

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



***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

October 14, 2014

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AGENDA

**METROPOLITAN NASHVILLE
AUDIT COMMITTEE MEETING AGENDA
October 14, 2014 4:00 p.m.**

**Committee Room 4
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Approval of Minutes for the July 8, 2014, meeting (Bob Brannon – Committee Chairman)
- III. New Business
 - Discussion on request to amend current Internal Audit Work Plan to include an audit of Health Department Medical Examiner's Office (Mark Swann – Metropolitan Auditor)
 - Discussion of Office of Internal Audit Peer Review report issued July 10, 2014 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Parks and Recreation Centennial Sportsplex audit report issued July 18, 2014 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Social Services audit report issued August 20, 2014 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Law Department Claims Process audit report issued September 9, 2014 (Mark Swann – Metropolitan Auditor)
 - Discussion on Hotel Occupancy Tax Audit Summary Fiscal Year 2014 audit report issued September 17, 2014 (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit Unusual Financial Related Transactions audit report issued September 22, 2014 (Mark Swann – Metropolitan Auditor)
 - Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review (Bob Brannon – Committee Chairman)
 - Annual confirmation of responsibilities outlined in the Metropolitan Nashville Audit Committee Bylaws (Bob Brannon – Committee Chairman, Mark Swann – Metropolitan Auditor)
 - Annual assessment of Metropolitan Auditor's performance (Bob Brannon – Committee Chairman)
- IV. Old Business
 - 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 Single Audit and Management Letter (Bob Brannon – Committee Chairman)
 - Corrective Action Plan for Register of Deeds Office
 - Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)

**METROPOLITAN NASHVILLE
AUDIT COMMITTEE MEETING AGENDA
October 14, 2014 4:00 p.m.**

- 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 2015 Budget Status
 - Office of Internal Audit Move to Parkway Towers
- VIII. Consideration of Items for Future Meetings (Bob Brannon - Committee Chairman)
- IX. Adjournment of public meeting – Next meeting December 9, 2014



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

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MINUTES

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

July 8, 2014

DRAFT MINUTES

On Tuesday, July 8, 2014, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 4. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman
Brack Reed, Vice-Chairman
Richard Riebeling, Director of Finance¹
Jacobia Dowell, Councilmember
Steve Glover, Councilmember

Others

Mark Swann, Metropolitan Auditor
Carlos Holt, Internal Audit Manager
Theresa Costonis, Department of Law
Dell Crosslin, Crosslin and Associates
John Crosslin, Crosslin and Associates
David Hunt, Crosslin and Associates
Ben Nichols, Crosslin and Associates
Ronnie Steine, Councilmember² (Budget Chair)
Lynn Stokes – Audit Director, City of Clarksville,
TN

Committee Member Absent

Diane Neighbors, Vice-Mayor

Quorum present? Yes

Call Meeting to Order

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

Approval of Minutes

The minutes of the meeting on February 13, 2014, and April 24, 2014, were approved.

New Business

Discussion on request to amend current Internal Audit Work Plan to include an audit of Historical Commission staffing analysis (moved ahead on agenda)

Mr. Swann noted that a request to Mr. Brannon had been received to add the aforementioned item to the current audit plan. Councilmember Steine stated there is tremendous support for the Historical Commission. As Chairman of the Metropolitan Nashville Council Budget and Finance Committee, he would like additional information in order to make a decision regarding the request for an additional person to be budgeted. Mr. Riebeling stated that there are two primary

¹ Departed at 5:15 after the Metropolitan Nashville Public School audit discussion.

² Departed after Historical Commission agenda item.

responsibilities at the Historical Commission: Historic overlay and zoning issues, and traditional historical issues. He stated that this staffing analysis is something that is important to be performed, whether internally through audit staff or outsourced by providing additional funds, if needed. Further, in two straight budgets there has been a last minute request to add another person. Councilmember Steine stated that rather than just add the additional person as the Council did last time, they really need additional information. A motion was made by Mr. Glover, seconded, and carried.

Discussion of the current Peer Review being conducted of the Office of Internal Audit

Mr. Swann introduced Lynn Stokes – Audit Director at the City of Clarksville, TN who is the team lead for the peer review engagement now being conducted by the Association of Local Government Auditors. This review is required every three years by Government Auditing Standards. Stan Sewell – Audit Director at the City of Chattanooga, TN is also on the team as well as Catrina McCollom from the City of Memphis, TN.

External auditor presentation FY 2014 Audit Communication (Crosslin & Associates, P.C.)

David Hunt from Crosslin and Associates stated that the 2013 fiscal year Management Letter and OMB A-133 Single Audit would be presented as well as the 2014 fiscal year audit plan. John Crosslin and David Hunt described one *internal control deficiency* of the most serious type, material weakness, from the County Register of Deeds. This relates to segregation of duties regarding deposits and custody of funds. He noted this has been a repeat discrepancy for three years and management's response did not indicate it would be fixed this year. The effect is that this single material weakness makes Metropolitan Nashville a high-risk auditee, which causes more federal programs to be audited in the A-133 audit.

Mr. Glover inquired as what could be done to persuade the Register of Deeds to change his corrective action plan. Mr. Swann stated that the Committee could invite the Register of Deeds to attend the next audit committee meeting and explain his position. Mr. Glover motioned for the Register of Deeds to be asked to come into the next meeting. Mr. Riebeling stated that he agreed with the request but prior to the next meeting he would have Kim McDoniel contact him to see if something could be done. The motion was seconded and carried.

Other internal control discrepancies were not as serious but were discussed. Also, it was noted if streets and roads conditions were not maintain at a level of 70 percent fair or better condition the modified approach to fixed assets (no depreciation of certain assets is required) would no longer be allowed. Mr. Hunt noted that Metropolitan Nashville has slipped to 58 percent and should bring it up to 70 percent.

The same segregation of duties matter was also in the A-133 report. Compliance was noted for all federal programs but the opinion was qualified on one program related to a federal grant for "Healthy Marriage Promotion and Responsible Fatherhood". Metropolitan Nashville chose not to request the grant again for the current year.

The external auditor financial audit plan for 2014 was presented. It was similar to the past audit plan except for a new principal to oversee the Nashville General Hospital portion.

Audit of the Planning Department audit report issued February 14, 2014

Mr. Swann briefly described the audit of the Planning Department that was performed with the assistance of a consultant to perform a portion of the audit. Of significance was a

recommendation to work more closely across departments for planning and to obtain a site license for mapping software rather than individual licenses. Also receipting at the counter process could be strengthened.

Audit of Permitting and Licensing System Upgrade (interim)

Mr. Swann explained that Metropolitan Nashville is replacing the KIVA permit and licensing software with another product (City Works) being tailored to Metropolitan Nashville needs. Approximately 25 departments (Planning, Public Works, Water Services, etc.) will be using the system which will have a major impact on daily business and operation functions. Mr. Swann stated that it is better to audit the project throughout the system development process rather than wait until the project is complete and implemented. A recommendation for closer project oversight through a defined project charter was made. The system is now moving into the testing phase and test scripts are being written. Planned completion is January 2015.

Audit of Office of Emergency Management

Mr. Swann discussed that the Office of Emergency Management was audited separately from the Mayor's Office. Recently this function has been become an independent department that works closely with the Nashville Fire Department. Issues with fixed asset recording and leave balances were noted.

Audit of District Energy System

Mr. Swann noted that the District Energy System provides chilled water and steam to downtown buildings (commercial and government). The operation is a \$16 million annual operation. Issues noted with the need to make application for tax free status for purchasing materials and other services performed by the contract monitor, Thermal Engineering, not amended in the contract. The Metropolitan Nashville subsidy has declined over the last few years as the operation has improved over time.

Audit of Criminal Justice Planning

Mr. Swann noted that Criminal Justice Planning was created a number of years ago when Metropolitan Nashville was in a consent decree with the federal government concerning jail overcrowding. This is no longer the case as there is excess capacity and two facilities have been closed since. The audit noted that the requirement for the jail population projection report is not as important as before and that Criminal Justice Planning should seek to enhance its mission for other needed services.

Audit of Property Assessor's Office

Mr. Swann discussed the audit methodology, which utilized a tax consultant for the policies and procedures of the Property Assessor's Office and the Office of Internal Audit performed other audit steps, including a thorough review of the information technology systems. The tax experts from Experis found there were potential issues with the digital mapping function that resides in the Planning Department, not in the Assessor's Office. The needs of each group are not necessarily the same and has the potential to cause issues with property boundaries. The Property Assessor expressed concerns about this during the audit.

The information technology review concluded there were some weaknesses in the database security configuration that should be addressed. The transfer of the completed assessment role to the Metropolitan Trustee should be more formalized to ensure all values uploaded to Manatron are complete and equivalent.

A scope limitation existed during the audit because the Office of Internal Audit was denied access to the process for the assessment of business personal property taxes. The Property Assessor outsources this to a contractor. Tennessee Code Annotated § 67-5-402 prevented the Office of Internal Audit access. The Property Assessor is working with the Board of Equalizations to propose an amendment to the statute.

Old Business

Update on the status of the comprehensive performance audit of Metropolitan Nashville Public Schools

Mr. Swann stated that the majority (not complete) of the initial draft report was presented to the Office of Internal Audit for review during June. However, Mr. Swann expressed some concerns that the contractor are addressing. The updated draft should be available for review within two weeks. If Mr. Swann is satisfied that all required areas have been addressed, the draft will be made available to Metropolitan Nashville Public School's management for review.

Follow-up on the FY 2013 CAFR external auditor presentation

Mr. Brannon inquired if anyone still had question about the 2013 CAFR. No items were brought to his attention and the matter was closed by Mr. Brannon.

Hotel Occupancy Tax Audits

Mr. Swann stated that the Hotel Motel tax audits are continuing again this year. There are currently net claims for additional taxes of approximately \$450,000. However, the largest claim was for an establishment (Hallmark Inn) was shut down and padlocked by the Metropolitan Nashville Police Department this morning. Mr. Reed inquired if there was future transition plans to have someone else perform this ongoing function. Mr. Swann agreed this might be a good idea but nothing yet has been proposed.

Metro Hotline Status and Investigation Reports

Mr. Holt stated that one hotline referred to the state is still outstanding waiting on the Metropolitan Nashville Police Department to finish their investigation. One investigation was completed by the Office of Internal Audit for the Metropolitan Nashville Health Department since the last meeting.

The hotline call center and website contract is due to expire in November 2014. Mr. Holt stated that in light of the very small number of calls received that the Office of Internal Audit will be taking quotes for a smaller transaction volume agreement to replace the current contract. The Tennessee Comptroller's Local Government Audit Office advised against just substituting the Tennessee State hotline contact information by Metropolitan Nashville and prefers that Metropolitan Nashville be able to accept its own hotline calls.

Internal Audit Project Status

Mr. Swann noted that the audit plan is being executed as intended and approved by the Audit Committee.

Other Administrative Matters (Mr. Swann – Metropolitan Auditor)

Fiscal Year 2014 Budget Status: Mr. Swann noted that the Office of Internal Audit will be approximately \$90,000 under budget.

There was less than a three percent cut in the budget for fiscal year 2015, resulting in a \$1.2 million budget. There will also be a move to Parkway Towers in the next several months requiring rent payments each month. Mr. Glover inquired in the Metropolitan Nashville Public Schools audit expenses were coming from the Office of Internal Audit budget. Mr. Swann responded that the Metropolitan Nashville Public Schools contract was funded from the post-audit, general fund.

Mr. Swann advised that one of the office's recent personnel additions, auditor Seth Hatfield, along with his wife were involved in a serious automobile accident in Alabama in recent days. Ms. Hatfield remains in critical condition in the hospital. Prayers are encouraged.

Meeting adjourned after 84 minutes.

Mr. Brannon adjourned the meeting and stated the next meeting will be scheduled for October 14, 2014.

Swann, Mark (Internal Audit)

From: Daugherty, Ashley (Health)
Sent: Thursday, August 07, 2014 10:07 AM
To: Swann, Mark (Internal Audit)
Cc: Paul, Bill (Health); Romine, Stan (Health); Diamond, Jim (Health); Todd, Brian (Health); Lee, Josh (Legal)
Subject: Audit requested: Medical Examiner's Office / FMMS

Mark,
I hope you and your team are having a good year, and I appreciate your assistance earlier this year regarding Animal Control.

The Health Department is now requesting a fiscal and program audit of the Medical Examiner's Office. Jim Diamond and I will be your Health Dept. contacts.

Relevant background documents include the 2013 contract between Metro and FMMS (a contract under which Metro pays over \$4million / year), and Metro's (amended) lease with the State for the physical facility. JIM, can you please send these documents to the IA person that Mark designates?

An in-person meeting between Jim and I and your designated staff would probably be fruitful, as a starting point. If it is possible to have such a meeting next week, that would be great. Otherwise, we would need to shoot for August 27 or after.

Please let me know of any questions.

Again, the assistance of your staff is much appreciated.

Yours truly,

Ashley Daugherty



Association of Local Government Auditors

July 10, 2014

Mark S. Swann, Metropolitan Auditor
Metropolitan Government of Nashville and Davidson County
Office of Internal Audit
1417 Murfreesboro Pike
Nashville, Tennessee 37217

Dear Mr. Swann,

We have completed a peer review of the Metropolitan Government of Nashville and Davidson County Office of Internal Audit for the period January 1, 2011 through December 31, 2013. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit, nonaudit services and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Metropolitan Government of Nashville and Davidson County Office of Internal Audit's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period January 1, 2011 through December 31, 2013.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Lynn Stokes, CPA
City of Clarksville

Catrina McCollum, CFE
City of Memphis

Stan Sewell, CPA, CGFM, CFE
City of Chattanooga

Mark S. Swann
Metropolitan Auditor



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

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

July 10, 2014

Ms. Lynn Stokes
Director of Internal Auditor
City of Clarksville, TN

Ms. Catrina McCollum
Supervisory Auditor
City of Memphis, TN

Mr. Stan Sewell
City Auditor
City of Chattanooga, TN

Dear Peer Review Team:

Subject: Metropolitan Nashville Office of Internal Audit External Quality Control Review

Thank you for performing the Metropolitan Nashville Office of Internal Audit external quality control review for the period January 1, 2011, through December 31, 2013. We appreciate your opinion that our audit quality control system complied with *Government Auditing Standards*. We also value the observations and suggestions that you provided to help us excel and improve the quality of our audit process.

We have reviewed the observations and recommendations included in the report and concur that these are areas that we need to improve. Specifically, our plan of corrective action is as follows:

- The *How to Audit Guide* (auditing procedures manual) and TeamMate performance audit template will be updated to include documentation of our engagement level assessment of risk to independence for each audit project. This will be completed by July 31, 2014.
- The *How to Audit Guide* and TeamMate performance audit template will be updated to include documentation of our assessment regarding the reliability of computer processed information used during an audit project. This will be completed by August 29, 2014.
- The *How to Audit Guide* will be revised and a new TeamMate template will be created to document nonaudit service projects. The guide and template will be designed to help ensure compliance with *Government Auditing Standards* 3.34 – 3.58 regarding the provisions of nonaudit services (revised November 2011). This will be completed by October 3, 2014.

It was a pleasure working with such a knowledgeable and skilled review team during this external quality control review.

Sincerely,

Mark S. Swann

cc: Metropolitan Nashville Audit Committee

EXECUTIVE SUMMARY

July 18, 2014



Why We Did This Audit

This audit was conducted because the Parks and Recreation Department's significant expense (\$55 million) and fees collections (\$9.7 million). The last Parks and Recreation Department audit conducted was for Golf Operations in 2012.

What We Recommend

Centennial Sportsplex should improve control activities over revenue monitoring, various cash handling functions, time keeping, and bank deposits. Maintenance procedures should be examined.

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

Audit of Centennial Sportsplex

BACKGROUND

The Metro Parks and Recreation Department Centennial Sportsplex is comprised of an aquatics center, fitness center, tennis center, and two ice arenas. The facility offers a variety of sports programs such as lessons, clinics, tournaments, and leagues. The fitness center was replaced in May 2014 and the two ice rinks are under complete renovation as of this report.

Centennial Sportsplex Revenues/Expenditures

Revenues	FY 2012	FY 2013
Rentals	\$ 694,973	\$ 862,866
Admissions	569,657	570,091
Sports Leagues	299,238	303,824
Tennis Fees	111,846	132,574
Concessions	18,009	21,882
	\$1,693,723	\$1,891,237

Expenditures	FY 2012	FY 2013
Salaries & Benefits	\$1,304,507	\$1,571,830
Non-payroll Operational	120,365	115,022
Utilities and Other	566,852	573,593
	\$1,991,724	\$2,260,445

Source: Metropolitan Nashville Enterprise One and Parks and Recreation Department utility allocation.

OBJECTIVES AND SCOPE

The objectives of the audits were to determine whether:

- Fiscal matters were managed
- Facility and equipment were maintained to meet customer satisfaction
- Controls were in place to ensure safety and security for patrons
- Programs offered met customer satisfaction

The audit scope included the period of January 1, 2012, through February 28, 2014.

WHAT WE FOUND

Centennial Sportsplex generally had required policies and procedures in place. However, weaknesses were found in revenue monitoring, cash handling, deposits, inventory, and timekeeping. Existing maintenance procedures could be enhanced.

EXECUTIVE SUMMARY

August 20, 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

Metropolitan Social Services management should investigate using existing local in-home meal programs to leverage scarce resources available for home-bound clients.

Metropolitan Social Services management should transition the Homemaker Services to other entities.

Grant controls should be enhanced to ensure clarity over financial information.

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

AUDIT OF METROPOLITAN SOCIAL SERVICES

BACKGROUND

The mission of Metropolitan Social Services is to assess and document the patterns of poverty and seek solutions that promote impact on the most vulnerable people in Davidson County.

OBJECTIVES AND SCOPE

The key objectives of the audit were to:

- Determine if the Nutrition Services program was operating efficiently and effectively.
- Determine if the Homemaker Services program was operating efficiently and effectively.
- Determine if grants were properly approved, expended, reimbursed, and reported.
- Determine if sensitive information was protected from theft, misuse or accidental disclosure.

The audit scope included November 1, 2011, through December 31, 2013.

<i>Metropolitan Social Services</i>	FY 2011-12 (Actuals)	FY 2012-13 (Actuals)	FY 2013-14 (Budget)
Revenues & Transfers	\$1,536,800	\$1,579,400	\$1,501,000
Expenditures & Transfers			
Salary and Fringe Benefits	4,844,425	4,999,882	5,264,200
Other	2,684,756	2,674,950	2,763,200
Total Expenditures and Transfers	\$7,529,181	\$7,674,832	\$8,027,400

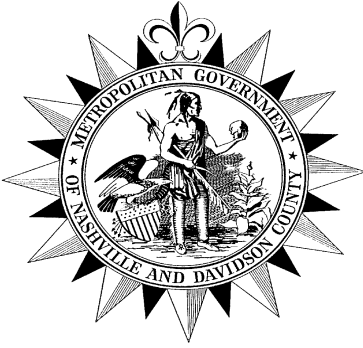
Source: Metropolitan Nashville's EnterpriseOne Financial System

WHAT WE FOUND

The Nutrition Services and Homemaker Services programs were not as cost effective, as other local and major city providers. Metropolitan Social Services has a higher cost rate for each hour of homemaker service and delivered meal. Other providers deliver freshly prepared meals each day while Metropolitan Social Services delivers five frozen meals at one time to in-home clients. Metropolitan Social Services was generally in compliance with data access rights and data protection, tracked assets, purchasing, and grant management policies and procedures.

EXECUTIVE SUMMARY

September 10, 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 Department of Law should enhance controls related to the handling of checks received, mail opening procedures, and the software application which supports the claims process. Efforts should be made to ensure the recording and deposits of receipts conform to Metropolitan Nashville financial policies.

AUDIT OF THE DEPARTMENT OF LAW CLAIM'S PROCESS

BACKGROUND

The responsibilities of the Department of Law were organized into three main areas: legal services, claims, and insurance. The focus of this engagement pertained to the claims and insurance processes. Injury-on-duty claims and other controls such as the safety program and contractual risk transference were not reviewed.

OBJECTIVES AND SCOPE

Key objectives of the audit were to determine:

- Citizens had fair and accessible means to address claims.
- Claims reserve amounts and insurance coverage were methodically determined.
- Controls ensured subrogation amounts and/or insurance claims were identified, investigated, and collected.

During the 30 month audit scope between July 1, 2011, and December 31, 2013, the Department of Law processed \$3.9 million in payments related to claims and received claims proceeds of \$2.6 million.

Self-Insurance and Claims Fund Balance

As of August 13, 2014	
Self-Insured Property Loss	\$ 3,519,281
Metro Self-Insured Liability	4,349,594
Police Professional Liability	2,823,730
Judgments and Losses	2,956,994
Schools Self-Insured Liability	2,230,477
Employee Blanket Bond	647,876
Total	\$16,527,952

Source: Metropolitan Nashville Council Analysis Report, August 19, 2014

WHAT WE FOUND

The Department of Law had defined processes in place for handling claims. This process was supported by a knowledgeable, veteran staff. Moreover, a robust management review process existed to ensure claims were properly processed. An actuarial firm was employed to assist in determining the reasonableness of reserve amounts.

EXECUTIVE SUMMARY

September 17, 2014



Why We Did This Audit

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

What We Recommend

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

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

Audit of Hotel Occupancy Taxes Fiscal Year 2014

BACKGROUND

The Metropolitan Nashville Government imposes a six percent hotel occupancy tax and a flat \$2.50 per rented room convention center tax. There were 275 hotel operators that filed hotel occupancy taxes in fiscal year 2014. Nearly 57 percent of the tax is collected from 25 hotels such as the Marriott Opryland, Downtown Radisson, Downtown Sheraton, Lowes Vanderbilt, and the Hutton hotels. The other 43 percent is collected from approximately 250 properties with fewer than 200 rooms.

OBJECTIVES AND SCOPE

The objectives of the audits were to determine:

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

In fiscal years 2012, 2013, and 2014, annual revenues from hotel occupancy tax and convention center tax were \$47.1 million, \$50.5 million, and \$59.7 respectively.

A sample of 29 hotel operator's (see Appendix B for locations) tax returns representing \$14.2 million in hotel occupancy taxes and convention center taxes were selected for audit. Audit procedures traced revenue and room nights to supporting lodging computer system monthly reports and other supporting documentation, and agreed exemption claims with those allowed within the Metropolitan Nashville Code of Laws.

WHAT WE FOUND

The \$14.2 million in hotel occupancy tax and convention center tax returns reviewed were materially valid. However, 22 hotels underpaid taxes by \$351,731 along with hotels overpaying \$60,308, leaving a total of \$291,423 net underpaid recommended for recovery or two percent of hotel occupancy tax and convention center tax reported for the 29 properties reviewed. An additional \$123,635 in penalty and interest was calculated resulting in net claims of \$415,058.

Tax underpayments ranged between \$110,621 and \$20 for these 22 hotels.

EXECUTIVE SUMMARY

September 22, 2014



Why We Did This Audit

The audit was initiated to analyze financial related transactions that look unusual. This analysis is an important part of financial transparency and stewardship over public funds.

What We Recommend

- Regular verification of vendors should be conducted to ensure only active vendors are maintained in vendor master file.
- Credit Card policies should be enforced to ensure that only valid and authorized purchases are made.

AUDIT OF UNUSUAL FINANCIAL RELATED TRANSACTIONS

BACKGROUND

The Metropolitan Nashville Government like any other organization is susceptible to errors, fraud, or inefficiencies. With an annual budget exceeding \$1.8 billion dollars, there are possible risks that include fraudulent financial reporting, misappropriation of assets, corruption, regulatory and legal misconduct, and public mistrust.

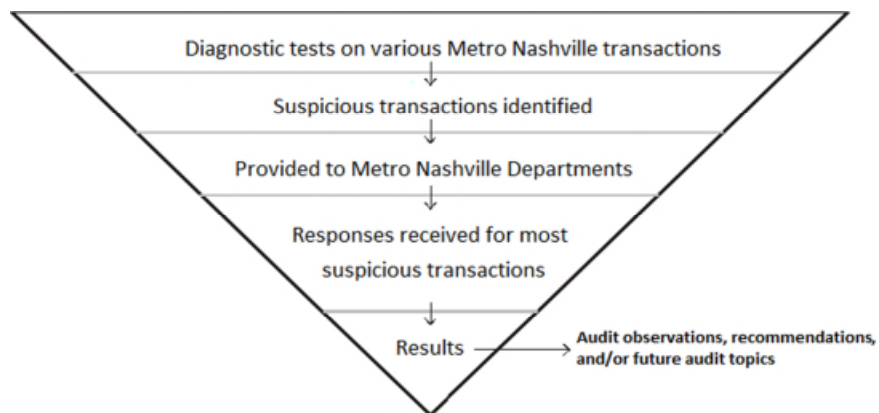
The ability to use analytical procedures helped the Metropolitan Nashville Office of Internal Audit identify unusual transactions or outliers. The review of those transactions will help ensure that Metropolitan Nashville Government service delivery purpose was conducted as intended.

OBJECTIVES AND SCOPE

The objectives of the audit were to:

- Determine if there were any unexplainable unusual expenditures.
- Determine if there were any unexplainable unusual payroll entries.
- Determine if there were any unexplainable additions, deletions, or changes made to the vendor and employee master files (EBS address book).

The audit scope included the three calendar years ended December 31, 2011, December 31, 2012, and December 31, 2013. Testing covered the Metropolitan Nashville general government except the Fire Department for payroll test. Fire Department payroll is scheduled for a separate future audit.



WHAT WE FOUND

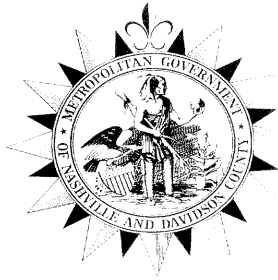
We found there were controls in place to limit the risk related to unauthorized financial transactions. However, additional steps can be taken to strengthen processes around credit card review, address book maintenance, vendor verification, and employee benefit disclosures.

ANNUAL REVIEW AND CONFIRMATION OF BYLAWS

METROPLITIAN AUDIT COMMITTEE BYLAWS

DIVISION OF METROPOLITAN AUDIT BYLAWS

Robert C. Brannon
Committee Chairman



Metropolitan Nashville Audit Committee
404 James Robertson Parkway, Suite 190
Nashville, Tennessee 37219

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

October 14, 2014

Metropolitan Nashville Audit Committee Members,

Subject: Fiscal Year 2014 Audit Committee Confirmation of Responsibilities

I have reviewed and concur with the attached assessment of the Metropolitan Nashville Audit Committee fiscal year 2014 performance of responsibilities as described in the Metropolitan Nashville Audit Committee Bylaws.

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

Respectfully submitted,


Robert C. Brannon

Enclosure – Fiscal Year 2014 Audit Committee Confirmation of Responsibilities

FY 2014 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Financial Statements	1. Review the results of audits, including any difficulties encountered, and follow up as appropriate.	√			FY2013 CAFR Discussed with Crosslin & Associates December 10, 2013; Management Letter and Single Audit discussed July 8, 2014.
	2. Review with Metro Nashville management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.	√			FY2013 Crosslin & Associates audit plan presentation on July 8, 2014.
Risk Management and Internal Control	3. Understand the scope of internal and external auditors' reviews of internal controls over financial reporting and government service activities, and obtain reports on significant observations and recommendations, together with department, board, commission, officer or agency management's responses.	√			Crosslin & Associates FY2013 Management Letter discussed July 8, 2014. Office of Internal Audit reports concerning internal control environment routinely discussed during committee meetings.
	4. Engage with Metropolitan Auditor in performing a Metro Nashville entity-wide risk assessment to form an audit work plan.	√			Internal Audit Annual Work Plan recommendations and risk prioritization reviewed by Committee on February 13, 2014.
	5. Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Hold follow-up to monitor corrective actions implemented by auditee.	√			Status of audit recommendations implementation follow-up included in the Office of Internal Audit <i>Annual Report November 2012 to October 2013</i> issued to Metropolitan Nashville Council on February 14, 2014.
Internal Audit	6. Review and approve the audit plan and all major changes to the plan.	√			Annual Internal Audit Work Plan Approved on February 13, 2014. Prior year Annual Work Plan revised to include audits of Metropolitan Nashville Public Schools and Historic Commission Workforce Staffing Analysis.
	7. Review and approve the Division of Metropolitan Audit Bylaws annually.	√			Bylaws last reviewed September 10, 2013.
	8. Assure continued independence of Metropolitan Auditor. Ensure there are no unjustified restrictions or limitations to the discharge of internal audit responsibilities.	√			Confirmation included in the Office of Internal Audit Annual Report November 2012 to October 2013 issued to Metropolitan Nashville Council on February 14, 2014.

FY 2014 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
	9. Review annually the activities, staffing and organizational structure of the internal audit function.	√			Administration of Internal Audit Office reviewed as a standing Audit Committee meeting agenda item.
	10. Review the effectiveness of the internal audit function, including compliance with generally accepted government auditing standards.	√			Last peer review completed July 10, 2014, with an opinion the Metropolitan Nashville Office of Internal Audit quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.
	11. Recommend the appointment of the Metropolitan Auditor.	√			Recruitment and interviews conducted in Spring 2014 with recommendation made to Metropolitan Nashville Council on May 20, 2014.
	12. For cause remove the Metropolitan Auditor.	√			Not applicable.
	13. At least once per year, review the performance of the Metropolitan Auditor and concur with the annual compensation and salary adjustment.	√			Reviewed during September 10, 2013 Audit Committee meeting. No concerns expressed by Committee members. Also, reviewed as part of 2014 Metropolitan Auditor recruitment for recommendation to the Metropolitan Nashville Council.
Reporting	14. Issue annual report to the Council and Mayor regarding Committee activities, issues and related recommendations.	√			Confirmation included in the Office of Internal Audit Annual Report November 2012 to October 2013 issued to Metropolitan Nashville Council on February 14, 2014..
	15. Provide an open avenue of communication between internal audit, the external auditors, and department, board, commission, officer or agency management.	√			
	16. Review any other Government issued reports related to committee responsibilities.	√			Crosslin & Associates review of the Metro Water Services Clean Water Abatement Program was discussed at the December 10, 2013 committee meeting.
Other	17. Ensure committee members undergo appropriate orientation upon appointment.	√			Orientation meetings for new council member appointments conducted in November 2011. Interviews with Metropolitan Auditor conducted in Fall 2013.

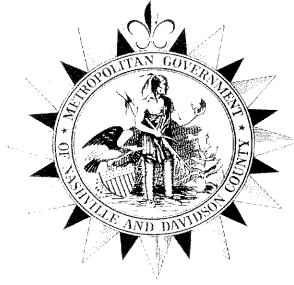
FY 2014 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
	18. Review and assess the adequacy of the committee bylaws annually, requesting approval for proposed changes, and ensuring appropriate disclosure as may be required by law or regulation.	√			Bylaws last reviewed September 10, 2013.
	19. Confirm annually that all responsibilities outlined in these bylaws have been carried out.	√			Last reviewed and confirmed September 10, 2013.
Meetings	20. The Committee will meet at least once per quarter	√			FY 2013 - 14 total meetings held on July 9, 2013, September 10, 2013, October 8, 2013, October 22, 2013, November 19, 2013, December 9, 2013, December 10, 2013, December 19, 2013, December 23, 2013 (10 a.m. & 11 p.m), February 13, 2014, April 1, 2014, April 21, 2014, and April 24, 2014.
	21. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor.	√			Agenda, internal audit reports and other selected material provided by e-mail prior to Audit Committee meetings by the Metropolitan Auditor.
	22. Minutes will be prepared by the Metropolitan Auditor.	√			Minutes were prepared and posted on Office of Internal Audit web site after approval.
Composition	23. Follow the provisions provided in Metropolitan Code of Law, Section 2.23.300(E) Division of Metropolitan Audit.	√			Audit Committee membership is consistent with Metropolitan Code of Laws requirements.

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

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

Robert C. Brannon
Committee Chairman



Metropolitan Nashville Audit Committee
404 James Robertson Parkway, Suite 190
Nashville, Tennessee 37219

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

October 14, 2014

Metropolitan Nashville Audit Committee Members,

Subject: Fiscal Year 2015 Metropolitan Auditor Annual Assessment and Work Agreement

The Metropolitan Nashville Audit Committee recommended and the Metropolitan Nashville Council elected Mark Swann to serve as Metropolitan Auditor for a second eight year term commencing July 1, 2014. The Committee is satisfied with the performance of the Metropolitan Auditor and concurs with the current \$134,589 annual base salary for the Metropolitan Auditor.

Also, the Committee concurs that the Metropolitan Auditor, Mark Swann, will earn and accrue vacation leave on a monthly basis at twenty (20) work days or one hundred and sixty (160) hours annually, and will earn and accrue sick leave on a monthly basis at twelve (12) days or ninety-six (96) hours annually.

The Metropolitan Auditor having twenty-four (24) or more sick leave days, in January of each year, may elect to convert up to three (3) sick days to three (3) personal days. Such days are not cumulative and must be taken in the current calendar year and cannot be reconverted to sick leave.

Upon termination of employment, any earned and unused vacation leave will be paid at the Metropolitan Nashville Government payroll hourly rate for the Metropolitan Auditor.

The Metropolitan Auditor effective January 1, 2015, will participate in the Metropolitan Nashville across the board pay raise of one (1) percent and is approved for a two (2) percent merit raise pending funding availability.

Respectfully submitted,

A handwritten signature in black ink that reads "Robert C. Brannon". The signature is written in a cursive, flowing style.

Robert C. Brannon

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OLD BUSINESS



METROPOLITAN
Nashville
PUBLIC SCHOOLS

DRAFT REPORT

OPERATIONAL/PERFORMANCE AUDIT REPORT OF METROPOLITAN NASHVILLE PUBLIC SCHOOLS

SUBMITTED TO:

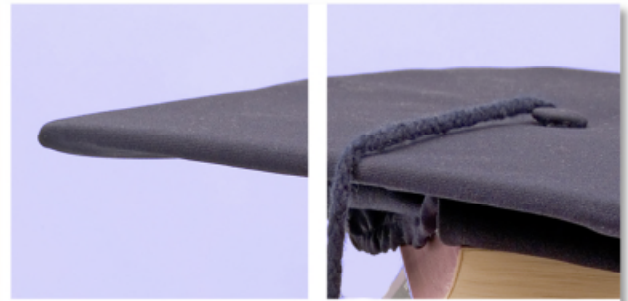
**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY**

ATTENTION:

**MARK SWANN
METROPOLITAN GOVERNMENT AUDITOR**

JULY XX 2014

***FOR METRO GOVERNMENT, MNPS,
AND MJLM CONSULTING TEAM
(MANAGEMENT DISCUSSION PURPOSES ONLY)***



McCONNELL JONES LANIER & MURPHY LLP
CONSULTANTS & BUSINESS ADVISORS

The Lakes on Post Oak
3040 Post Oak Blvd., Ste. 1600
Houston, TX 77056
PH: 713.968.1600
FAX: 713.968.1601
www.mjlm.com



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Select	Requisition	Description	Need-By	Receipt Quantity/Amount	Unit	Ordered	Received	Invoiced	Supplier	Order Type	Order Number	Shipment Number
<input type="checkbox"/>	42186	Audit of Metropolitan Nashville Public Schools	06-May-2014 00:00:00	38646.33	Each	559999	521352.67	0	McConnell Jones Lanier Murphy LLP	Purchase	340724	

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Swann, Mark (Internal Audit)

From: Swann, Mark (Internal Audit)
Sent: Friday, September 12, 2014 6:16 PM
To: 'Will Pinkston'; 'Speering, Jill S'; 'Frogge, Amy'; 'Kim, Elissa'; 'Shepherd, Anna'; 'gentryfordistrict1@comcast.net'; 'Brannon, Jo Ann'; 'tyesehunter@gmail.com'; 'mary@pierceforschools.org'
Cc: 'Clay, Hank'; Costonis, Theresa (Legal); Gallimore-Scruggs, Rachele (Legal); Register, Jesse (MNPS); Henson, Chris (MNPS); 'Bob Brannon'; 'Brack Reed'; Dowell, Jacobia (Council Member); Glover, Steve (Council Member); Neighbors, Diane (Vice Mayor); Riebeling, Richard (Finance - Director's Office); Holt, Carlos (Internal Audit); 'Sharon Murphy'; 'Gilbert Hopkins'; Carter, Tracy (Internal Audit)
Subject: Audit of Metropolitan Nashville Public Schools Draft Report Review Process
Attachments: Visio-Audit Process Overview.pdf

Good evening,

The Metropolitan Nashville Charter requires the independent Office of Internal Audit to follow Government Auditing Standards established by the United States Government Accountability Office. The standards require our office to obtain and report the views of responsible officials of the audited entity in our final audit reports to those charged with governance. The appendix to the standard states management of the audited entity is responsible for addressing the findings and recommendations of auditors.

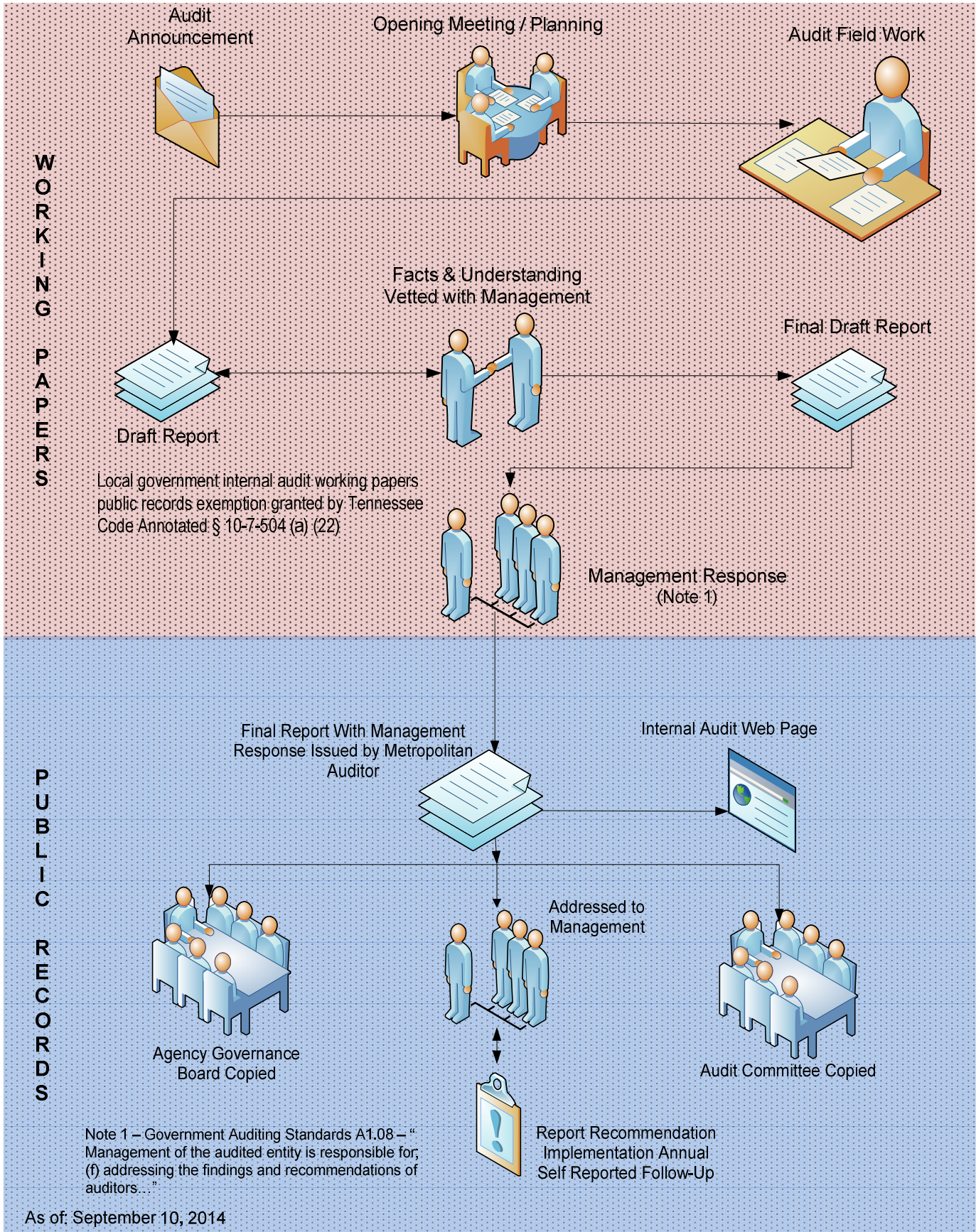
The audit of Metropolitan Nashville Public Schools (MNPS) on September 3, 2014, progressed to an initial draft report deliverable for vetting by management of MNPS. The initial draft report contains 12 chapters, appendices, and over 700 pages and 100+ recommendations. It will require six to eight weeks to conduct a detailed review and assimilate the report's message. The goal is to provide feedback to the contractor, McConnell Jones Lanier & Murphy LLP, by the end of October 2014. The audit contracting firm along with our office will review any additional evidence, comments or conflicts, and revise the draft report where appropriate. Again, MNPS management will be requested to review the revised draft report. This process can be recursive until a final draft report is delivered.

Once a final draft audit report is delivered by the contractor (best estimate is December 2014), the Office of Internal Audit can receive management's response and issue the final report including management's response with distribution to the MNPS Board of Education, Metropolitan Nashville Council, Metropolitan Nashville Audit Committee, the Mayor, Division of Local Government Audit for the Comptroller of Tennessee, Dr. Register, and others. Hopefully, this can be accomplished by January 2015 or earlier.

The diagram below and attached to this email describes what is considered to be working papers of the Metropolitan Nashville Office of Internal Audit which are protected from public records. This exemption includes draft reports and is granted by Tennessee Code Annotated § 10-7-504 (a) (22) "The following records shall be treated as confidential and shall not be open for public inspection: (A) audit working papers of the comptroller of the treasury and state, county and local government internal audit staffs conducting audits as authorized by § 4-3-304. For purposes of this subdivision (a)(22) "audit working papers" includes, but is not limited to, auditee records, intra-agency and interagency communications, draft reports, schedules, notes, memoranda and all other records relating to an audit or investigations;"

I appreciate your concerns and can assure you that the Metropolitan Nashville Office of Internal Audit and McConnell Jones Lanier & Murphy LLP will remain independent and objective throughout the draft report review process. Thank you for your patience.

Metropolitan Nashville Office of Internal Audit Audit Project Process Overview





FY2013 Management Letter

FY2013 Single Audit

**Summary of Management Letter Findings: Fiscal Years 2013, 2012, 2011
Crosslin and Associates**

Reporting Unit	Observation	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011
County Register	Segregation of Duties with Financial Transactions	Yes	Yes	Yes
Clerk and Master	Segregation of Duties with Financial Transactions		Yes	Yes
Circuit Court	Segregation of Duties with Financial Transactions	Yes	Yes	
General Government	Accounts Receivable Accrual			Yes
General Government	Timely Preparation of Bank Reconciliations	Yes	Yes	Yes
General Government	Old Outstanding Items on Bank Reconciliations	Yes	Yes	Yes
General Government	Infrastructure Reported Using the Modified Approach	Yes	Yes	Yes
County Register	Deposit Timing for Cash Collections	Yes	Yes	Yes
General Government	Deposit Timing for Cash Collections		Yes	
General Government	Documenting Approvals for Cash Disbursements		Yes	
General Government	Deficit Balances in Internal Service Fee Funds		Yes	
General Government	Other Postemployment Benefit Plans Funding		Yes	Yes
General Government	Accounts Payable Cutoff			Yes
General Government	Property Taxes –Allowance for Doubtful Accounts			Yes
General Government	Internal Balances			Yes
Clerk and Master	Deposit Timing for Cash Transactions			Yes
Circuit Court	Bank Reconciliations- Cancelled Checks		Yes	
Sheriff Work Release and Inmate Trust	Old Outstanding Items on Bank Reconciliations		Yes	Yes

Those deemed a material weakness by Crosslin and Associates are highlighted in bold.

**Summary of Hotel Occupancy Tax Audit Results
As of October 13, 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	29	\$ 182,368,581.24	\$ 14,242,187.50	\$ 351,731.76	\$ 123,637.99	\$ 60,308.35
Grand Total	47	\$ 246,109,285.79	\$ 19,627,770.57	\$ 373,975.21	\$ 133,908.99	\$ 62,176.22
Fiscal Year	Percent of Tax Underpayment	Net Claims				
2013	-0.4%	\$ 30,647				
2014	-2.5%	\$ 415,061				
Total	-1.9%	\$ 445,708				

**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of October 14, 2014**

Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
1) Planning Department			✓		Feb-14
2) Office of Emergency Management			✓		Apr-14
3) District Energy System			✓		Apr-14
4) Criminal Justice Planning Unit			✓		May-14
5) Metro Land Development Project			✓		Feb-14
6) Assessor of Property			✓		Jun-14
7) Metropolitan Nashville Public Schools			✓	Sep-14	
8) Office of Internal Audit Peer Review			✓		Jul-14
9) Parks Department Centennial Sportsplex			✓		Jul-14
10) Metropolitan Social Services			✓		Aug-14
11) Community Education Commission			✓	Aug-14	
12) Law Department Claims Processing			✓		Sep-14
13) Metro Water Services - Cash Collections			✓	Oct-14	
14) Finance Department Suspicious Transactions			✓		Sep-14
15) County Clerk- Cash Collections	✓				
16) Justice Intergration Services Active Directory			✓	Oct-14	
17) Sheriff Department Firearms and Inventory Management		✓			
18) Permitting Upgrade (City Works) System Development Audit		✓			
19) Health Department Medical Examiner		✓			
20) Historic Commission Staffing Review		✓			
Anticipated to Start Next 3 weeks					
Metro IntegrityLine Alerts Since Jan 1, 2014:			Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse)			6	6	0
Cases Reported to State of TN			1	1	0
Cases Tasked to OIA by State of TN			0	0	0
Cases Tasked to OIA by Metro Entities			1	1	0

Note: Goal to complete 19 audit projects for Plan Year 2014. Currently 11 audit projects are completed, and 8 audit projects are in field work or draft report phase.

**Office of Internal Audit Budget versus Actual
GSD General Fund as of October 10, 2014**

FY 2015 Approved Budget

	Approved FY 2015 Budget	Actual As of October 10, 2014	Difference	Notes
Total Salaries & Fringe	\$ 1,015,900	\$ 233,248	\$ 782,652	
Other Expenses				
Professional & Purchased Services	45,100	-	45,100	
Building Rent Parkway Towers	55,500	-	55,500	
Other Expenses	66,500	2,991	63,509	
Internal Service Fees	31,900	31,900	-	Information Technology
TOTAL EXPENSES	\$ 1,214,900	\$ 268,139	\$ 946,761	

30003 General Fund 4% Reserve

\$ 13,227	\$ -	\$ 13,227	AX Core Server Software & Training; Office Furniture
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**Metropolitan Nashville Office of Internal Audit
2014 Work 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

**Metropolitan Nashville Office of Internal Audit
2014 Work Plan**

19	Finance Department and Other Functions - Asset Accounting Process / 4% Funding Process	800	14,040
Information Technology Audits			
20	Information Technology Services - Microsoft Exchange Email Application Management	800	14,840
21	Justice Integration Service - Active Directory Security – jjs.org	300	15,140
22	Davidson County Sheriff's Office - Active Directory Security – dcso.org	300	15,440
23	Police Department - Active Directory Security – metropd.org	300	15,740
Approved Work Plan Additions			
24*	Historic Commission Work Staff Review ¹	80	15,820

¹ Approved by Metropolitan Nashville Audit Committee on July 8, 2014.

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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

**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
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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
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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. "Working papers" includes, but is not limited to, auditee records, intra-agency and interagency communications, draft reports, schedules, notes, memoranda and all other records relating to an audit or investigation by internal audit staff.

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 of 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.**

**METROPOLITAN GOVERNMENT OF NASHVILLE
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**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT
T.C.A. 4-18-101 False Claims Act**

4-18-103. Liability for violations.

(a) Any person who commits any of the following acts shall be liable to the state or to the political subdivision for three (3) times the amount of damages that the state or the political subdivision sustains because of the act of that person. A person who commits any of the following acts shall also be liable to the state or to the political subdivision for the costs of a civil action brought to recover any of those penalties or damages, and shall be liable to the state or political subdivision for a civil penalty of not less than two thousand five hundred dollars (\$2,500) and not more than ten thousand dollars (\$10,000) for each false claim:

- (1) Knowingly presents or causes to be presented to an officer or employee of the state or of any political subdivision thereof, a false claim for payment or approval;
 - (2) Knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the state or by any political subdivision;
 - (3) Conspires to defraud the state or any political subdivision by getting a false claim allowed or paid by the state or by any political subdivision;
 - (4) Has possession, custody, or control of public property or money used or to be used by the state or by any political subdivision and knowingly delivers or causes to be delivered less property than the amount for which the person receives a certificate or receipt;
 - (5) Is authorized to make or deliver a document certifying receipt of property used or to be used by the state or by any political subdivision and knowingly makes or delivers a receipt that falsely represents the property used or to be used;
 - (6) Knowingly buys, or receives as a pledge of an obligation or debt, public property from any person who lawfully may not sell or pledge the property;
 - (7) Knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the state or to any political subdivision;
 - (8) Is a beneficiary of an inadvertent submission of a false claim to the state or a political subdivision, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the state or the political subdivision within a reasonable time after discovery of the false claim; or
 - (9) Knowingly makes, uses, or causes to be made or used any false or fraudulent conduct, representation, or practice in order to procure anything of value directly or indirectly from the state or any political subdivision.
- (e) This section does not apply to claims, records, or statements made pursuant to workers' compensation claims.

**METROPOLITAN GOVERNMENT OF NASHVILLE
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METROPOLITAN AUDIT COMMITTEE**

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

(f) This section does not apply to claims, records, or statements made under any statute applicable to any tax administered by the department of revenue.

4-18-104. Investigation and prosecution.

(b) (1) The *prosecuting authority of a political subdivision shall diligently investigate violations under § 4-18-103 involving political subdivision funds*. If the prosecuting authority finds that a person has violated or is violating § 4-18-103, the prosecuting authority may bring a civil action under this section against that person.

(c) (1) *A person may bring a civil action for a violation of this chapter for the person and either for the state of Tennessee in the name of the state, if any state funds are involved, or for a political subdivision in the name of the political subdivision, if political subdivision funds are involved, or for both the state and political subdivision if state and political subdivision funds are involved. The person bringing the action shall be referred to as the qui tam plaintiff*. Once filed, the action may be dismissed only with the written consent of the court, taking into account the best interests of the parties involved and the public purposes behind this chapter.

(B) For purposes of subdivision (d)(3)(A), "*original source*" means an individual, who has *direct and independent knowledge of the information on which the allegations are based*, who voluntarily provided the information to the state or political subdivision before filing an action based on that information, and whose information provided the basis or catalyst for the investigation, hearing, audit, or report that led to the public disclosure as described in subdivision (d)(3)(A).

(2) If the state or *political subdivision proceeds* with an action brought by a qui tam plaintiff under subsection (c), *the qui tam plaintiff shall, subject to subdivisions (g)(4) and (5), receive at least twenty-five percent (25%) but not more than thirty-three percent (33%) of the proceeds* of the action or settlement of the claim, depending upon the extent to which the qui tam plaintiff substantially contributed to the prosecution of the action. ...

(3) If the state or *political subdivision does not proceed with an action* under subsection (c), the qui tam plaintiff shall, subject to subdivisions (g)(4) and (5), receive an amount that the court decides is reasonable for collecting the civil penalty and damages on behalf of the government. The amount shall be *not less than thirty-five percent (35%) and not more than fifty percent (50%)* of the proceeds of the action or settlement and shall be paid out of these proceeds.

Other Related Provisions

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

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

**METROPOLITAN GOVERNMENT OF NASHVILLE
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METROPOLITAN AUDIT COMMITTEE**

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

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.”

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