

DRAFT MINUTES

On Tuesday, December 10, 2013, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor Committee Room 1. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman

Brack Reed, Vice Chairman

Richard Riebeling, Director, Metropolitan Nashville Department of Finance

Steve Glover, Council Member

Jacobia Dowell, Council Member

Others

Mark Swann, Metropolitan Auditor, Metropolitan Nashville Office of Internal Audit

Carlos Holt, Audit Manager, Metropolitan Nashville Office of Internal Audit

Theresa Costonis, Attorney, Metropolitan Nashville Department of Law

David Hunt, Crosslin & Associates, P.C.

John Crosslin, Crosslin & Associates, P.C.

Ben Nichols, Crosslin & Associates, P.C.

Kim McDoniel, Chief Accountant, Metropolitan Nashville Department of Finance

Sonny Lyons, Metropolitan Nashville Human Resources

Les Bowron, Metropolitan Nashville Human Resources

Tony Neumaier, Metro Water Services

Committee Member Absent

Diane Neighbors, Vice Mayor

Quorum present? Yes

Call Meeting to Order

Mr. Brannon called the meeting to order.

Approval of Minutes

The minutes of the meeting on October 22, 2013, were approved.

New Business

Metropolitan Auditor Position Announcement Process

Mr. Lyons provided a sample job announcement and timeline showing the intent to post the Metropolitan Auditor position on January 2, 2014. Metropolitan Nashville Human Resources will review all applications first to determine if they are qualified before forwarding them to the Metropolitan Nashville Audit Committee. The Committee will need to provide a designated representative point of contact for the recruitment. Mr. Lyons also stated that it is his intent to post the position on known recruiting source websites such as the Institute for Internal Auditors. Mr. Brannon stated that he will be the point of contact. It was also decided that the position should be posted for 30 days rather than the 15 days initially discussed. The current Metropolitan Auditor position expires June 30, 2014.

Messrs. Lyons and Bowron departed.

Mr. Brannon notified several interested parties that there would be no discussion of the evaluation of the request for proposal for a performance audit of the Metropolitan Nashville Public Schools at this meeting. There would be another meeting in a few weeks to discuss this matter.

External auditor presentation of fiscal year 2013 Comprehensive Annual Financial Reports (Crosslin & Associates, P.C.)

Mr. Hunt with Crosslin & Associates presented the Comprehensive Annual Financial Reports for Metropolitan Government of Nashville & Davidson County fiscal year 2013. A workbook was provided to each committee member summarizing the highlights of Mr. Hunt's presentation.

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

External auditor presentation of Performance Audit of the Clean Water Nashville Overflow Abatement Program (Crosslin & Associates, P.C.)

Mr. Crosslin with Crosslin & Associates discussed the performance audit they performed on the overflow abatement program. He referenced the 2009 consent degree from the Environmental Protection Agency requiring Metropolitan Nashville to make numerous improvements in the storm and sewer water management system. Overall it is a \$1.5 billion project over ten years. The performance audit report was dated August 31, 2013. Mr. Riebeling noted that this construction program is the largest that Metropolitan Nashville has ever performed. Mr. Swann stated this audit project was included in the Office of Internal Audit approved 2013 Work Plan and was not performed because of the work performed by Crosslin & Associates.

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

Old Business

Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)

Mr. Swann noted that the number of Hotel Occupancy Tax audits performed in 2013 was 18 and in 2014, 15 were scheduled. He stated that the average underpayment was two percent and so far the Office of Internal Audit has identified \$254,254 in hotel tax underpayments.

Internal Audit Project Status (Mark Swann – Metropolitan Auditor)

Mr. Swann made reference to the status of audit reports and indicated approximately eight reports are in field work or the draft report phase, and two audits are newly underway, the audit of the Mayor's Office and the Davidson County Property Assessor. There are two other audits left on the plan. He noted that almost every department in Metropolitan Nashville has been touched at least once by an audit performed by the Office of Internal Audit in the past six years.

Ms. Dowell asked about the recent news story on grant management problems with the Metropolitan Nashville Health Department and where it originated. Mr. Swann noted that State of Tennessee grant reviewers worked with the Metropolitan Nashville Health Department on this matter. Mr. Swann also indicated state and federal entities audit grants routinely. Also, grants are reviewed by the external auditor during the single audit and sometimes by the Metropolitan Nashville Finance Department, Office of Accountability.

Other Administrative Matters (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that the office still has some unused funds in the consulting budget and also will need to have an external peer review performed as required by Government Auditing Standards. There is also a bill coming due for approximately \$9,900 for a consultant used to provide assistance with the Planning Department audit.

Mr. Swann highlighted that one Staff Auditor, Seth Hatfield, just received his certified public accounting certification. Also, Senior Auditor, Lauren Riley, just received her ACL certified data analyst certification.

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

Mr. Swann stated that he wanted to move the normal February meeting to January 28, 2014, due to the need to refresh the audit plan.

Mr. Swann stated that the follow-up meeting to finish evaluating the request for proposal for a performance audit of the Metropolitan Nashville Public Schools would be held on December 19, 2013, at 8:00 a.m.

Meeting adjourned after 62 minutes.

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

December 19, 2013

DRAFT MINUTES

On Thursday, December 19, 2013, at 8:00 a.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 1. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman

Brack Reed, Vice Chairman

Richard Riebeling, Director, Metropolitan Nashville Department of Finance

Steve Glover, Council Member

Others

Mark Swann, Metropolitan Auditor, Metropolitan Nashville Office of Internal Audit

Carlos Holt, Audit Manager, Metropolitan Nashville Office of Internal Audit

Brian Gleason, Metropolitan Nashville Enterprise Business Office

Theresa Costonis, Attorney, Metropolitan Nashville Department of Law

Jeff Gossage, Director, Metropolitan Nashville Procurement Division

Sara Sloan, Purchasing Agent, Metropolitan Nashville Procurement Division

Committee Members Absent

Diane Neighbors, Vice Mayor

Jacobia Dowell, Council Member

Quorum present? Yes

Call Meeting to Order

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

Audit Committee legal representative from the Department of Law

Ms. Costonis advised the committee members that they could continue/carryover the executive session from the previous meeting, but there would be nothing wrong with the committee making a motion to go into executive session and voting on it. The purpose of the executive session was to evaluate the three remaining proposals individually with each company. Each company would have a period of time to make their presentation and respond to questions. The remaining companies with a proposal to be evaluated were Evergreen Solutions, Gibson Consulting Group, and McConnell, Jones, Lanier, and Murphy LLP.

Motion on Executive Session

Mr. Glover then made a motion that the committee go into executive session. The motion was seconded and carried.

Announcement of Executive Session

Mr. Brannon announced that the committee was going into executive sessions for the purpose of evaluation and deliberation of proposals for the pending and ongoing audit of the Metropolitan Nashville Public Schools. The following companies were to be called in one at a time: Evergreen Solutions, Gibson Consulting Group, and McConnell, Jones, Lanier, and Murphy LLP. In addition to representatives from the respective companies, the individual listed as present for this meeting participated in the executive session.

Meeting adjourned after 180 minutes.

DRAFT

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

December 23, 2013

DRAFT MINUTES

On Monday, December 23, 2013, at 10:00 a.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 1. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman

Brack Reed, Vice Chairman

Richard Riebeling, Director, Metropolitan Nashville Department of Finance

Steve Glover, Council Member

Jacobia Dowell, Council Member

Others

Mark Swann, Metropolitan Auditor, Metropolitan Nashville Office of Internal Audit

Carlos Holt, Audit Manager, Metropolitan Nashville Office of Internal Audit

Brian Gleason, Metropolitan Nashville Enterprise Business Office

Theresa Costonis, Attorney, Metropolitan Nashville Department of Law

Jeff Gossage, Director, Metropolitan Nashville Procurement Division

Sara Sloan, Purchasing Agent, Metropolitan Nashville Procurement Division

Committee Member Absent

Diane Neighbors, Vice-Mayor

Quorum present? Yes

Call Meeting to Order

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

Motion on Executive Session

Mr. Glover made a motion the committee go into executive session. The motion was seconded and carried.

Announcement of Executive Session

Mr. Brannon announced that the committee was going into executive sessions for the purpose of evaluation and deliberation of proposals for the pending and ongoing audit of the Metropolitan Nashville Public Schools. Also, it was stated a posted Metropolitan Nashville Audit Committee meeting was scheduled to start at 11:00 a.m.

Meeting adjourned after 68 minutes.

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

December 23, 2013

DRAFT MINUTES

On Monday, December 23, 2013, at 11:08 a.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 1. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman

Brack Reed, Vice Chairman

Richard Riebeling, Director, Metropolitan Nashville Department of Finance

Steve Glover, Council Member

Jacobia Dowell, Council Member

Others

Mark Swann, Metropolitan Auditor, Metropolitan Nashville Office of Internal Audit

Carlos Holt, Audit Manager, Metropolitan Nashville Office of Internal Audit

Brian Gleason, Metropolitan Nashville Enterprise Business Office

Theresa Costonis, Attorney, Metropolitan Nashville Department of Law

Jeff Gossage, Director, Metropolitan Nashville Procurement Division

Sara Sloan, Purchasing Agent, Metropolitan Nashville Procurement Division

Committee Member Absent

Diane Neighbors, Vice Mayor

Quorum present? Yes

Call Meeting to Order

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

Report to Committee

Mr. Gossage stated that the proposals submitted in response to the request for proposal for a performance audit of Metropolitan Nashville Public Schools (Metropolitan Nashville Government Request for Quotation 459570) had been evaluated. The final scores were McConnell, Jones, Lanier, and Murphy LLP with a composite consensus score of 83.62, and Gibson Consulting Group received a score of 82.51.

Mr. Gossage stated that although there were some concerns on scope and priority that it was his suggestion the *intent to award* should be issued to McConnell, Jones, Lanier, and Murphy LLP subject to contract negotiations resolving any remaining concerns. Should it not be possible to negotiate a contract with them, the next competitive scored proposer (Gibson Consulting) would be pursued.

Motion to Approve Recommendation

A motion was made, seconded, and carried to accept the report made by Mr. Gossage. Members Glover, Riebeling, and Dowell stated that if negotiations were successful and similar to the small changes desired, there would be no need to call another Metropolitan Nashville Audit Committee meeting just to approve the contract. However, all three agreed that if the negotiations did not result in a favorable outcome, then another meeting should be called prior to awarding the next vendor.

Meeting adjourned after 11 minutes.

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Election of Committee Chairman and Vice Chairman – Annual Requirement

Sec. 11.105. Election of chairman, vice-chairman and secretary.

Each board or commission shall elect one of its members as chairman and another as vice-chairman, who shall serve for a period of one (1) year or until his successor shall have been chosen; and it may elect as its secretary one of its own members or it may appoint as secretary one of its employees.

EXECUTIVE SUMMARY

December 16, 2013



Why We Did This Audit

The audit was conducted as part of the approved 2013 Audit Work Plan. The audit was initiated based on the number of years lapsed since the last audit.

What We Recommend

The Industrial Development Board could mitigate risks by enhancing documented policies and procedures, creating job specific training materials, improving the tracking of economic incentives, and setting an Industrial Development Board fund balance limit.

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

Industrial Development Board

BACKGROUND

The function of the Industrial Development Board is to acquire, own, lease, and dispose of properties to the end that corporations may be able to promote industry and develop trade by inducing manufacturing, industrial, and commercial enterprises to locate to Nashville. One primary tool to accomplish this objective is the ability to issue tax-exempt industrial revenue bonds. Additionally, the Industrial Development Board acts as a conduit organization for State of Tennessee grants, Metropolitan Nashville grants, and tax abatements through payment in lieu of taxes (PILOT) agreements.

OBJECTIVES AND SCOPE

The objectives of the audit were to determine if:

- Effective controls were in place to manage economic incentives.
- Current and effective agreements are in place with Metropolitan Nashville departments performing duties on behalf of the Industrial Development Board.

The audit scope included July 1, 2010, through June 30, 2013. The Industrial Development Board approved eight payment in lieu of taxes agreements and issued approximately \$636 million in tax-exempt bonds during the time period.

WHAT WE FOUND

The Industrial Development Board has controls in place to effectively manage economic incentives, and current and effective agreements are in place with departments performing duties for the board. However, suggested improvements include setting the Industrial Development Board fund balance limit, documenting policies and procedures, and enhancing economic incentives tracking.

EXECUTIVE SUMMARY
December 26, 2013



Why We Did This Audit

The audit was initiated to determine whether processes designed to control credit card and employee expenses were working effectively for the significant users of these payment types.

What We Recommend

Management of the Department of Finance reiterates credit card delegated spending limits and requirements for pre-approval of purchases to department heads. Also, a comprehensive travel management solution that will add additional transparency to the process should be evaluated.

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

Audit of Metropolitan Nashville Credit Card and Expense Reimbursement Top Users

BACKGROUND

The purpose of the credit card program is to provide departments with an efficient and convenient way to make small purchases less than \$250, pay for training and travel related expenses, and facilitate emergency purchases.

Expense reports are submitted by employees to be reimbursed for expenses incurred while conducting business on behalf of Metropolitan Nashville. The expense reports are approved in the employee's department and then submitted to the Finance Department for payment. Travel related expenses are pre-approved using the Travel Authorization system.

OBJECTIVES AND SCOPE

The objectives of the audit were to:

- Determine if controls and procedures were in place to manage the "Credit Card Program" of Metropolitan Nashville.
- Determine if controls and procedures were in place to manage expense reports and traveling by Metropolitan Nashville Employees and non-Employees.

The audit scope included Metropolitan Nashville general government functions between June 1, 2011, and May 31, 2013.

	Total Amount	Amount Reviewed	Transactions Reviewed
Credit Cards	\$4,425,053	\$212,302	705
Reimbursements to Employees	2,065,523	128,904	259
Total	\$6,490,576	\$341,206	941

Test work was conducted on the top five departments and top ten employees with the highest total credit card purchases. Likewise, expense reports were selected for the top ten employees receiving the highest total reimbursements.

WHAT WE FOUND

In general, the Metropolitan Nashville Finance Department has controls in place to effectively manage the Credit Card Program and Employee Expense Reports. However, closer monitoring and enforcement could improve the overall compliance with the current rules and procedures.

EXECUTIVE SUMMARY

January 29, 2013



Why We Did This Audit

The audit was initiated based on a request from the Deputy Finance Director and the Director of Metro Water Services.

What We Recommend

Management should thoroughly evaluate different funding sources available for large programs and apply for reimbursements accordingly.

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

METRO WATER SERVICES HOME BUYOUT PROGRAM

BACKGROUND

The mission of Metro Water Services is to provide drinking water, wastewater treatment, and stormwater management services to our community. The Stormwater Division was tasked with managing the home buyout program after the historic 2010 flood. The program was designed to assist homeowners who sustained damage due to flooding or whose homes were considered high risk for future flood damage.

OBJECTIVES AND SCOPE

The objectives of the audit were to determine the following:

- Contracting procedures were followed in the procurement of appraisals, demolition, and title services.
- External grantor compliance requirements were met.
- Metropolitan Nashville's grant process was followed.

The audit scope included May 1, 2010, through September 30, 2013.

Grants Received

All Related Grant Projects	Amount
Total Funds - Home Buyout Program	\$48,173,315
- Delray Drive/West Hamilton Avenue	9,463,090
- West Hamilton Avenue/Hite Street	5,210,990
- Benzing Road/Park Terrace	15,233,180
- Miami Avenue	8,839,440
- Pennington Bend Road	5,842,470
- Yale Avenue	3,584,145

Source: Signed contract between Metropolitan Nashville and Federal Emergency Management Agency

Totals above include the Metropolitan Nashville agreed upon contribution to the home buyout program.

WHAT WE FOUND

Ineligible costs were reimbursed based on the re-categorization of those costs into eligible categories by Metro Water Services.

EXECUTIVE SUMMARY

January 28, 2014



Why We Did This Audit

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

What We Recommend

The Mayor's Office should obtain a Notice of Delegation of Purchasing Agent's Authority from the Metropolitan Nashville Purchasing Agent and communicate purchasing limitations to employees.

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

AUDIT OF THE MAYOR'S OFFICE

BACKGROUND

The mission of the Mayor's Office is to be responsible for the conduct of the executive and administrative work of the Metropolitan Nashville Government. The Mayor's Office staff works to support and promote the priorities of the Metropolitan Government's Mayor as well as assist the Mayor in overseeing the Metropolitan Nashville Government.

The Mayor's Office of Emergency Management will be covered in a separate report.

OBJECTIVES AND SCOPE

The objectives of the audit were to determine the following:

- A replicable tone at the top for the Metropolitan Government was established by the Mayor's Office.
- Computer access was appropriately given and monitored.
- Computers were accounted for and agreed with Department of Information Technology Service records.
- Purchases made were in accordance with applicable policies.
- Grants were properly approved, expended, reimbursed, and reported.

The audit scope included November 1, 2010, through October 31, 2013.

<i>Mayor's Office (Non-Office of Emergency Management Funds)</i>	FY 2011-12 (Actuals)	FY 2012-13 (Actuals)	FY 2013-14 (Budget)
Revenues & Transfers			
<i>Total Revenues & Transfers</i>	\$ 153,777	\$ 488,648	\$ 180,400
Expenditures & Transfers			
Salary	1,665,199	1,815,135	1,852,000
Fringes	508,986	576,713	640,800
Other	1,121,720	1,513,289	2,251,800
Total Expenditures and Transfers	\$3,295,905	\$3,905,137	\$4,744,600

Table includes Mayor's Office (non-Office of Emergency Management) funds from both Departments 04 and 01.

Source: Metropolitan Nashville's EnterpriseOne Financial System

WHAT WE FOUND

In general, the Mayor's Office was in compliance with computer access, tracked computer assets, purchasing, and grant management policies and procedures. Additionally, the Mayor's Office was setting a replicable tone at the top for all of Metropolitan Nashville Government to follow.

EXECUTIVE SUMMARY

February 6, 2014



Why We Did This Audit

The audit was initiated based on the significance and risks associated with firearms, Tasers and other inherently dangerous items.

What We Recommend

The Metropolitan Nashville Police Department should utilize a more sophisticated inventory tracking system for the Training Academy and the Special Weapons and Tactics team. The inventory upkeep and physical custody functions should be segregated. Verification of the receipt function at Property, Evidence, and Facilities should be enhanced.

Metropolitan Nashville Police Department – Firearms and Equipment Tracking

BACKGROUND

The mission of the Metropolitan Nashville Police Department (hereafter called “MNPDP”) is to “provide community based police products to the public so they can experience a safe and peaceful Nashville”. The MNPDP must provide firearms for approximately 1,400 sworn officers. The department is also responsible for the custody of all firearms sent to the Property, Evidence, and Facilities Division. The ability to effectively procure, record, store, monitor, track, and dispose of firearms and equipment is critical to the mission of the Metropolitan Nashville Police Department and the safety of Nashville’s citizenry.

OBJECTIVES AND SCOPE

The objectives of the audit were to determine the following:

- Controls and procedures ensured firearms and equipment were procured, received, identified, recorded, tracked, secured, and disposed of in accordance with applicable requirements.
- Policies and procedures related to firearms and equipment conformed to best practices and guidelines as set forth by the Commission on Accreditation of Local Law Enforcement Agencies.

The audit scope consisted of the period from June 1, 2011, through May 31, 2013.

WHAT WE FOUND

In general, internal controls over firearm inventory were adequate. The software system used to track a large portion of firearm inventory is antiquated and a more sophisticated software package is needed. Internal controls pertaining to segregation of duties, inventory tracking, and completeness should be strengthened.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OFFICE OF INTERNAL AUDIT



2014 RECOMMENDED AUDIT WORK PLAN February 1, 2014 through January 31, 2015

**Presented To:
Metropolitan Nashville Audit Committee
February 13, 2014**

Execute a Focused, Dynamic Audit Plan



February 13, 2014

Metropolitan Nashville Audit Committee Members:

Enclosed is a proposed slate of potential audit projects to be initiated in calendar year 2014. The draft work plan identifies 23 new performance and compliance audit projects in addition to 7 audit projects still in progress from the prior year audit work plan. Exhibit A below describes the allocation of 11,700 resource hours needed to complete 21 audit and investigation reports during the 2014 plan year.

Exhibit A – 2014 Audit Work Plan Allocation of Work Hours

<i>Status</i>	<i>Number of Projects</i>	<i>Budget Work Hours</i>
2013 Audits Currently In-Progress	7	1,200
New Performance Audits	12	9,500
Total Audit Projects	19	10,700
Metro Integrity Hotline Coordination		200
Investigation Request	2	800
Total Report Deliverables	21	11,700

The proposed work plan was developed with the goal to identify risk that matter most and provide enterprise-wide audit coverage. The office solicited request for audit projects from Metropolitan Nashville management, council members, and internal audit staff.

Additional factors considered in preparing the recommended Internal Audit 2014 Work Plan included thought leadership from the Ernst & Young’s publication, *The Future of Internal Audit is Now, Insights on Risk, July 2012*. This was a global survey of chief audit executives, C-suite executives, and board members representing organizations with global revenue of \$500 million or more.

Highlights from the publication included:

- Focus regular risk assessment on: (1) enterprise-wide coverage, (2) management participation, and (3) direct link back to the organization’s overall strategy.
- Technology remains a key area of focus, comprising 18 percent of the current audit plan, a percentage expected to grow in the next two years.
- No longer an annual process, the audit plan must be refreshed regularly. Leading functions are developing a three-month frozen window and a nine month fluid plan.

- Find the right balance between assurance and advisory when developing the internal audit strategy.

I am requesting members of the Metropolitan Nashville Audit Committee to review and approve the 2014 Audit Work Plan. The Office of Internal Audit will use this work plan to select 12 new audit projects along with the 7 audits in progress to **complete 19 audit projects during the 2014 plan year**. We also anticipate requests for two investigations during the year.

Mark S. Swann

Metropolitan Auditor

Enclosures:

1. Attachment A – CY 2014 Audit Work Plan
2. Attachment B – CY 2014 Risk Prioritization Objectives and Risks
3. Attachment C – CY 2014 Metro-wide Risk Prioritization Worksheet
4. Attachment D – CY 2014 Office of Internal Audit Coverage Map

Attachment A – CY 2014 Audit Plan

*Co-source	CY 2013 Audits In Progress	Hours	Total Hours
1	Mayor's Office - Office of Emergency Management	300	300
2	Planning Department	40	340
3	Finance Department - District Energy System	100	440
4	Assessor of Property	300	740
5	Metro Wide - Metro Land Computer System Project	200	940
6	Metropolitan Nashville Public Schools	200	1,140
*7	Metro Water Services - Clean Water Nashville Overflow Abatement Program (Review reports from Crosslin & Associates)	20	1,160
CY 2014 New Audit Areas			
*1	Office of Internal Audit - Peer Review	80	1,240
2	Airport Authority - Accounts Payable Process	800	2,040
3	Juvenile Court - Prior Audit Follow-Up and Payroll/Timekeeping	800	2,840
4	Parks and Recreation - Centennial Sportsplex	800	3,640
5	Social Services	800	4,440
6	Hotel Occupancy Tax Audits	1,000	5,440
7	Davidson County Sheriff's Office - Firearms and Equipment Tracking	800	6,240
8	Community Education	400	6,640
9	Criminal Justice Planning Unit	400	7,040
10	Fire Department - Payroll	800	7,840
11	Police Department - Secondary Employment	800	8,640
12	Law Department – Claims Processing	800	9,440
13	Metro Water Services - Cash Collections	600	10,040
14	Trustee's Office - Cash Collections	600	10,640
15	County Clerk's Office - Cash Collections	600	11,240
16	Metro Wide - Payment Card Industry Data Security Standard Compliance	600	11,840
17	Finance Department and Other Functions - Annual Budget Revenue Estimates	600	12,440
18	Finance Department and Other Functions – Potential Suspicious Transactions (Duplicate Pay, Employee Address Match, Employee Payroll Duplicate Accounts, etc.)	800	13,240
19	Finance Department and Other Functions - Asset Accounting Process / 4% Funding Process	800	14,040

Attachment A – CY 2014 Audit Plan

20	Information Technology Services - Microsoft Exchange Email Application Management	800	14,840
21	Justice Integration Service - Active Directory Security – jis.org	300	15,140
22	Davidson County Sheriff's Office - Active Directory Security – dcco.org	300	15,440
23	Police Department - Active Directory Security – metropd.org	300	15,740

Attachment B – CY 2014 Risk Prioritization Objectives and Risks

Office of Internal Audit Mission

Independent Appraisal

1. **Integrity** - resources are used for the intended purpose
2. **Equality** - services are accessible to the population
3. **Accountability** - internal control environment, results matters performance measures
4. **Effectiveness** - entities mission/objective is being achieved
5. **Efficiency** - prudent (cost effective) use of resources

Metro Service Delivery Objectives	Metric Used to Measure Inherent Risk Impact
<p>1. Does not waste or abuse financial resources. (Integrity)</p> <p>Risk: Revenue or cash collected is diverted for unintended use</p> <p>Risk: Payment for material or service is diverted for personal use</p> <p>Risk: Payroll is diverted for personal use</p> <p>Risk: Employee time is used for personal use</p> <p>Risk: Equipment, material, or information is diverted for personal use</p>	<p>(C)Total Fees & Collection</p> <p>(D) Vendor Payments</p> <p>(F) % Payroll Not Regular Pay</p> <p>(E) Budget FTEs</p> <p>(D) Vendor Payments</p>
<p>2. Provides equal access to services. (Equality)</p> <p>Risk: Some participants allowed to by-pass service eligibility requirements</p> <p>Risk: Favoritism in employment selection or promotion process</p> <p>Risk: Procurement request for bids contain unnecessary qualifications, bundling of scope of work, or insurance requirements</p>	<p>(H) Number of Citizens Served</p> <p>(J) HR Transactions</p> <p>(D) Vendor Payments</p>
<p>3a. Managed properly. (Effectiveness)</p> <p>Risk: Strategies are not clearly defined, aligned, communicated or understood.</p> <p>Risk: Process policies, procedures, and tasks have not been defined or obsolete.</p> <p>Risk: People are not trained or held accountable for performance.</p>	<p>(I) Number of Programs</p> <p>(I) Number of Programs</p> <p>(E) Budget FTEs</p>
<p>3b. Accomplished as citizens envisioned. (Effectiveness)</p> <p>Risk: Services are not aligned with stakeholders expectations</p>	<p>(H) Number of Citizens Served</p>
<p>4. Cost effective without reducing quality. (Efficiency)</p> <p>Risk: Pay too much for material or services</p>	<p>(G) Expense Appropriation Value</p>
<p>5. Subject to independent appraisal. (Accountability)</p> <p>Risk: Independent audit appraisal has not been performed</p>	<p>(B) Last Audit Month</p>
Mayor's Priority Objectives	
<p>a. Citizens and visitors feel safe in Metro neighborhoods. (Strategy)</p>	<p>(A) Public Safety Impact Yes/No</p>
<p>b. Every student in Nashville deserves the best education we can provide them. (Strategy)</p>	<p>(A) Education Impact Yes/No</p>
<p>c. Bringing more and better jobs to Nashville (Strategy)</p>	<p>Not Considered In Assessment</p>

Attachment B – CY 2014 Risk Prioritization Objectives and Risks

Risk Impact Metric	Source	High	Medium	Low
A. Mayor's Priority- Public Safety or Education Impact	OIA Assumption	Entire Population	Subset Population	No Impact
B. Last Audit Month	OIA Project Records	GT 4 YRS ('09 or older)	3 to 4 YRS ('10 or '11)	LT 2 YRS ('12 '13)
C. Total Fees and Collection	OMB Budget to Actual Report (BAR) June 2013	GT \$6 Million	\$6 Million to \$1 Million	LT \$1 Million
D. Vendor Payments	OMB Budget to Actual Report (BAR) June 2013	GT \$6 Million	\$6 Million to \$1 Million	LT \$1 Million
E. Budget FTEs	FY 2014 Budget	GT 250	250 to 50	LT 50
F. Percent Payroll Not Regular Pay	OMB Budget to Actual Report (BAR) June 2013	GT 25%	25% to 15%	LT 15%
G. Expense Appropriation Value	OMB Budget to Actual Report (BAR) June 2013	GT \$15 Million	\$15 Million to \$2 Million	LT \$2 Million
H. Number of Citizens Served	OIA Assumption	Entire Population	Subset Population	Primarily Metro Internal Stakeholders
I. Number of Programs	FY 2014 Budget or entity web site	GT 15 Programs or unknown	Between 15 and 5 Programs	LT 5 Programs
J. HR Transaction	EBS HR Transactions for Promotions or New Hire – CY 2013	GT 50	50 to 11	LT 10

Note: If an auditable entity has not been subject to an internal audit in recent years, or impacted the Mayor's priorities of public safety or education, then the entity received a higher inherent risk score. Additional factors considered if the entity had significant vendor payments, numerous employees, or provided direct service to the majority of Metropolitan Nashville citizens. Also, financial information for component units, fiduciary funds, funds held in trust, and other auditable entities were taken from the Metropolitan Nashville FY 2013 Comprehensive Annual Financial Report.

Attachment C - 2014 Metro-wide Risk Prioritization Worksheet

Entity	Inherent	Audit Plan	Last Audit	Expense Actual	FTEs	Fees & Collections	Payroll Amount	Payroll % NonBase	Payables	Number of Programs
30-Sheriff	3.53	√√	6/12/2009	83,669,019	854	2,248,216	28,017,136	20%	33,526,368	13
32-Fire	3.34	√	7/26/2013	130,706,108	1,205	9,167,381	48,529,452	34%	27,691,378	4
31-Police	3.30	√√	6/24/2011	185,140,223	1,801	1,984,794	74,045,737	27%	42,587,019	4
33-Codes Administration	3.30		9/29/2009	8,002,516	90	1,735,350	3,600,476	14%	1,847,205	6
40-Parks and Recreation	3.29	√	5/22/2012	55,491,759	537	9,713,898	14,009,164	20%	29,030,719	7
70-Community Education Commission	3.28	√		352,597	3	45,230	124,768	6%	218,802	2
38-Health	3.26		8/10/2012	43,880,869	464	4,124,518	21,173,616	5%	12,242,671	6
80-MNPS General Purpose Fund	3.26	√	8/15/2012	792,332,547	8,876	8,239,500	446,744,461	3%	554,923,126	31
42-Public Works	3.17		10/2/2012	113,412,670	388	10,771,936	12,142,267	23%	71,850,991	6
06-Law	2.94	√	9/8/2008	17,830,715	48	6,822,970	2,873,838	13%	10,940,840	3
91-Emergency Communication Center	2.94		8/25/2011	12,483,232	181		6,318,118	25%	780,240	4
65-Water & Sewer Services & Stormwater	2.91	√√	1/29/2014	216,003,972	808	223,028,983	28,216,429	27%	182,129,180	7
26-Juvenile Court	2.83	√	3/28/2006	13,254,870	129		4,415,839	16%	5,342,464	8
37-Social Services	2.82	√	4/1/2007	7,628,894	81	21,832	3,079,118	14%	2,629,011	3
39-Library	2.76		5/28/2013	25,514,981	309	450,407	9,391,738	15%	9,849,671	5
60-Farmers Market	2.74		8/16/2005	1,843,321	7	1,087,794	189,962	14%	1,513,678	3
10-General Services	2.71		10/26/2012	82,837,380	165	41,227,290	5,468,123	21%	55,158,924	6
08-Human Resources	2.63		9/23/2009	4,106,087	53		1,711,592	18%	1,265,053	6
76-Nashville Career Advancement Center	2.60		11/27/2012	7,730,066	42		1,862,740	6%	4,899,055	1
14-Information Tech Services	2.57	√	10/29/2013	27,912,703	135	14,465,608	5,995,073	18%	14,602,270	5
75-Metro Action Commission	2.53		2/8/2013	30,268,523	365	151,742	8,388,609	17%	11,733,046	5
47-Criminal Justice Planning	2.48	√		390,748	4	0	238,105	10%	35,520	2
19-District Attorney	2.41		9/21/2011	7,082,291	92	211	3,718,267	6%	1,666,891	5
28-State Trial Courts	2.38		7/29/2011	11,473,964	155	2,640	6,438,230	2%	2,205,912	3
21-Public Defender	2.36		7/15/2010	6,084,915	80		3,503,743	12%	603,672	5
68-District Energy System	2.31		7/20/2007	17,879,453	0	16,837,038	109,668	15%	17,434,671	2
17-Trustee	2.31	√	3/17/2010	2,247,170	25		872,378	20%	741,770	1
41-Arts Commission	2.31		2/24/2010	3,590,220	8	26,571	461,572	1%	2,937,963	4
04-Mayor's Office	2.29	√	1/30/2014	7,389,600	38	0	1,771,062	6%	4,788,707	5
61-Municipal Auditorium	2.29		9/15/2010	2,299,138	9	1,187,622	332,707	22%	1,620,343	2
35-Agricultural Extension Serv	2.20		6/15/2010	312,443	7		224,343	1%	65,502	4
45-Transportation Licensing Commission	2.20		9/30/2010							
27-General Sessions Court	2.16		9/27/2012	11,086,563	121		6,715,875	5%	1,374,577	8
15-Finance	2.16	√√√	12/26/2013	9,178,375	103	709,805	4,634,768	16%	1,632,149	4
16-Assessor of Property	2.15	√	In Progress	7,082,093	82	15	3,148,939	18%	1,695,632	5

Note: Inherent risk score includes additional weight (2X) for Last Audit, Education, and Public Safety Mayor proprieties.

Attachment C - 2014 Metro-wide Risk Prioritization Worksheet

Entity	Inherent	Audit Plan	Last Audit	Expense Actual	FTEs	Fees & Collections	Payroll Amount	Payroll % NonBase	Payables	Number of Programs
05-Elections	2.13		6/20/2013	4,530,425	32	6,029	1,025,568	48%	2,115,508	2
02-Metropolitan Council Staff	2.12		10/19/2010	1,864,254	48	0	1,105,616	4%	219,814	1
24-Criminal Court Clerk	2.04		12/20/2011	5,584,582	81	2,492,960	3,229,939	3%	794,443	2
07-Planning Commission	2.03	√	In Progress	6,058,791	49	402,236	2,508,894	12%	2,204,801	5
62-State Fair	2.00		5/3/2013	3,184,310	24	2,781,455	856,587	8%	1,902,664	2
18-County Clerk	2.00	√	1/26/2012	4,139,463	79	5,512,403	2,017,785	14%	770,871	2
23-Circuit Court Clerk	1.89		10/9/2013	9,547,359	47	9,956,783	5,665,706	1%	1,495,498	4
09-Register of Deeds	1.88		4/17/2012	2,787,185		4,512,735	1,737,614		404,044	2
11-Historical Commission	1.87		12/3/2012	665,654	9		370,057	10%	92,747	4
34-Beer Board	1.87		4/24/2013	392,217	4	1,112	155,707	14%	137,647	3
03-Metropolitan Clerk	1.86		8/3/2012	900,710	7	4,788	277,260	18%	430,626	4
29-Justice Integration Services	1.82	√	2/8/2011	2,187,406	19		1,085,690	10%	510,692	3
36-Soil and Water Conservation	1.76		10/30/2013	86,489	1		43,992	1%	25,627	4
44-Human Relations Commission	1.76		6/20/2011	294,452	3		103,845	8%	150,715	3
48-Office of Internal Audit	1.76	√	4/8/2011	1,109,279	10	0	552,204	12%	274,865	3
25-Clerk and Master of the Chancery Court	1.61		8/28/2013	1,584,494	19	1,347,876	756,505	18%	290,517	1
22-Juvenile Court Clerk	1.55		8/9/2012	1,603,618	29	388,792	878,890	15%	133,532	2
<u>Component Units</u>										
CU Electric Power Board (NES)				1,147,157,000	948	1,174,424,000				
CU Metropolitan Nashville Hospital Authority			6/28/2012	134,069,757	658	88,555,852				
CU Metropolitan Development & Housing Agency			8/2/2013	116,197,866	300	27,530,914				
CU Metropolitan Nashville Airport Authority		√		115,974,704		123,876,183				
CU Metropolitan Transit Authority			8/10/2012	77,119,943	589	13,654,006				
CU Sports Authority			5/16/2011	46,161,361	2	3,148,448				
CU Nashville Convention Center Authority			4/30/2013	18,875,409	135	17,828,952				
CU Emergency Communication District				7,067,013		6,600,369				
CU Industrial Development Board			12/16/2013	6,845,879	0	5,000				
CU Nashville District Management Corp			10/13/2011	1,457,461	0	1,410,363				
CU Gulch Business Improvement District			10/13/2011	184,115	0	193,588				
<u>Other funds</u>							<u>Net Position</u>			
F30003 4% Reserve Fund (2/1/14)							22,292,406			
F30042-30046 Hotel Tax Funds		√	1/30/2014			50,458,460				
90-Debt Services (CAFR B-11)				144,436,715						
99-Capital Projects (CAFR B-11)		√		221,699,881						

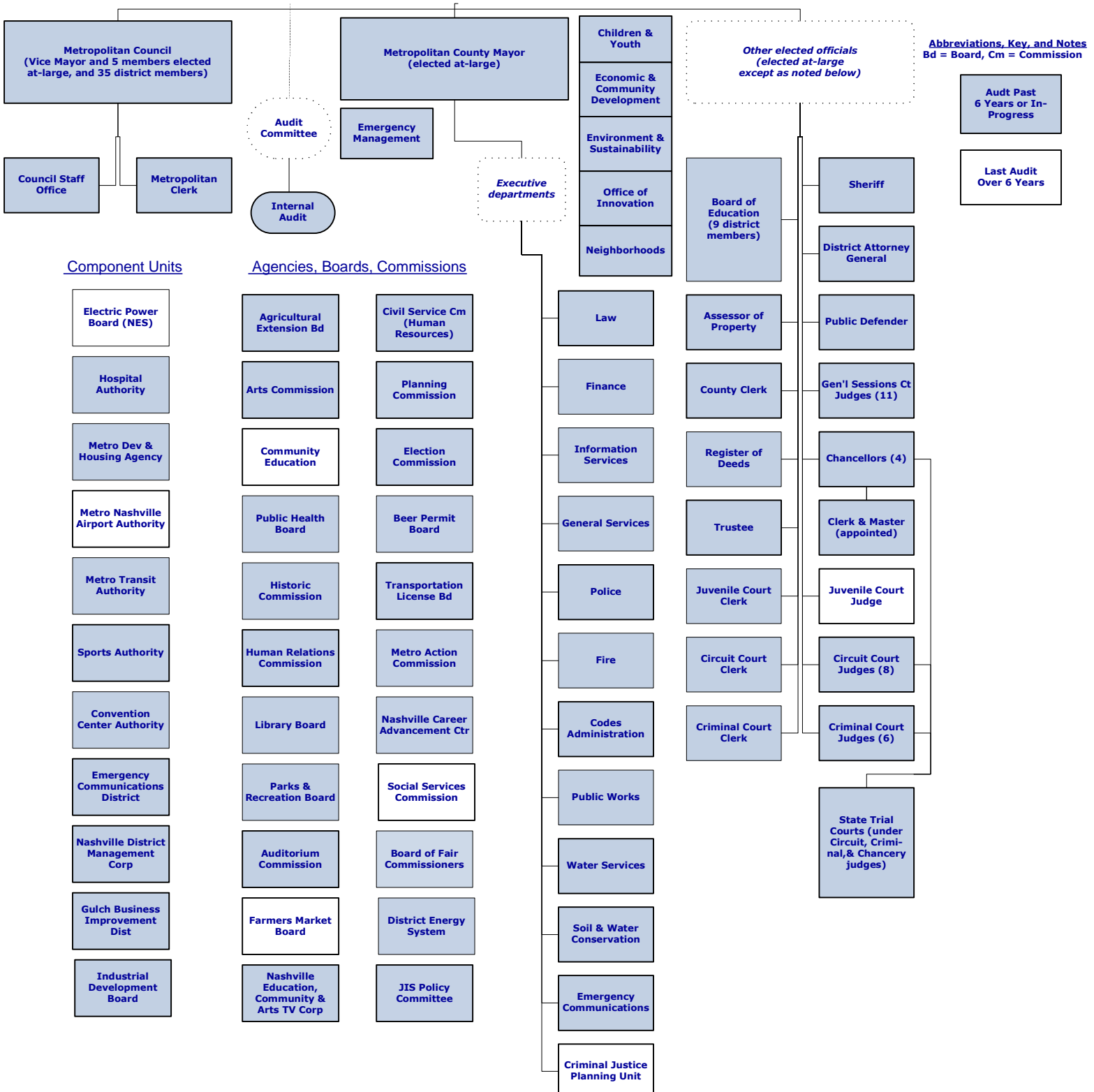
Note: Inherent risk score includes additional weight (2X) for Last Audit, Education, and Public Safety Mayor proprieties.

Attachment C - 2014 Metro-wide Risk Prioritization Worksheet

Entity	Inherent	Audit Plan	Last Audit	Expense Actual	FTEs	Fees & Collections	Payroll Amount	Payroll % NonBase	Payables	Number of Programs
F34100- Public, Education, & Government Access (Nashville Education, Community and Arts Television Corporation)			10/29/2013	279,720						
F30706 Regional Transportation Planning				2,018,237						
District Energy System			In Progress	17,572,991		16,713,174				
Police Secondary Employment				1,130,784		1,285,027				
Surplus Property Auction				735,254		795,313				
Police Impound			12/18/2008	376,132		492,041				
Fiduciary Funds										
Davidson County Employees' Trust				1,653,692			<u>Net Position</u>			
Metro Employees' Benefit Trust			7/29/2009	147,437,686			2,342,282,282			
Employees' Pension and Insurance				7,357,675						
Teachers' Retirement Plan				35,101,779			69,977,009			
Closed City Plan				7,680,339						
Teachers' Civil Services and Pension				4,141,665						
Metro Employees' Flex Benefits				3,231,342			1,616,738			
Education Flex Benefits				1,092,592			153,570			
Funds Held In Trust										
Circuit Court Clerk							37,896,096			
Criminal Court Clerk			12/20/2011				11,026,703			
Clerk and Master			8/28/2013				5,070,649			
County Register							4,164,197			
Sold Property Tax Recv							3,381,711			
Planning Performance Bonds			In Progress				2,305,661			
Juvenile Court Clerk			8/9/2012				2,083,022			
County Clerk							1,073,288			
Sheriff Work Release & Inmate Trust			6/12/2009				367,330			

√ - Indicates audit entity with internal audit project(s) included in CY 2014 Audit Work Plan.

Attachment D – CY 2014 Office of Internal Audit Coverage Map



Funds Held In Trust

Circuit Court Clerk	Clerk & Master	Criminal Court Clerk	Juvenile Court Clerk
Sold Property Tax Recv	Sheriff Work Release & Inmate	Planning Performance Bonds	

Fiduciary Funds

Davidson County Employees' Retirement	Metro Employees' Benefit Trust	Employees' Pension & Insurance	Metro Employees' Flex Benefits Plan
Teachers' Retirement Plan	Closed City Plan	Teachers' Civil Services and Pension	Education Flex Benefits Plan

Other Audit Areas

4% Reserve Fund	Hotel Tax Fund
Debt Services	Capital Projects

Advisory/Appeal Boards

Tourist Commission	Beautification Bureau	CATV Special Committee	Public Records Commission	Charter Revision Committee	Safety Advisory Board	Health & Higher Education Facilities Bd
Board of Equalization	Fire & Building Codes Board	Plumbing Examiners Bd	Electrical Examiners Bd	Housing Code Appeals Board	Planning Appeals Board	Historical Zoning Commission

Regional Transportation Planning

Metropolitan Auditor Recruitment and Recommendation to the Metropolitan Nashville Council

Sec. 8.121. - Division of metropolitan audit.

There shall be, as an independent agency of the metropolitan government, a division of metropolitan audit, the director of which is designated as the metropolitan auditor. The metropolitan auditor shall be a person: With a well founded reputation in government or public finance and the audit function as may be exhibited by a record of exceptional performance for at least five (5) years as a financial officer of a government or business; Who has, through education and experience as an accountant, auditor, CFO, controller or principal accounting officer of a governmental entity or private business an understanding of Generally Accepted Accounting Principles, Governmental Auditing Standards Board standards, financial statements, internal controls and procedures for financial reporting, and the audit functions of a governmental entity.

The metropolitan auditor shall be appointed by a majority vote of the council from a list of three (3) persons recommended by the audit committee whom the audit committee deems best qualified and available to fill the position. If the council deems that the persons recommended by the audit committee to serve as metropolitan auditor are not suitable and/or qualified, the council shall reject the names submitted and the audit committee shall recommend three (3) additional persons deemed qualified and available to fill the position. The metropolitan auditor shall serve a term of eight (8) years but shall be subject to removal for cause during the term by a vote of four (4) members of the audit committee. The first term of the metropolitan auditor will end on June 30, 2014, regardless of whether the full eight (8) years has been served. A vacancy occurring during a term shall be filled temporarily with a qualified acting metropolitan auditor by the majority vote of the audit committee. The filling of the vacancy for the remainder of a term and for any new term shall be filled by a majority vote of the council through the process provided in this section.

MJLM Status Report
Period Ending February 7, 2014
Metropolitan Nashville Public Schools
Operational/Performance Audit

TO: Mark Swann, Metropolitan Nashville Office of Internal Audit /MNPS Project Manager
FROM: Sharon Murphy, MJLM Engagement Partner
DATE: February 7, 2014
PERIOD: January 22 through February 7, 2014

PROJECT ACTIVITIES

Following is the biweekly project status to perform the Operational/Performance Audit of Metropolitan Nashville Public Schools (MNPS) in accordance with the contract executed January 22, 2014 by The Metropolitan Government of Nashville and Davidson County (METRO) and McConnell Jones Lanier & Murphy LLP (MJLM).

I. CURRENT STATUS

A. Planning/Analysis

- Executed the contract
- Provided MNPS a comprehensive list of data requests for each review area
- Coordinated with MNPS administrative assistants to begin drafting Team MJLM's interview schedules
- Coordinated with Metro Internal Audit to review MJLM's community open house flyer
- Led the onsite kick-off meeting on Monday, January 27, 2014, 10:30 am attended by the Metro Auditor and staff, MNPS Director of Schools and Executive Leadership Team, and Team MJLM
- Coordinated with MNPS to use MJLM's SharePoint site to submit MNPS' responses to MJLM's preliminary data requests
- Began coordinating with MNPS Technology and Information Services staff regarding methodology to deploy opinion surveys to MNPS employees and students

B. Fieldwork

Conducted interviews and focus groups of key personnel

- Conducted tours of a sample of campus food service operations
- Observed bus transportation operations
- Discussed criteria for selecting peer school districts

MJLM Status Report
Period Ending February 7, 2014
Metropolitan Nashville Public Schools
Operational/Performance Audit

II. INTERIM FINDINGS, DIFFICULTIES, OR SPECIAL PROBLEMS

- None

III. DATA REQUEST STATUS

Audit Area	Number of MJLM Initial Data Requests	Number of MNPS Responses	MNPS Responses Percent
1. District Organization and Management	19	15	79%
2. Educational Service delivery	124	91	73%
3. Community Involvement	42	18	43%
4. Human Capital	38	23	61%
5. Facilities Management	44	29	66%
6. Financial Management	77	62	81%
7. Child Nutrition (Food) Services	35	1	3%
8. Transportation	38	6	16%
9. Safety and Security	32	6	19%
10. Technology Management	17	10	59%
11. Education Spending Analysis	2	1	50%
Total	468	262	56%

IV. ESTIMATED PROJECT TIMELINE – PLANNING AND EXECUTION PHASES

- Onsite Visits, Interviews, Data Analysis: January 27 – March 7, 2014
- Community Open House to obtain public input - February 18, 2014 (see attached flyer)
- Opinion Surveys: Deploy by Week of February 24, 2014
- Peer Surveys: Deploy by Week of February 24, 2014

V. BILLING AND INVOICING

- Need more detailed instructions on invoicing requirements such as travel receipts, subcontractor lump sum invoicing, etc.

OPERATIONAL/PERFORMANCE AUDIT COMMUNITY OPEN HOUSE



WE NEED YOUR INPUT!

The Metropolitan Government of Nashville and Davidson County is working in conjunction with MNPS to ensure all students receive the best education and are served in the most efficient and cost-effective manner possible. McConnell Jones Lanier & Murphy LLP has been engaged to conduct the audit. We need to know what community stakeholders think about the following areas:

- Governance, Organization & Management
- Budgeting/Financial Management
- Purchasing
- Human Resources
- Facilities Use & Management
- Food Service
- Educational Service Delivery
- Impact of Charter Schools
- Community/Parental Involvement
- Computers & Information Technology
- Student Transportation
- Safety & Security

TUESDAY, FEBRUARY 18, 2014

I.T. Creswell Arts Magnet Middle Prep
3500 John Mallette Dr., Nashville, TN 37218
6-8 pm

*If you are unable to attend, but want to provide input, email us at:
MNPSReview@mjlm.com. Spanish translators will be present.*



The Metropolitan Nashville Public Schools (MNPS) does not discriminate on the basis of race, religion, creed, gender, gender identity, sexual orientation, national origin, color, age, a admission to, access to, or operation of its programs, services, or activities. MNPS does not discriminate in its hiring or employment practices.



FY 2013 CAFR PRESENTATION

and

Metro Water Services Clean Water
Abatement Program Review

**Summary of Hotel Occupancy Tax Audit Results
As of February 3, 2014**

Fiscal Year	Number of Audits	Total Hotel Revenue	Total Tax Reported	Tax Underpaid	Penalty & Interest	Tax Overpaid
2013	18	\$ 63,740,704.55	\$ 5,385,583.07	\$ (22,243.45)	\$ (10,271.00)	\$ 1,867.87
2014	18	\$ 117,663,173.77	\$ 9,006,066.72	\$ (193,060.39)	\$ (62,320.57)	\$ 36,805.99
Grand Total	36	\$ 181,403,878.32	\$ 14,391,649.79	\$ (215,303.84)	\$ (72,591.57)	\$ 38,673.86
Fiscal Year	Percent of Tax Underpayment	Net Claims				
2013	-0.4%	\$ (30,647)				
2014	-2.1%	\$ (218,575)				
Total	-1.5%	\$ (249,222)				

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Metropolitan Office of Internal Audit
Audit Project Status as of:
February 13, 2014

Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
In-Progress					
1) Treasury - Metro Investment Pool			✓		Mar-13
2) Metro Nashville Library			✓		Mar-13
3) Davidson County Election Commission			✓		Apr-13
4) MDHA Procurement-to-Pay			✓		Jul-13
5) Beer Board			✓		Apr-13
6) Music City Convention Center - Change Orders			✓		Apr-13
7) Nashville Expo Center - Ovations Contract			✓		May-13
8) ITS Telecommunications			✓		Jul-13
9) Hotel/Motel Occupancy Tax			✓		Aug-13
10) MDHA Procurement-to-Pay			✓		Aug-13
11) Fire Dept Grants Management			✓		Jul-13
12) Metro Land Development Project		✓			
13) Soil & Water Conservation			✓		Oct-13
14) Clerk & Master			✓		Aug-13
15) Circuit Court Clerk - Municipal Citations			✓		Oct-13
16) Employee Expenses & Credit Card Usage			✓		Dec-13
17) MNPD Firearms & Equipment Tracking			✓		Feb-14
18) Industrial Development Board			✓		Dec-13
19) Nashville Education, Community & Arts Television			✓		Oct-13
20) Planning Department			✓	Jan-14	
21) District Energy System			✓		
22) Metro Water Services Flood Buy Out Program			✓		Jan-14
23) Assessor of Property		✓			
24) Office of the Mayor			✓		Jan-14
25) Metropolitan Nashville Public Schools		✓			
26) Office of Emergency Management	✓				
27) Criminal Justice Planning Unit	✓				
Anticipated to Start Next 3 weeks					
Metro Integrity-Line Alerts Since Jan 1, 2013: (no reports since Jan. 1, 2014)			Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse, & Suggestions)			17	17	0
Cases Reported to State of TN from Metro Hotline Alert			0	0	0
Cases Tasked to OIA by State of TN			4	4	0
Cases Tasked to OIA by Metro Entities			2	2	0

Goal was to complete 17 audit projects: 22 are complete or draft waiting response and 5 are in planning or field work phase.

Office of Internal Audit Budget versus Actual
 GSD General Fund as of February 13, 2014

FY 2014 Approved Budget

	Approved FY 2014 Budget	Actual As of Feb 10, 2014	Difference	Notes
Total Salaries & Fringe	\$ 989,800	\$ 566,688	\$ 423,112	
Other Expenses				
Professional & Purchased Services	64,400	26,751	37,650	Includes 6,090 encumbered for required GAGAS- GAO peer review.
Other Expenses	62,200	31,547	30,653	
Internal Service Fees	60,800	58,018	2,782	
TOTAL EXPENSES	\$ 1,177,200	\$ 683,003	\$ 494,197	

30003 General Fund 4% Reserve \$ 8,074 \$ - \$ 8,074 AX Core Server Software & Training

FY 2015 Budget Modifications

NAME	DESCRIPTION	NAME	PROPOSED AMOUNT
3% Budget Reduction	Reduction: A reduction in the consulting budget will reduce the number of audits with the assistance of subject matter experts and eliminate the out-sourced Metro Nashville Integrity-Line contract (\$12,400).	Management Consultant	\$(32,000)
3% Budget Reduction	Reduction: Reduce training and development for internal audit staff.	Registration	(1,700)
Parkway Tower Lease	Improvement: Lease obligations for the Office of Internal Audit 3,209 sf. of office space in the Parkway Towers.	Rent Building & Land	55,500
Relocation Expenses	One-time Improvement: Cost of moving. Office furniture \$12,000 and moving \$3,000	Furn./Moving	15,000

*METROPOLITAN NASHVILLE
OFFICE OF INTERNAL AUDIT*



-49-

*INTERNAL AUDIT PERFORMANCE REPORT
November 1, 2012 through October 31, 2013*

Report to Metropolitan Nashville Audit Committee

January 17, 2014

Members of the Metropolitan Nashville Audit Committee
Metropolitan Government of Nashville and Davidson County
Metro Courthouse
Nashville, TN 37201

Members of the Metropolitan Nashville Audit Committee:

The Metropolitan Nashville Office of Internal Audit is pleased to present its performance report highlighting accomplishments and audit work completed between November 1, 2012 and October 31, 2013.

The office completed 19 operational audits, 18 hotel tax audits, and 8 investigation projects during this period.

The office continues to help the Metropolitan Nashville Government build better communities by fostering trust through:

- ⇒ Independent assessments of financial and operational safeguards to determine what is working or what is not working.
- ⇒ Perceptive recommendations to improve accountability and delivery of government services.
- ⇒ Objective investigations of fraud, waste and abuse.

The content for these reports can be found at www.nashville.gov/internal_audit. Key objectives are summarized beginning on page 7. Please note the breadth of audit coverage accomplished over the past six years as shown on page 14. This office along with the members of the Metropolitan Nashville Audit Committee continues to work on defining the audit universe for the Metropolitan Nashville Government and appreciates suggestions for potential functions, processes, or areas needing audit attention.

I hope you enjoy this report and will contact us with any questions or concerns related to the Metropolitan Nashville Office of Internal Audit.

Sincerely,

Mark S. Swann
Mark S. Swann
Metropolitan Auditor

MARK S. SWANN
METROPOLITAN AUDITOR



OFFICE OF INTERNAL AUDIT
222 THIRD AVENUE NORTH, SUITE 401
NASHVILLE, TN 37201
(615) 862-6110

**METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON
COUNTY**

February 13, 2014

Members of the Metropolitan Nashville Council
Metropolitan Government of Nashville and Davidson County
Metro Courthouse
Nashville, TN 37201

Annual Report to Council

The Metropolitan Nashville Audit Committee is presenting its annual report to the Metropolitan Council highlighting some of the audit work completed between November 2012 and October 2013 as well the implementation status of previously completed internal audit projects.

For this period the Metropolitan Nashville Audit Committee was comprised of Vice Mayor Diane Neighbors, Council Members Jacobia Dowell and Steve Glover, Metro Nashville Director of Finance Richard Riebeling, Brack Reed who represents the Chamber of Commerce and Robert Brannon who represent the Nashville Chapter of the Tennessee Society of CPAs.

Please feel free to contact any Metropolitan Nashville Audit Committee member about the contents of this report or about any audit matter.

Crossland and Associates P.C. External Audit

The Metropolitan Nashville Audit Committee received and reviewed the Metropolitan Government of Nashville and Davidson County Comprehensive Annual Financial Report for the year ended June 30, 2013, without any exceptions noted.

Office of Internal Audit Projects Completed

The Office of Internal Audit issued 19 audit reports providing 122 recommendations for improving Metro Nashville processes during this period. A summary of the audit reports begins on page seven of the enclosed report. All of these reports, along with other reports issued in previous years, can be found at the Office of Internal Audit's web site at <http://www.nashville.gov/internal-audit>.

Office of Internal Audit Accomplishments

- Accommodated Metropolitan Nashville Council and management audit request.
 - Metropolitan Nashville Public Schools contract audit
 - Davidson County Election Commission
 - Metro Nashville Fire Department grants management
 - Nashville Expo Center Food & Beverage contract management
 - Hotel Occupancy Tax
- Closed out the multi-year ongoing review of the Music City Center Construction project where \$585 million in budgeted funds were utilized for construction of this public facility.
- As a service for and requested by the Metro Treasurer, selected 18 hotels representing \$5.4 million in hotel occupancy taxes for audit. Determined from revenue and room night data that over \$22 thousand had been underpaid and was referred to the Metro Treasurer for collection.
- Hosted and facilitated the annual national training conference of the Association of Local Government Auditors that brought over 300 people to Metro Nashville for several days. The entire staff was able learn and connect with peers in local government auditing because of this initiative.
- Provided additional assurance services for oversight of process and controls that pertained to expenditures of \$254 million at various agencies.

Summary of Office of Internal Audit Recommendations Implementation Status Audits Issued Between April 2007 and December 2012

Audit entities were asked to provide implementation status for accepted audit recommendations for 92 reports issued since March 2007. Out of the 760 accepted recommendations, 624 (82%) were reported as implemented.

I hope you find this report informative and that you will contact us with any questions or issues related to external or internal audit efforts within the Metropolitan Nashville Government.

Sincerely,

Robert C. Brannon
Metropolitan Nashville Audit Committee Chairman

Enclosure

cc: Mayor Karl Dean
Members of Metropolitan Nashville Audit Committee
Mark Swann, Metropolitan Auditor

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**CY 2013 Internal Audit Work Plan Status
As of February 13, 2014**

*Co-source	CY 2012 Audits In Progress	Hours	Total Hours
*1	Metro Nashville Information Technology Services - Primary Government Telecommunications	60	60
2	Library	150	210
3	Metropolitan Development and Housing Authority – Procurement to Pay Process and Contract Monitoring	700	910
4	Finance Department - Metro Investment Pool	80	990
5	Hotel Occupancy Tax Audits	150	1,140
6	Davidson County Election Commission	500	1,640
7	Beer Board	350	1990
8	Nashville Expo Center - Ovations Food Services Contract	150	2,140
CY 2013 New Audit Areas			
*1	Convention Center Authority – Music City Convention Center Construction Contract Monitoring	60	2,200
2	Assessor of Property	800	3,000
3	Mayor's Office	800	3,800
4	Police Firearms and Equipment Tracking	800	4,600
5	Industrial Development Board	500	5,100
6	Hotel Occupancy Tax Audits	800	5,900
7	Soil Conservation District	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 (not yet issued)	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 February 13, 2014**

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

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

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

³ Approved by Metropolitan Nashville Audit Committee on September 10, 2013

⁴ Approved by Metropolitan Nashville Audit Committee on October 22, 2013

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Metropolitan Audit Committee

Metropolitan Code of Laws Section 2.24.300

Term-varied

6 Members

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

Printed 18-Sep-13

Metropolitan Clerk's Office

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

PURPOSE

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

SCOPE

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

RESPONSIBILITIES

Financial Statements

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

Risk Management and Internal Control

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

Internal Audit

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

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

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

Reporting Responsibilities

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

Other Responsibilities

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

COMPOSITION

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

MEETINGS

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

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

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

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

PURPOSE

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

SCOPE

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

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

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

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

The Metropolitan Auditor shall have authority to:

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

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

AUDIT SCHEDULE

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

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

REPORT OF IRREGULARITIES

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

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

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

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

AGENCY RESPONSE

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

AUDIT FOLLOW-UP

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

REPORTS TO METROPOLITAN AUDIT COMMITTEE

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

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

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

ANNUAL REPORT

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

CONTRACT AUDITORS, CONSULTANTS AND EXPERTS

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

INDEPENDENCE

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

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

STANDARDS OF AUDIT PRACTICE

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

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

FUNDING

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

RECORDS

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

REASSESSMENT

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

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

Article IV. - Division of Metropolitan Audit

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

2.24.300 - Division of metropolitan audit.

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

(Ord. BL2007-1318 § 2, 2007)

Sec. 8.121. - Division of metropolitan audit.

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Council

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

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

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

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

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

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

Metro Code 2.04.033 – Metropolitan Council

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

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

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

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

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

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Division of Metropolitan Audit

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

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

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

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

Tennessee Code Annotated

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

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

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

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

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

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

T.C.A. 9-3-406

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

T.C.A. 4-3-304

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

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

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**

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT 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

“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.”