

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



***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

December 9, 2014

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**METROPOLITAN NASHVILLE
AUDIT COMMITTEE MEETING AGENDA
December 9, 2014 4:00 p.m.**

**Committee Room 4
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Approval of Minutes for the October 14, 2014, meeting (Bob Brannon – Committee Chairman)
- III. New Business
 - External auditor presentation FY 2013 CAFR (Crosslin & Associates, P.C.)
 - Metro Water Services Clean Water Abatement Program Review (Crosslin & Associates, P.C.)
 - Overview of Government Auditing Standards 2011 Revision (Lauren Riley – Senior Auditor)
 - Discussion on proposed supporting internal audit legislation (Carlos Holt – Audit Manager)
 - Discussion on Audit of Justice Integration Services Active Directory audit report issued October 22, 2014 (Carlos Holt – Audit Manager)
 - Discussion on Community Education Commission audit report issued October 31, 2014 (Carlos Holt – Audit Manager)
 - Discussion on Sheriff’s Office Firearms and Equipment Inventory audit report issued November 6, 2014 (Carlos Holt – Audit Manager)
 - Discussion on Permitting and Licensing System Upgrade Interim Report II audit report issued November 11, 2014 (Carlos Holt – Audit Manager)
 - Overview of Metropolitan Nashville self-insurance and claims fund balance monitoring (Carlos Holt – Audit Manager)
- IV. Old Business
 - Update on the status of the comprehensive performance audit of Metropolitan Nashville Public Schools (Carlos Holt – Audit Manager)
 - Follow-up on the FY 2013 Single Audit and Management Letter (Bob Brannon – Committee Chairman)
 - Hotel Occupancy Tax Audits (Carlos Holt – Audit Manager)
- V. Metro Hotline Status and Investigation Reports (Carlos Holt – Internal Audit Manager)
- VI. Internal Audit Project Status (Carlos Holt – Audit Manager)
- VII. Other Administrative Matters (Carlos Holt – Audit Manager)
 - FY 2015 Budget Status

**METROPOLITAN NASHVILLE
AUDIT COMMITTEE MEETING AGENDA
December 9, 2014 4:00 p.m.**

- VIII. Consideration of Items for Future Meetings (Bob Brannon - Committee Chairman)
- IX. Adjournment of public meeting – Next meeting February 10, 2014



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

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

October 14, 2014

DRAFT MINUTES

On Tuesday, October 14, 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
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
Kim McDoniel, Metro Finance
John Crosslin, Crosslin and Associates
David Hunt, Crosslin and Associates
Bill Garrett, Register of Deeds
Kim Legate, Register of Deeds
Charles Snyder, Register of Deeds

Committee Member Absent

Diane Neighbors, Vice-Mayor
Brack Reed, Chamber of Commerce

Quorum present? No, first 30 minutes, no voting items presented; Yes, remainder of meeting.

Old Business (no quorum)

Register of Deeds – Material Weakness

Mark Swann introduced an item of old business dealing with the material weakness finding from Crosslin and Associates at the Register of Deeds. Bill Garrett took the floor and noted he now had a much clearer understanding of the issue and his office had made some changes. Charles Snyder, Chief Deputy of Finance, spoke on the change of procedures including:

- increase in change bank
- change in escrow funds
- change in check cashing procedures
- new tracking of checks
- matching deposit amounts to bank records
- better segregation of duties
- printing checks from *QuickBooks* (pending)

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

Kim Legate, Chief Deputy of Operations, spoke on the changes also. Both Kim Legate and Charles Snyder noted Crosslin and Associates sub-contractor Lisa Stickle, CPA, had inspected and approved the procedures. Steve Glover asked if this would correct the internal control material weakness for the Register of Deeds. John Crosslin noted it would and that the Register of Deeds had understood and made the required changes. David Hunt noted the primary problem was that the material weakness caused a higher level of audit procedures for grants under the Single Audit Act.

Hotel Occupancy Tax

Mark Swann noted he issued a report covering the past fiscal year of hotel audits. However, for the past two years 47 hotel audits have been completed, covering \$246 million in gross room revenue, \$19 million in hotel occupancy taxes which resulted in \$373 thousand in underpayments and \$133 thousand in penalties. Mark Swann noted about 2 percent of taxes were underreported. A brief discussion was held on the amounts owed by the hotel that was shut down. Rich Riebeling asked Mark Swann if he had access to the Smith Travel reports on occupancy rates. Mark Swann noted he did receive a summary of from the Music City Center and was attempting to use the data to better identify which hotels reporting taxes were more likely to have underpayments.

Project Status

Mark Swann stated he was progressing through the plan with a goal of having 19 audit projects completed by February and 11 are complete. Mark Swann believes the Office of Internal Audit will make the goal despite a few more than normal disruptions (office move, school audit, Metro Auditor selection process, etc.).

Hotline Status

Carlos Holt noted the current provider of hotline services would be ending services as of November 19, 2014, and the new provider would be starting the next day. The old contract cost approximately \$1,000 per month, but the RFQ selection process yielded a new vendor that costs only approximately \$200 per month. Carlos Holt noted Metro had six hotline calls this calendar year and one from the State of Tennessee Comptroller's Office, with no cases still open.

Budget

Mark Swann noted the departmental budget expenditure is progressing as expected and there was not expectation of going over budget.

Metro Nashville Public Schools Audit

Mark Swann noted the audit has expended almost 90 percent of funds, with about \$38,000 remaining.

Mark Swann noted he sent out an email describing the draft report review process on September 12, 2014. He noted the contractor sent the initial draft of the internal review; Mark Swann recommended some changes and sent the report back to the contractor, who took several weeks for the changes. The contractor then provided the report to Metropolitan Nashville Public Schools in early September. Metropolitan Nashville Public Schools will be meeting with the contractor and Metro Internal Audit at the end of October. After the management response is received, some observations and recommendations will be sent to the

School Board for response since those recommendations apply to them in particular. Steve Glover asked if there could be a short presentation made with the report so that key individuals would be provided some initial information before being able to read the entire 500+ page report. Rich Riebeling inquired if there was an expected date of completion. Mark Swann stated he was not sure of a date. Rich Riebeling commented that to be useful for the budget, the report is needed by the end of the calendar year. (Jacobia Dowell arrived during the discussion.) Mark Swann responded to Steve Glover that a report presentation meeting could be set up with the contractor and other interested parties, and this was included in the contract.

Call Meeting to Order (at 4:38 pm)

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

Approval of Minutes

The minutes of the meeting on July 8, 2014, were approved.

New Business

Discussion on request to amend current Internal Audit Work Plan to include an audit of the Medical Examiner's Office

Mark Swann noted a request had been received to audit the Medical Examiner's function that is contracted under the Metro Public Health Department. He had tentatively accepted the engagement and proceeded with the audit pending the Audit Committee approval. Steve Glover moved to amend the audit plan, seconded, and carried.

Discussion of the Peer Review completed of the Office of Internal Audit

Mark Swann noted the Peer Review team had finished and concluded the Office was in full compliance and had given three recommendations for improvement. One of the recommendations dealt with non-audit services and having the requesting party assume responsibility for oversight of the service. One such case is the service the Office provides with the annual disclosure forms, and Greg Hinote of the Mayor's Office has assumed responsibility for the program. Mark Swann noted all recommendations would be completed by year end. Bob Brannon noted the Committee should discuss and have a summary of the 2011 changes to generally accepted government auditing standards at the next meeting.

Audit of the Metro Parks Sportsplex

Mark Swann briefly described the audit of the Sportsplex and noted members should have also received a complimentary fraud report. He also informed the Committee that the fraud was self-reported by the subject only after the audit began and the director had informed the department an audit had begun. Carlos Holt added, as part of the audit, Senior Auditor Qian Yuan had informed various managers of the audit procedures that likely would have determined missing funds before the subject came forward. Others noted prosecution is ongoing and funds believed to be missing were approximately \$90,000. Other than the fraud, the audit determined reservations for facilities were not reconciled with revenue, and revenue reversals were not fully explained by the department. Also a few emergency planning recommendations and maintenance suggestions were made to the Sportsplex management team.

Audit of Metro Social Services

Mark Swann explained Social Services had an \$8 million budget for 2014 and the audit primarily looked at the homemaker and nutritional services. The review indicated Metro Social Services could provide more services for the same funds by using other providers. A reduction in homemaker services was accepted by the Board, but the review did not cause the Board to decide to also phase out direct provided nutrition services. For homemaker services, the Board decided to phase out services by attrition over the next several years.

Audit of Department of Law - Claims Process

Mark Swann noted the audit looked at claims processing, claims related fund balances (\$16.5 million), and distribution of claims. There were nearly \$4 million in claims paid and \$2.5 million in claims received. The biggest report issue was the distribution of checks received by various departments and individuals causing extended delays in the checks from being deposited immediately. Bob Brannon stated he would like to look at the actuarial report that determined the current claims fund balance is acceptable.

Audit of Unusual Financial Transactions

Mark Swann discussed the audit looked for transactions that may be unusual or a red-flag. The audit determined overall there were no highly unusual areas as a whole; rather, some attention should be paid to duplicate payments (two found not being recovered), payroll overtime mainly in Water Services and Metro Police, and fuel cards for Metro Nashville vehicles. Bob Brannon inquired if this was intentional and if there were any national standards on overtime for police and fire. Rich Riebeling stated much of the police overtime would be due to the Secondary Employment Unit hours, which are reimbursed by the customers, rather than regular hours for Metro with budgeted departmental funds.

Annual Review of the Bylaws of the Audit Committee and the Office of Internal Audit.

Mark Swann stated he and Theresa Costonis saw no issue requiring immediate attention. Separate motions to re-affirm the bylaws for both were made, seconded, and carried.

Possible Proposed Legislation

Mark Swann stated although the bylaws state the Office has access to all records, this is not binding on other departments. He further stated this has not been a past issue, but small delays and temporary roadblocks have recently manifested. He desires, if the Committee is supporting, to propose legislation that would require access. Steve Glover advised him to draft the proposed legislation and bring it to them at a future meeting. Theresa Costonis advised that for contractors, there is a standard clause in the contracts, but this can get tricky for software due to proprietary reasons.

The second issue was the definition in the Charter for "other audit services" that it authorizes along with audits. Non-audit services are not addressed or separately authorized in the Charter.

Confirmation of the Performance of the Audit Committee and Metropolitan Auditor Annual Evaluation

Mark Swann stated this past year there were 14 different meetings for various reasons, and there is no issue validating the performance of the Committee. Audit Committee members expressed no issues with the performance of the Metropolitan Auditor. A motion was made to

endorse and accept the performance of the Audit Committee and the Metropolitan Auditor. It was seconded and carried.

Special Items for the next meeting

Nothing special was proposed for the next meeting to be held on December 9, 2014 where the fiscal year 2014 Comprehensive Annual Financial Report will be discussed. However, Mark Swann noted he would be bringing a generally accepted government auditing standards update, proposed special legislation, and the actuarial report from the claims process for the next meeting.

Meeting adjourned after 74 minutes.

Bob Brannon adjourned the meeting and stated the next meeting will be scheduled for December 9, 2014.

DRAFT



FY 2014 CAFR PRESENTATION

and

Metro Water Services Clean Water
Abatement Program Review

December 2011

Government Auditing Standards

2011 Revision



Performance Audit Overview & 2011 Yellow Book Revisions

Presented by: Lauren Riley, CPA, ACDA

Performance Audit Overview & 2011 Revisions

- Evaluate and document independence and impairments
- Evaluate staff's competence and skills

Performance Audit Overview & 2011 Revisions

- Complete Planning Phase
 - Scope
 - Background
 - Internal Controls
 - Fraud Review
 - Objectives
 - Planning Memo
 - Communicate with Auditee

Performance Audit Overview & 2011 Revisions

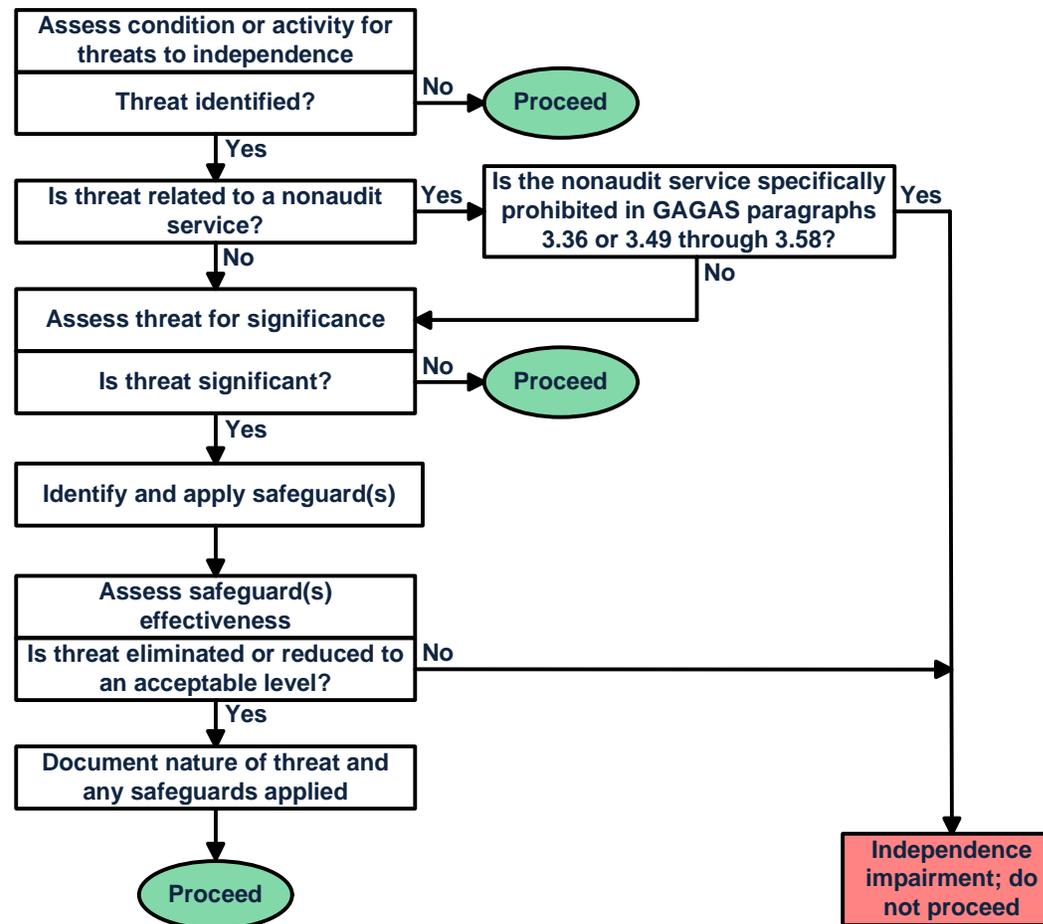
- Perform and document fieldwork
 - Address objectives
 - Support observations
- Prepare and issue audit report
 - Draft report and cross-reference
 - Management discussion
 - Management response
 - Issue final report

2011 Yellow Book Revisions

Independence

- Requires “independence of mind” and “independence in appearance”
- Emphasizes the importance of considering threats to independence both individually and in the aggregate
- Establishes a risk-based conceptual framework within which to evaluate seven broad categories of “threats to independence”

Conceptual Framework for Independence



2011 Yellow Book Revisions

Nonaudit Services

- Management should take responsibility for nonaudit services performed by the auditors.
- Auditors should document their understanding with management regarding the nonaudit services.
- Auditors should assess and document whether management possesses suitable skill, knowledge, or experience to oversee the nonaudit service.

2011 Yellow Book Revisions

External Auditor Prohibitions

2011 Yellow Book revisions define prohibited external auditor services pertaining to:

- Internal Audit
- IT Services
- Internal Control Monitoring
- Valuation Services

Proposed Division of Metropolitan Audit Supporting Legislation

Access to Records.

Division of Metropolitan Audit personnel shall have full access to all Metropolitan Government of Nashville and Davidson County records, agreements, information systems, properties, and personnel. Accordingly, Metropolitan Government of Nashville and Davidson County or any of its related entities' officials, employees, consultants, and contractors shall furnish any requested information and records within their custody and respond to any questions regarding powers, duties, activities, organization, property, financial transactions, and methods of business.

Division of Metropolitan Audit personnel are individually responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work. Division of Metropolitan Audit personnel shall not publicly disclose any information received that is considered proprietary (confidential) in nature by any local, state, or federal law or regulation.

In addition, Metropolitan Government of Nashville and Davidson County or any of its related entities' officials, employees, consultants, and contractors shall provide access to Division of Metropolitan Audit personnel for the inspection of all property, equipment, and facilities within their custody and the observation of any operations for which they are responsible.

Other Audit Services.

In addition to financial, performance, or other audit services, the Division of Metropolitan Audit shall establish a process by which suspected illegal, improper, wasteful, or fraudulent activity can be reported. The Metropolitan Auditor shall investigate, or cause to be investigated, all activity reported by this process. The disposition of all reports shall be communicated to the Metropolitan Nashville Audit Committee, Metropolitan Mayor, and Department of Law.

Proposed Division of Metropolitan Audit Supporting Legislation

Notice of Instance of Fraud, Waste, and Abuse.

All reports of unlawful conduct completed in accordance with the State of Tennessee Local Government Instances of Fraud Reporting Act involving Metropolitan Government of Nashville and Davidson County departments, boards, commissions, officers, or agencies shall be communicated in a timely manner to the Metropolitan Auditor.

Notice of Audit Activities.

The engagement plans and final reports for all financial, performance, and other audit activities conducted on the behalf of Metropolitan Government of Nashville and Davidson County departments, boards, commissions, officers, or agencies shall be communicated in a timely manner to the Metropolitan Auditor.

Mark S. Swann
Metropolitan Auditor



OFFICE OF INTERNAL AUDIT
404 James Robertson Parkway, Suite 190
NASHVILLE, TENNESSEE 37219
615-862-6158

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

October 22, 2014

Metropolitan Nashville Audit Committee:

Audit of Justice Integration Services Active Directory Services

The Metropolitan Nashville Office of Internal Audit has completed the performance audit of the Justice Integration Services Active Directory Services. This audit was performed in accordance with the annual audit plan approved by the Metropolitan Nashville Audit Committee. The Office of Internal Audit concluded that Justice Integration Services was reasonably managing active directory services to satisfy the operational needs for the Metropolitan Government of Nashville and Davidson County.

Justice Integration Services share certain network information security resources with the Metropolitan Nashville Police Department and in doing so must adhere to the security requirements placed on the Metropolitan Nashville Police Department by the Tennessee Bureau of Investigation and the Federal Bureau of Investigation. These requirements included restricting the distribution of information related to the underlying technology infrastructure and supporting system security services.

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

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

Sincerely,

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

Mark S. Swann

EXECUTIVE SUMMARY

October 31, 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

Community Education Commission should strengthen controls around revenues including cash handling, deposits, and reconciliations.

Community Education Commission should ensure that all users of Metro Nashville information technology assets have read and signed the Acceptable Use of Information Technology Assets Policy.

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

COMMUNITY EDUCATION COMMISSION AUDIT

BACKGROUND

Community Education Commission's mission is to provide adult education opportunities and resources to the Nashville-Davidson County community. Its vision is to provide a place where the community can access a network of education services to improve their quality of life. The department offers classes to all age groups from various walks of life. Classes focus on eight categories: technology, career, fitness and health, home, language, create, specialty, and arts.

OBJECTIVES AND SCOPE

The objectives of the audit were to determine the following:

- Controls were in place to ensure proper management of fiscal resources.
- Community Education Commission employees were aware of and acknowledged the Acceptable Use of Information Assets Policy, as well as completed the Basic Security Awareness Training.

The audit scope included May 1, 2012, through April 30, 2014.

	FY 2011-12 (Actuals)	FY 2012-13 (Actuals)	FY 2013-14 (Budget)
Revenues & Subsidy			
Revenues	\$ 36,144	\$ 45,230	\$ 65,000
Metro Subsidy	342,600	342,500	346,500
<i>Total Revenues & Subsidy</i>	<i>\$348,744</i>	<i>\$387,730</i>	<i>\$411,500</i>
Expenditures			
Salary and Fringe Benefits	\$134,425	\$176,401	\$230,100
Other	187,747	218,802	181,400
<i>Total Expenditures</i>	<i>\$322,172</i>	<i>\$395,203</i>	<i>\$411,500</i>

Source: Metropolitan Nashville's EnterpriseOne Financial System

WHAT WE FOUND

The Community Education Commission had some policies and procedures in place. However, controls could be strengthened in such areas as revenue monitoring, cash handling, deposits, and reconciliations. Timekeeping procedures could also be enhanced.

EXECUTIVE SUMMARY

November 6, 2014



Why We Did This Audit

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

What We Recommend

The Davidson County Sheriff's Office can enhance its control environment by segregating asset custody and record keeping responsibilities, improving documentation over firearms obtained by the Warrant Division, and strengthening documentation over disposals of ballistic vests. Visibility of ammunition usage could be enhanced.

AUDIT OF THE SHERIFF'S OFFICE FIREARMS AND EQUIPMENT

BACKGROUND

The Davidson County Sheriff's Office plays a critical role in the public safety sector as it is responsible for booking and housing all inmates under Metropolitan jurisdiction, serving warrants, and operating a number of rehabilitation programs. The ability of this office to effectively carry out its mission is directly correlated with the public's trust and confidence. Effective management and oversight of firearms and other weapons is very important to the Sheriff's Office goals and objectives.

OBJECTIVES AND SCOPE

The objectives of the audit were to determine:

- If controls and procedures ensured firearms and equipment inventory were secured and tracked.
- If firearms and equipment policies and procedures conformed to standards of the American Correctional Association.

The audit scope included July 1, 2012, through June 30, 2014.

WHAT WE FOUND

The Davidson County Sheriff's Office had effective controls and procedures in place to ensure firearms were procured, received, identified, recorded, tracked, secured, and disposed of in a reasonable manner. These procedures were in conformity to those set by the American Correctional Association.

The Davidson County Sheriff's Office could enhance its control environment by implementing a number of suggested control activities and documentation additions. No weapons or ammunition were found to be unaccounted for during the audit.

EXECUTIVE SUMMARY

November 11, 2014



Why We Did This Audit

This system development life cycle audit is to ensure that controls over project management, business processes, data integrity and security are implemented before system go-live.

What We Recommended

Delineate responsibilities for clean-up and conversion of existing data. Formalize classification of information stored in the system. Start work on application user security roles.

AUDIT OF THE METROPOLITAN NASHVILLE PERMITTING AND LICENSING SYSTEM UPGRADE – INTERIM REPORT TWO

BACKGROUND

The land management and permitting software known as KIVA is currently used by 24 agencies in the Metropolitan Nashville Government to provide Nashville citizens with services such as building permits applications, inspections, professional licensing, parcels and streets information lookup, and so forth. The fiscal year 2013 Capital Spending Plan allocated \$5 million dollars to upgrade this system.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if industry practices for information system project management and application internal controls are considered and used throughout the project's system development life cycle.

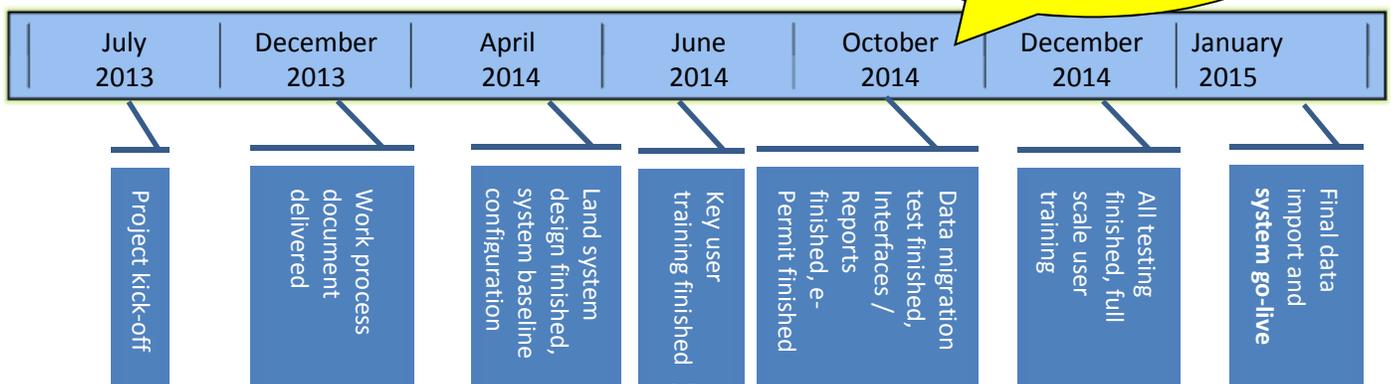
This report covers the project implementation practice at the time of the audit.

WHAT WE FOUND

As of October 31, 2014, the project was two weeks behind the target January 2015 implementation schedule. Data conversion testing, e-Permit beta version acceptance and e-Plan beta version reviews were behind schedule as proposed at the beginning of the project. The project could benefit through additional attention to data conversion, data classification, and beginning defining application security requirement earlier rather than just prior to implementation.

PROJECT STATUS AS OF OCTOBER 10, 2014

Budget: \$5 million
Estimated: \$3.9 million
Actual: \$979,555





METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

December 5, 2014

Mr. Bob Brannon,
Chairman, Metropolitan Nashville Audit Committee
173 Jefferson Square
Nashville, TN 37215

Mr. Brannon:

ACTUARY REPORT FOR METRO NASHVILLE CLAIMS FUNDING LEVELS

A question was raised during the October 14th Audit Committee meeting pertaining to a recently completed engagement of the Department of Law Claim's Process. Specifically, inquiries into the adequacy of current funding levels to handle existing and future claims were made. This memorandum will attempt to address that question. This memorandum will be divided into two broad categories. The first category will summarize the internal controls the Department of Law has implemented to monitor/provide assurance of the adequacy of funding. The second category will address the current adequacy of funding, primarily a function of the annual Actuary Report.

Internal Controls

There are three primary internal controls in place to assist in reducing the risk of inadequate funding. The controls are as follows:

1. The primary control is the Department of Law's procuring the services of an actuary to assist in predicting future liabilities and the reasonableness of current funding levels. A yearly analysis is completed with a report issued and reviewed by Department of Law management.
2. The second control relates to systematic, methodical review by management of the Department of Law. The various fund balances and expenses are reviewed and monitored monthly. Additionally, fund balances and expenditures are reviewed annually by the Mayor's Office, the office of Management and Budget, as well as the Department of Law as part of the normal budgetary process.
3. The most significant risk, monetarily, to the Metropolitan Government of Nashville & Davidson County in relation to claims relates to the damage to property (buildings). To mitigate this risk, the Department of Law has procured an insurance broker to obtain insurance for potential damages to property, net an established deductible amount.

Adequacy of Funding

The Office of Internal audit made inquiries to Thomas Meyer of Select Actuarial regarding the actuary reports issued for fiscal years 2013 and 2012. One of the questions asked was if the current funding amounts were "adequate". The response was that the term "adequate" is not an appropriate term when reviewing the actuarial report. Mr. Meyer stated the more correct question would be does the Metropolitan Government of Nashville & Davidson County have a "reasonable provision for unpaid losses"? The answer to that question, according to Mr. Meyer, would be yes.

The Office of Internal audit made inquiries to Department of Law Management regarding their opinion of the adequacy of funding. The response stated that historically, as a part of the normal budget process, funds are replenished with a small percentage increase in the amount funded. With a reduction in the overall budget the past few years, the funding levels have resulted in normal funding amounts to be reduced. This, in turn, has caused reserve balances to show a decline. For fiscal year 2014, an additional one million dollar supplement was approved for the Judgment and Losses fund. The Department of Law has *not seen a need for supplement in the other funds thus far.*

The Office of Internal Audit also reviewed fund balances for fiscal years 2009 to 2013 and noted that, in general, some fund balances had shown decline. Only the Judgment and Losses Fund (fiscal year 2013) and the MNPS Self Insurance Fund (fiscal years 2010, 2011, and 2012) had years of negative balances. The current balance for this account is positive.

Thank you for your questions and interest in this particular engagement. We hope this memorandum answers any concerns or questions you may have. If you need additional information or questions, please feel free to contact me.

Sincerely,

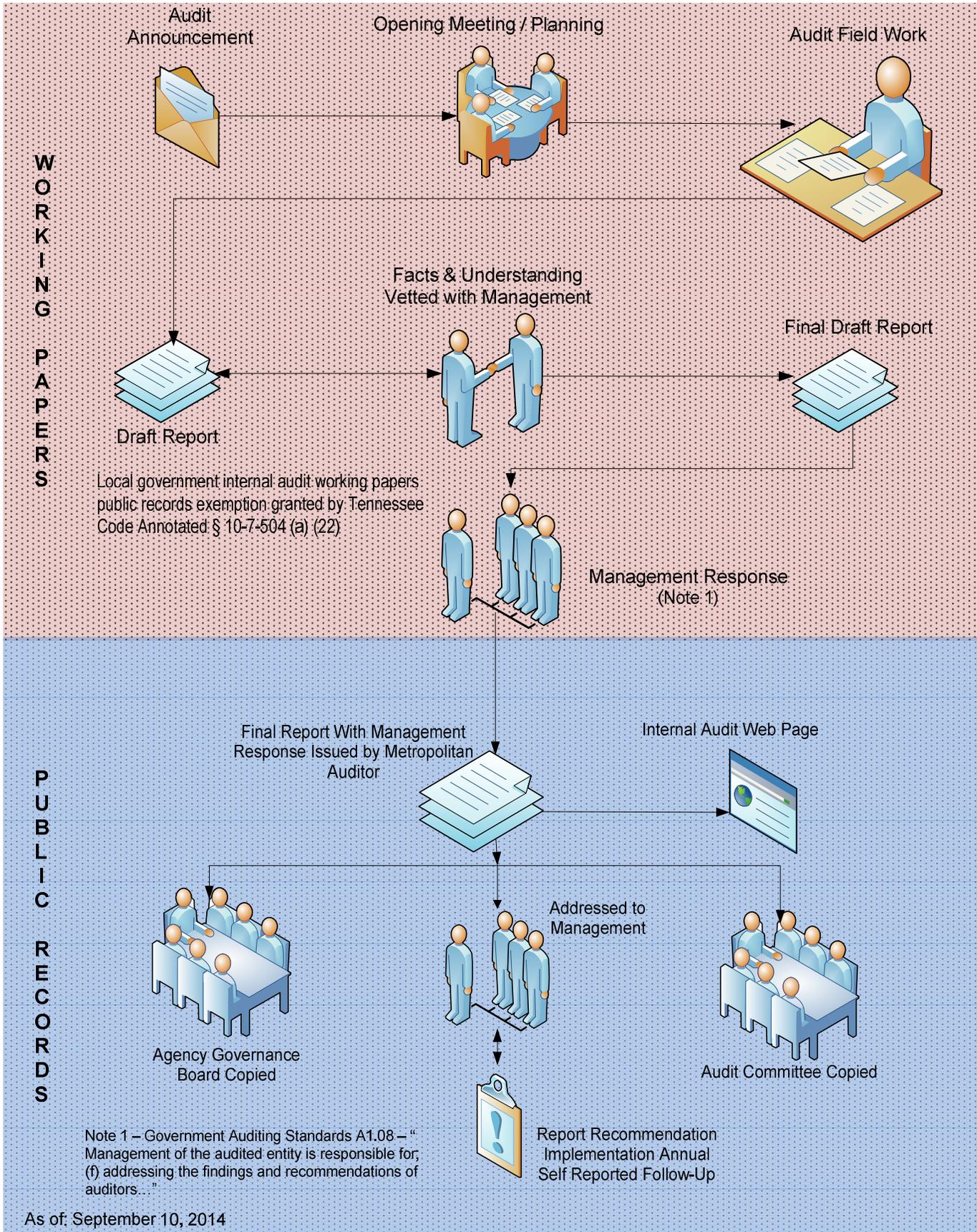


Mark S. Swann

Enclosure – Reserve Evaluation and Loss Forecast, September 19, 2014
cc: Metropolitan Nashville Audit Committee

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Metropolitan Nashville Office of Internal Audit Audit Project Process Overview



Payment T	Payment Type	Descripti	Payment Date	Payee Address Number	Payment Amount
PT	Electronic Funds Transfe		4/22/2014	MCCONNELL JONES LANIER&MURPH	-97,175.00
PT	Electronic Funds Transfe		6/11/2014	MCCONNELL JONES LANIER&MURPH	-40,515.00
PT	Electronic Funds Transfe		7/18/2014	MCCONNELL JONES LANIER&MURPH	-61,676.25
PT	Electronic Funds Transfe		8/8/2014	MCCONNELL JONES LANIER&MURPH	-68,350.00
PT	Electronic Funds Transfe		10/22/2014	MCCONNELL JONES LANIER&MURPH	-30,030.00
PK	Automated Check		4/1/2014	MCCONNELL JONES LANIER&MURPH	-223,606.42
					-521,352.67



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.

As of December 9, 2014

Fiscal Year	Number of Audits	Sum of Total Audited Revenue Amount	Sum of Total Audited Tax Amount	Sum of Tax amount underpaid	Sum of Penalty & Interest	Sum of Total Overpaid
2013	18	\$ 63,740,705	\$ 5,385,583	\$ (37,849)	\$ (14,974)	\$ 30,766
2014	29	\$ 182,368,581	\$ 14,242,187	\$ (351,732)	\$ (123,638)	\$ 60,308
2015	2	\$ 13,424,693	\$ 788,257	\$ (54,057)	\$ (20,868)	\$ 449
Grand Total	49	\$ 259,533,978.82	\$ 20,416,027.66	\$ (443,637.89)	\$ (159,479.49)	\$ 91,523.12

Fiscal Year	Tax over Revenue	Underpaid over Total Tax	Net recoverd for Metro
2013	8.4%	-0.7%	\$ (22,057.58)
2014	7.8%	-2.5%	\$ (415,061.39)
2015	5.9%	-6.9%	\$ (74,475.28)
Average/Total	7.9%	-2.2%	\$ (511,594.25)

Metro Government of Nashville

EXECUTIVE SUMMARY REPORT Ethics and Compliance Reporting

Period From: 11/1/2014 To: 11/30/2014 Year From: 1/1/2014 To: 11/30/2014



333 Research Ct. Norcross, GA 30092 Phone: (770) 409-5000 Fax: (770) 263-4758
www.tnwinc.com

Metro Government of Nashville

EXECUTIVE SUMMARY REPORT

Ethics and Compliance Reporting

Period From: 11/1/2014 To: 11/30/2014 Year From: 1/1/2014 To: 11/30/2014

INCIDENT REPORT ACTIVITY SUMMARY

	PTD		YTD		YTD Market Comparison
	2	%	10	%	
Original Incident Reports					
Anonymous Reports	1	50.0%	5	50.0%	40.2%
Non-Anonymous Reports	1	50.0%	5	50.0%	59.8%
Escalated Incident Reports	0	0.0%	0	0.0%	0.8%
Previously Reported To Mgmt	1	50.0%	3	30.0%	22.4%

CALL ACTIVITY SUMMARY

	PTD		YTD		YTD Market Comparison
	3	%	19	%	
TOTAL Calls					
Original Incident Reports	2	66.7%	10	52.6%	37.9%
Caller Callbacks	0	0.0%	2	10.5%	6.8%
Client Follow-up	0	0.0%	0	0.0%	31.1%
Other*	1	33.3%	7	36.8%	24.2%

* = General Inquiry calls not resulting in a completed report, such as hang ups, wrong numbers, etc.

ISSUE TYPE SUMMARY

	PTD		YTD		YTD Market Comparison
	2	%	10	%	
Total Issues Reported					
Fraud	1	50.0%	4	40.0%	45.8%
Accounting/Audit Irregularities	1	50.0%	1	10.0%	2.7%
Waste and Abuse	0	0.0%	1	10.0%	0.2%
Theft of Goods/Services	0	0.0%	1	10.0%	19.6%
Product Quality Concern	0	0.0%	1	10.0%	0.7%
Falsification of Company Records	0	0.0%	1	10.0%	9.7%
Conflicts of Interest	0	0.0%	1	10.0%	21.2%

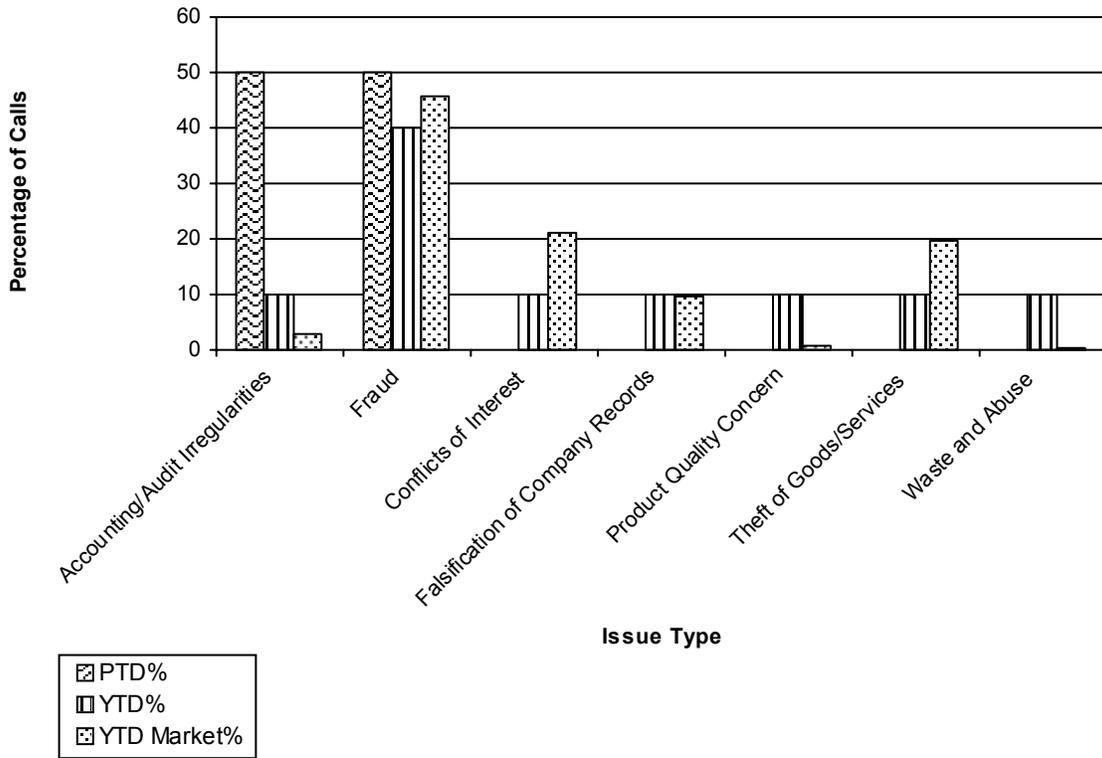
Metro Government of Nashville

EXECUTIVE SUMMARY REPORT

Ethics and Compliance Reporting

Period From: 11/1/2014 To: 11/30/2014 Year From: 1/1/2014 To: 11/30/2014

TOP 10 ISSUE TYPE SUMMARY



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**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of December 9, 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			✓		Oct-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		✓		Jan-14	
16) Justice Intergration Services Active Directory			✓		Oct-14
17) Sheriff Department Firearms and Inventory Management			✓		Nov-14
18) Permitting Upgrade (City Works) System Development Audit			✓		Nov-14
19) Health Department Medical Examiner			✓	Nov-14	
20) Historic Commission Staffing Review			✓	Nov-14	
21) Police Department Secondary Employment		✓		Jan-15	
22) Police Department Active Directory Services		✓		Dec-14	
Anticipated to Start Next 3 weeks					
Metro IntegrityLine Alerts Since January 1, 2014:			Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse)			11	11	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			2	1	1

Note: Goal to complete 19 audit projects for Plan Year 2014. Currently 15 audit projects are completed, and 7 audit projects are in field work or draft report phase.

**Office of Internal Audit Budget versus Actual
GSD General Fund as of December 5, 2014**

FY 2015 Approved Budget

	Approved FY 2015 Budget	Actual As of Dec 5, 2014	Difference	Notes
Total Salaries & Fringe	\$ 1,015,900	\$ 362,756	\$ 653,144	
Other Expenses				
Professional & Purchased Services	45,100	5,939	39,161	
Building Rent Parkway Towers	55,500	13,445	42,055	
Other Expenses	66,500	14,317	52,183	
Internal Service Fees	31,900	31,900	-	Information Technology
TOTAL EXPENSES	\$ 1,214,900	\$ 428,357	\$ 786,543	

30003 General Fund 4% Reserve

\$ 13,227	\$ -	\$ 13,227	AX Core Server Software & Training; Office Furniture
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**METROPOLITAN NASHVILLE AUDIT COMMITTEE
2015 MEETING PLAN**

Meeting Date	Proposed Agenda Topics
February 10, 2015	<ul style="list-style-type: none"> • External Audit Single Audit and Management Letter presentation • Office of Internal Audit Annual Performance Report • Internal Audit Annual Work Plan approval • Internal Audit issued report discussion • Follow-up Comprehensive Annual Financial Report
July 14, 2015	<ul style="list-style-type: none"> • External Audit plan and required communications • Internal Audit issued report discussion • Follow-up Comprehensive Annual Financial Report, Single Audit Report, and Management Letter
October 13, 2015	<ul style="list-style-type: none"> • Metropolitan Audit Committee self-assessment • Metropolitan Auditor performance review • Bylaws annual review • Internal Audit issued report discussion
December 8, 2015	<ul style="list-style-type: none"> • External Audit Comprehensive Annual Financial Report • Internal Audit issued report discussion

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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
20	Information Technology Services - Microsoft Exchange Email Application Management	800	14,840
21	Justice Integration Service - Active Directory Security – jis.org	300	15,140
22	Davidson County Sheriff's Office - Active Directory Security – 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
25	Health Department – Medical Examiner's Office ²	800	16,620

¹ Approved on July 8, 2014

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

Printed 18-Sep-13

Metropolitan Clerk's Office

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

PURPOSE

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

SCOPE

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

RESPONSIBILITIES

Financial Statements

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

Risk Management and Internal Control

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

Internal Audit

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

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

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

Reporting Responsibilities

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

Other Responsibilities

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

COMPOSITION

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

MEETINGS

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

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

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

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

PURPOSE

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

SCOPE

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

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

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

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

The Metropolitan Auditor shall have authority to:

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

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

AUDIT SCHEDULE

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

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

REPORT OF IRREGULARITIES

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

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

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

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

AGENCY RESPONSE

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

AUDIT FOLLOW-UP

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

REPORTS TO METROPOLITAN AUDIT COMMITTEE

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

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

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

ANNUAL REPORT

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

CONTRACT AUDITORS, CONSULTANTS AND EXPERTS

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

INDEPENDENCE

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

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

STANDARDS OF AUDIT PRACTICE

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

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

FUNDING

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

RECORDS

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

REASSESSMENT

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

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

Article IV. - Division of Metropolitan Audit

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

2.24.300 - Division of metropolitan audit.

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

(Ord. BL2007-1318 § 2, 2007)

Sec. 8.121. - Division of metropolitan audit.

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Council

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

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

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

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

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

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

Metro Code 2.04.033 – Metropolitan Council

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

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

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

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

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

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Division of Metropolitan Audit

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

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

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

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

Tennessee Code Annotated

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

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

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

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

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

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

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- (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 if the treasury.

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

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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.

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(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,** ...”

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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.”