

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



***METROPOLITAN NASHVILLE  
AUDIT COMMITTEE***

***WORKBOOK***

**February 10, 2015**

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**METROPOLITAN NASHVILLE  
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA  
February 10, 2015 4:00 p.m.**

**Committee Room 4  
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Approval of minute for the December 9, 2014 meeting (Bob Brannon – Committee Chairman)
- III. New Business
  - Election of Committee Chairman and Vice Chairman (Bob Brannon – Committee Chairman)
  - Discussion on Audit of Metro Nashville Water Services Cash Collections issued December 22, 2014 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Historical Commission and Historic Zoning Commission Workforce Staffing issued January 26, 2015 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Metropolitan Nashville Police Department Active Directory issued on February 6, 2015 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Metropolitan Nashville Public Schools audit report issued February 10, 2015 (McConnell Jones Lanier & Murphy LLP – Telephone Conference)
  - Discussion of Office of Internal Audit Recommended 2015 Annual Work Plan (Mark Swann – Metropolitan Auditor)
- IV. Old Business
  - Discussion on proposed supporting internal audit legislation (Carlos Holt – Audit Manager)
  - Follow-up on the FY 2014 CAFR external auditor presentation (Bob Brannon – Committee Chairman)
  - Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)
- V. Metro Hotline Status and Investigation Reports (Carlos Holt – Internal Audit Manager)
- VI. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
- VII. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
  - FY 2015 Budget Status and FY 2016 Budget Proposal
  - 2014 Office of Internal Audit Performance Report and 2014 Audit Committee Report to Council
- VIII. Consideration of Items for Future Meetings (Bob Brannon - Committee Chairman)

**METROPOLITAN NASHVILLE  
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA  
February 10, 2015 4:00 p.m.**

IX. Adjournment of public meeting – Next meeting, Audit of Metropolitan Nashville Public Schools Presentation to Council and School Board (date in February to be determined); Next regular schedule meeting July 14, 2015.



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

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

**December 9, 2014**

**DRAFT MINUTES**

On Tuesday, December 9, 2014, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> Floor, Committee Room 4. The following people attended the meeting:

**Committee Members**

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

**Others**

Carlos Holt, Internal Audit Manager  
Lauren Riley, Senior Auditor  
Theresa Costonis, Department of Law  
Kim McDoniel, Metro Finance  
John Crosslin, Crosslin and Associates  
David Hunt, Crosslin and Associates  
Dell Crosslin, Crosslin and Associates  
Tony Neumaier, Metro Water Services

**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 October 14, 2014 were approved.

**New Business**

**Overview of Government Auditing Standards 2011 Revision** (moved ahead on agenda)

Mr. Holt stated in the previous meeting a presentation on revisions made to the Government Auditing Standards for the 2011 version was requested by Mr. Brannon. Ms. Riley gave a brief presentation on both the performance audit process and the revisions to the Government Auditing Standards. Ms. Riley covered revisions to independence, nonaudit services, and external audit services. Mr. Brannon asked if there were any additional questions. There were no additional questions.

**External auditor presentation of fiscal year 2014 Comprehensive Annual Financial Reports**  
**(Crosslin & Associates, P.C.)**



Mr. Hunt with Crosslin & Associates presented the Comprehensive Annual Financial Reports (CAFR) for Metropolitan Government of Nashville & Davidson County fiscal year 2014. A workbook was provided to each committee member summarizing the highlights of Mr. Hunt's presentation. Mr. Hunt mentioned the Metro Nashville Single Audit did not qualify as low risk for fiscal 2014 due to the requirement of having two years without a material weakness. Mr. Glover asked what year a low risk assessment would be if there were no additional material weaknesses. Mr. Hunt stated fiscal year 2014 would be the first year, and if no weaknesses were found in 2015, then fiscal 2016 would be the first year Metro Nashville's Single Audit would qualify as low risk.

Mr. Hunt mentioned there was no new debt issued in fiscal 2014. Mr. Glover asked if this was accurate. Mr. Riebeling stated only restructuring of debt occurred. Mr. Hunt noted the Metro Sports Authority's new debt was not a general obligation.

Mr. Hunt discussed upcoming Government Accounting Standards Board (GASB) statements that would affect future CAFRs such as GASB 68, 69, 71. Mr. Hunt noted the pension liability standards GASB 68 would be included in the next CAFR. Mr. Glover asked if this was just the pension liability or both the pension liability and Other Post Employment Benefits (OPEB). Mr. Hunt stated it would only be the pension liability, but discussions by GASB indicate the OPEB would be a required inclusion in the financial statements at some point in the future. A brief discussion occurred about the calculation of the pension liability and OPEB calculations.

Mr. Brannon stated the Committee members would review the CAFR provided and discuss it at subsequent meetings.

#### Metro Water Services Clean Water Abatement Program Review (Crosslin & Associates, P.C.)

Mr. John Crosslin with Crosslin & Associates discussed the performance audit performed on the overflow abatement program. Mr. Crosslin gave a brief background of the program noting it is an overall \$1.5 billion project over ten years. Mr. Brannon asked where the funding for this program is coming. Mr. Riebeling and Mr. Neumaier both stated the funds are from increased water rates to customers. Mr. Brannon asked if increased rates also covered the water line problems that recently affected parts of Metro Nashville. Mr. Neumaier stated rates cover the replacement of old water lines. Mr. Brannon asked if Water Services would be replacing old lines such as the ones that had problems earlier in the year. Mr. Neumaier stated Water Services replaces old lines as they break since old water lines function well. Mr. Brannon asked if this meant there were unrecorded liabilities for future breaks. Ms. Costonis stated the Law Department has un-asserted claims. Ms. McDoniel stated claims that may be recovered are recorded.

Mr. Crosslin discussed the observations and recommendations for the program thus far.

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

#### Discussion on proposed supporting internal audit legislation

Mr. Holt noted the Committee had requested Mark Swann draft proposed legislation to enhance Internal Audit support and provide it at the current meeting. Mr. Holt directed the members to the drafted legislation. Mr. Holt stated this was provided to be reviewed and later discussed. Mr. Brannon asked if there were any issues in getting requested documentation currently. Mr. Holt stated there have been minor issues recently. Mr. Glover asked the process for getting this legislation approved. Ms. Costonis stated if the Audit Committee agreed with the legislation, a vote by the Metro Council would be required. The legislation would be approved as an

ordinance. Mr. Brannon stated the Councilmembers of the Committee would be the sponsors of the ordinance.

Mr. Brannon stated the Committee would review the drafted legislation and discuss at a later meeting.

Discussion on Audit of Justice Integration Services Active Directory audit report issued October 22, 2014

Mr. Holt stated the audit of the Justice Integration Services Active Directory was completed. Mr. Holt noted the results are confidential. Mr. Brannon asked why the results are confidential. Mr. Holt and Ms. Costonis discussed the risks of allowing the public to know weaknesses in servers and systems. Ms. Costonis added the Tennessee Bureau of Investigation has regulations around Justice Integration Systems.

Discussion on Community Education Commission audit report issued October 31, 2014

Mr. Holt briefly discussed the results of the Community Education Commission audit. Mr. Holt noted there were observations around segregation of duties, cash handling, and policies and procedures. Mr. Brannon asked what the Community Education Commission's response to the audit was. Mr. Holt noted the Commission was receptive and agreed with all recommendations except one surrounding new hire documentation.

Discussion on Sheriff's Office Firearms and Equipment Inventory audit report issued November 6, 2014

Mr. Holt stated the audit of the Sheriff's Office firearms and equipment inventory went very smoothly. The department had a sufficient level of controls in place with minor issues in segregation of duties and custody of assets. Mr. Holt noted the one area of concern was the tracking of expired equipment through its use and disposal. Mr. Holt noted no procedures were in place to document the disposal of items or who the items went to.

Discussion on Permitting and Licensing System Upgrade Interim Report II audit report issued November 11, 2014

Mr. Holt stated this audit was the second interim report issued for the upgrade. Mr. Holt stated Mark Swann and Qian Yuan have been monitoring the upgrade since it began. Mr. Holt noted only a few issues were found such as the upgrade being behind schedule.

Overview of Metropolitan Nashville self-insurance and claims fund balance monitoring

Mr. Holt stated at the previous meeting questions were raised regarding the Department of Law's Claims Process and adequacy of current funding levels to handle current and future claims. Mr. Holt directed members to the letter included in the workbook by Mark Swann. Mr. Brannon asked if there was a positive balance for funding. Mr. Holt stated at the time of the audit there was a positive balance and there were only two recent years where the balance went negative. Mr. Holt noted the balance was increased by the Department of Law.

**Old Business**

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

Mr. Holt noted there was a phone conference on December 4, 2014 with MNPS regarding the draft report. Mr. Holt stated the auditors have requested all changes desired be made on tracking sheets. This has caused some confusion about report changes as the tracking sheets may refer to changes that have or have not already been made to reports provided. Mr. Holt stated once MNPS representatives had determined the changes and responses, the draft report would be provided to the School Board for their response to observations related to them.

Mr. Glover asked when this report would be done. Mr. Holt stated no clear date has been set; however, it is currently looking to be issued in January 2015. Mr. Glover stated this date is unacceptable as the report has taken significantly more time than expected. Mr. Glover asked what the options for remedy were. Mr. Holt stated contractual changes would be a question for Jeff Gossage in procurement. Ms. Costonis stated the contract has clauses in it for termination and default. However, these are nuclear remedies and would result in no report being provided. Mr. Holt noted the contractors would arguably be able to state the report issuance is being held up by the MNPS review.

Ms. Dowell asked if the contractors had exceeded the contract amount. Mr. Holt stated the contractors have not used all of the funding, and approximately \$20,000 to \$30,000 was still available. Ms. Dowell stated she was under the impression the report would be issued in time to use for budgeting reasons. Mr. Riebeling noted it could be used for fiscal year 2016 budgeting. Mr. Holt stated the report should be ready for budgeting decisions.

Mr. Reed asked if a presentation for the audit would be made along with the report. Mr. Holt stated a presentation would be made. The presentation was agreed upon in the contract terms.

(Ms. Dowell left the meeting at 5:17 PM.)

#### Follow-up on the FY 2013 Single Audit and Management Letter

Mr. Brannon stated progress was being made on the Single Audit as noted by Crosslin & Associates.

Mr. Glover requested that all further items be moved to the next meeting as Committee members needed to leave to attend another event. Mr. Brannon agreed.

**Meeting adjourned after 80 minutes.**

**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, 2<sup>nd</sup> Floor, Committee Room 4. The following people attended the meeting:

**Committee Members**

Bob Brannon, Chairman  
Richard Riebeling, Director of Finance<sup>1</sup>  
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)

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<sup>1</sup> 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





## EXECUTIVE SUMMARY

December 22, 2014



### Why We Did This Audit

The audit was initiated due to the high volume and associated risks of cash collections at Metro Nashville Water Services.

### What We Recommend

- Policies and procedures for cash collection processes and cost recovery processes should be documented and enforced.
- Accounts receivable and cost recoveries should be tracked and monitored.
- Depositing and recording of funds should be accomplished in accordance with Treasury Policy #9.
- Computer systems should be monitored and maintained on a regular basis by both internal and external parties.

For more information on this or any of our reports, email [Mark.Swann@nashville.gov](mailto:Mark.Swann@nashville.gov)

# AUDIT OF METRO NASHVILLE WATER SERVICES CASH COLLECTIONS

## BACKGROUND

The mission of Metro Nashville Water Services is to provide drinking water, wastewater treatment, and stormwater management services to Davidson County and the nearby area. Metro Nashville Water Services has cash collections from both revenue streams and cost recoveries, making strong controls around management of cash and cash equivalents essential.

## OBJECTIVES AND SCOPE

The objectives of the Metro Nashville Water Services cash collections audit were to:

- Determine if all inflows were deposited and recorded in the accounting system.
- Determine if controls and procedures were in place to ensure Metro Nashville Water Services received all cost recoveries and revenues due Metro Nashville.
- Determine if controls existed to ensure all receivables were recognized and protected from alteration.
- Determine if previous Office of Internal Audit recommendations were implemented by management.

The audit scope included all cash collections between June 1, 2012, and May 31, 2014. Testing did not cover cash collections within the Stormwater division of Metro Nashville Water Services.

| <i><b>Metro Nashville Water Services<br/>(Excluding Stormwater)</b></i> | <b>Fiscal Year 2013<br/>(Actuals)</b> | <b>Fiscal Year 2014<br/>(Actuals)</b> |
|-------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>Revenues (excluding transfers)</b>                                   |                                       |                                       |
| <i>47335 W&amp;S Ext &amp; Replace Revenue</i>                          | \$ 6,647,496                          | \$ 10,449,014                         |
| <i>67311 W&amp;S Revenues</i>                                           | 209,475,452                           | 213,295,422                           |
| <b>Total Revenues</b>                                                   | <b>\$216,122,948</b>                  | <b>\$223,744,436</b>                  |
| <b>Cost Recoveries</b>                                                  | <b>\$1,100,027</b>                    | <b>\$1,376,003</b>                    |

Source: Metro Nashville's EnterpriseOne financial system

## WHAT WE FOUND

We found that Metro Nashville Water Services had strong controls around cash collections for most areas reviewed. However, areas for improvement exist for documentation, policies and procedures, timeliness of depositing and recording funds, tracking of receivables, segregation of duties, and maintenance and monitoring of information technology systems.

## EXECUTIVE SUMMARY

January 26, 2015



### Why We Did This Audit

The audit was initiated based on a request from the Chairman of the Budget and Finance Committee for the Metropolitan Nashville Council because the existing Historical Commission and Historic Zoning Commission staff was not able to process new historic zoning overlay applications with existing resources.

### What We Recommend

Certain improvement recommendations should be implemented and if the Commission agrees to increase the number of historic overlay district designated properties, that a new staff member be added to the Metropolitan Historic Zoning Commission staff at the beginning of the fiscal year 2016 budget (July 2015).

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

# AUDIT OF HISTORICAL COMMISSION AND HISTORIC ZONING COMMISSION WORKFORCE STAFFING

## BACKGROUND

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Experis Risk Advisory Services was retained by the Metropolitan Nashville Office of Internal Audit to perform a performance audit of the Historical Commission and Historic Zoning Commission workforce staffing levels.

## OBJECTIVES AND SCOPE

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The objectives of the audit were as follows:

- Review the processes and polices for assuming additional workload.
- Review the current work processes, provide assessment, and subsequent recommendations for improvement.
- Assess the Historic Commission threshold for taking on additional requirements.

The audit scope included January 1, 1990, through November 30, 2014, with the vast majority of emphasis on the five-year period ending December 31, 2014.

## WHAT WE FOUND

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The staffs at both the Metropolitan Historical Commission and Metropolitan Historic Zoning Commission have more than sufficient workloads within the normal work week. In reviewing the work activity and the Metropolitan Historic Zoning Commission staff workload, it was clear that increasing the number of properties for historic overlay district designations and the permitting process were key drivers of work effort.

The audit report prepared by Experis Risk Advisory services can be found in Appendix A.

Metropolitan Historical Commission and Metropolitan Historic Zoning Commission management response can be seen in Appendix B.



## METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

February 6, 2015

Metropolitan Nashville Audit Committee:

### **Audit of Metropolitan Nashville Police Department Active Directory Services**

The Metropolitan Nashville Office of Internal Audit has completed the performance audit of the Metropolitan Nashville Police Department 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 the Metropolitan Nashville Police Department was managing active directory services to satisfy the operational needs for the Metropolitan Government of Nashville and Davidson County.

The Metropolitan Nashville Police Department must adhere to the security requirements placed on them 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 the Metropolitan Nashville Police Department. 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

**OPERATIONAL AND PERFORMANCE  
 AUDIT REPORT OF METROPOLITAN  
 NASHVILLE PUBLIC SCHOOLS**

*SUBMITTED TO:*  
**METROPOLITAN NASHVILLE  
 GOVERNMENT**

*ATTENTION:*  
 MARK SWANN  
 METROPOLITAN GOVERNMENT AUDITOR

**FEBRUARY 10, 2015**



| <b>Payment T</b> | <b>Payment Type</b>      | <b>Descripti</b> | <b>Payment Date</b> | <b>Payee Address Number</b>  | <b>Payment Amount</b> |
|------------------|--------------------------|------------------|---------------------|------------------------------|-----------------------|
| 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           |

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

## **OFFICE OF INTERNAL AUDIT**



### **2015 RECOMMENDED AUDIT WORK PLAN February 1, 2015 through January 31, 2016**

**Presented to:  
Metropolitan Nashville Audit Committee  
February 10, 2015**

*Execute a Focused, Dynamic Audit Plan*



## METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

February 10, 2015

Metropolitan Nashville Audit Committee Members:

Enclosed is a proposed slate of potential audit projects to be initiated in calendar year 2015. The draft work plan identifies 19 new audit projects in addition to eight audit projects still in progress from the prior year work plan. Exhibit A below describes the allocation of 11,840 resource hours needed to complete 21 audit and investigation projects during the 2015 plan year.

### Exhibit A – 2015 Audit Work Plan Allocation of Work Hours

| Status                               | Number of Projects | Budget Work Hours |
|--------------------------------------|--------------------|-------------------|
| 2014 Audits Currently In-Progress    | 8                  | 2,040             |
| New Performance Audits               | 11                 | 8,800             |
| <i>Total Audit Projects</i>          | <i>19</i>          | <i>10,840</i>     |
| Metro Integrity Hotline Coordination |                    | 200               |
| Investigation Request                | 2                  | 800               |
| <i>Total Report Deliverables</i>     | <i>21</i>          | <i>11,840</i>     |

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

I am requesting members of the Metropolitan Nashville Audit Committee to review and approve the 2015 Audit Work Plan. The Office of Internal Audit will use this work plan to select 11 new audit projects along with the eight audits in progress to **complete 19 audit projects during the 2015 plan year**. We also anticipate requests for two investigations during the year.

Sincerely,

Handwritten signature of Mark S. Swann in cursive script.

Mark S. Swann



## Attachment A – CY 2015 Audit Plan

| *Co-source                     | CY 2014 Audits In Progress                                                                                      | Hours | Total Hours |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------|-------|-------------|
| 1                              | Police Department - Secondary Employment (Reporting Phase)                                                      | 80    | 80          |
| 2                              | County Clerk's Office - Cash Collections (Reporting Phase)                                                      | 80    | 160         |
| 3                              | Metro Land Computer System Project (Field Work Phase)                                                           | 100   | 260         |
| 4                              | Office of the Medical Examiner (Reporting Phase)                                                                | 80    | 340         |
| 5                              | Metropolitan Nashville Public Schools (Reporting Phase)                                                         | 100   | 440         |
| 6                              | Fire Department – Payroll (Planning Phase)                                                                      | 500   | 940         |
| 7                              | Trustee's Office - Cash Collections (Planning Phase)                                                            | 600   | 1,540       |
| 8                              | Finance Department and Other Functions - Asset Accounting Process / 4% Funding Process (Planning Phase)         | 500   | 2,040       |
| <b>CY 2015 New Audit Areas</b> |                                                                                                                 |       |             |
| 1                              | Hotel Occupancy Tax Audits                                                                                      | 1,000 | 3,040       |
| 2                              | Airport Authority - Accounts Payable Process                                                                    | 800   | 3,840       |
| 3                              | Juvenile Court                                                                                                  | 800   | 4,640       |
| 4                              | Metro General Government Annual Budget Revenue Estimates                                                        | 800   | 5,440       |
| 5                              | Comcast Franchise Fee Audit                                                                                     | 800   | 6,240       |
| 6                              | Metro Owned Parking Facilities Management and Public Works Parking Enforcement                                  | 800   | 5,440       |
| 7*                             | General Services - Fleet Operations                                                                             | 800   | 6,240       |
| 8                              | General Services - Radio Shop Operations                                                                        | 800   | 6,640       |
| 9                              | Health Department - Immunization Programs                                                                       | 800   | 7,040       |
| 10                             | Parks & Recreation - Maintenance Operations                                                                     | 800   | 7,840       |
| 11                             | Farmers Market                                                                                                  | 800   | 8,640       |
| 12                             | Circuit Court Clerk Funds Held In Trust                                                                         | 800   | 9,440       |
| 13*                            | Metro Water Services - Storm Water Revenue                                                                      | 800   | 10,240      |
| 14                             | Human Resource Hiring Process                                                                                   | 800   | 11,040      |
| 15                             | Finance – Purchasing Department                                                                                 | 800   | 11,840      |
| 16*                            | Finance – Treasury Debt Issuance and Sustainability                                                             | 800   | 12,640      |
| 17                             | Information Technology Services - Microsoft Exchange Email Application Management                               | 800   | 13,440      |
| 18*                            | Metro Wide - Payment Card Industry Data Security Standard Compliance                                            | 800   | 14,240      |
| 19*                            | Metro Water Services – Clean Water Nashville Overflow Abatement Program – Selected Projects Contract Compliance | 800   | 15,040      |

## Attachment B – CY 2015 Risk Prioritization Objectives and Risks

### Office of Internal Audit Mission

#### Independent Appraisal

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

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

## Attachment B – CY 2015 Risk Prioritization Objectives and Risks

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

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

## Attachment C - CY2015 Metro-wide Inherent Risk Priorization Worksheet

| Entity                                 | Inherent | Audit Plan | Last Audit | Total Expenses | FTEs  | Fees & Collections | Payroll Amount | Payroll % Not Regular | Vendor Payments | Grants      |
|----------------------------------------|----------|------------|------------|----------------|-------|--------------------|----------------|-----------------------|-----------------|-------------|
| 31-Police                              | 2.55     | √          | 2/6/2015   | 171,113,327    | 1,801 | 6,081,729          | 103,112,639    | 33                    | 12,303,645      | 2,740,370   |
| 38-Health                              | 2.46     | √          | 8/10/2012  | 43,500,150     | 464   | 9,246,772          | 22,097,726     | 2                     | 10,610,843      | 21,870,208  |
| 42-Public Works                        | 2.46     | √          | 10/2/2012  | 78,476,419     | 388   | 33,309,041         | 15,237,942     | 24                    | 34,934,074      | 618,007     |
| 65-Water & Sewer Services              | 2.46     | √√         | 12/22/2014 | 125,895,290    | 808   | 225,985,528        | 33,888,837     | 35                    | 63,777,343      | -           |
| 32-Fire                                | 2.36     | √          | 7/26/2013  | 111,540,693    | 1,205 | 8,577,622          | 70,495,973     | 40                    | 5,124,981       | 7,908,462   |
| 80-MNPS General Purpose Fund           | 2.36     | √          | 8/15/2012  | 814,157,267    | 8,876 | 529,156,471        | 425,910,496    | 5                     | 188,127,535     | 289,654,044 |
| 30-Sheriff                             | 2.27     |            | 11/6/2014  | 81,692,252     | 854   | 4,021,248          | 35,551,965     | 23                    | 27,562,721      | 21,521,320  |
| 40-Parks and Recreation                | 2.27     | √          | 7/18/2014  | 33,215,584     | 537   | 11,406,204         | 16,243,441     | 17                    | 7,359,792       | 157,529     |
| 75-Metro Action Commission             | 2.09     |            | 2/8/2013   | 27,871,667     | 365   | 8,528,057          | 9,710,739      | 21                    | 8,465,842       | 18,851,010  |
| 10-General Services                    | 1.91     | √√         | 10/26/2012 | 61,415,071     | 165   | 51,622,435         | 6,686,504      | 21                    | 49,650,695      | -           |
| 39-Library                             | 1.91     |            | 5/28/2013  | 21,768,564     | 309   | 635,633            | 10,467,640     | 13                    | 5,378,755       | 144,198     |
| 14-Information Tech Services           | 1.82     | √          | 10/29/2013 | 17,780,915     | 135   | 14,800,400         | 7,139,285      | 20                    | 6,535,285       | -           |
| 19-District Attorney                   | 1.82     |            | 9/21/2011  | 23,040,446     | 92    | 1,953,047          | 4,060,256      | 4                     | 1,635,696       | 83,783      |
| 33-Codes Administration                | 1.82     |            | 9/29/2009  | 7,636,594      | 90    | 14,170,091         | 4,158,829      | 14                    | 521,906         | -           |
| 91-Emergency Communication Center      | 1.82     |            | 8/25/2011  | 12,883,278     | 181   | 92                 | 8,544,772      | 29                    | 456,599         | 434,026     |
| 27-General Sessions Court              | 1.73     |            | 9/27/2012  | 10,855,790     | 121   | 4,119,620          | 6,882,233      | 2                     | 546,191         | -           |
| 18-County Clerk                        | 1.64     | √          | 1/26/2012  | 4,133,920      | 79    | 66,947,314         | 2,286,032      | 11                    | 331,188         | -           |
| 24-Criminal Court Clerk                | 1.64     |            | 12/20/2011 | 5,579,127      | 81    | 5,650,155          | 3,377,180      | 3                     | 376,504         | 1,150,506   |
| 26-Juvenile Court                      | 1.64     | √          | 3/28/2006  | 13,366,945     | 129   | 419,918            | 5,198,341      | 15                    | 4,756,069       | 130,249     |
| 28-State Trial Courts                  | 1.64     |            | 7/29/2011  | 11,729,172     | 155   | 866,691            | 6,810,902      | 2                     | 1,218,459       | 2,894,948   |
| 68-District Energy System              | 1.64     |            | 4/24/2014  | 23,040,446     | 1     | 21,497,652         | 109,229        | 15                    | 16,533,959      | -           |
| 76-Nashville Career Advancement Center | 1.64     |            | 11/27/2012 | 7,337,163      | 42    | 663,938            | 1,928,118      | 7                     | 4,467,391       | 6,673,239   |
| 01-District Energy System (01101218)   | 1.64     |            | 4/24/2014  | 23,040,446     | 1     | 21,497,652         | 109,229        | 15                    | 16,533,859      | -           |
| 05-Elections                           | 1.55     |            | 6/20/2013  | 3,065,034      | 32    | 3,467              | 1,577,709      | 39                    | 541,025         | 11,373      |
| 16-Assessor of Property                | 1.55     |            | 6/24/2014  | 6,613,692      | 82    | 192                | 3,677,037      | 24                    | 679,790         | 14,815      |
| 21-Public Defender                     | 1.55     |            | 7/15/2010  | 6,167,516      | 80    | 35                 | 4,041,198      | 10                    | 514,818         | 2,098,844   |
| 23-Circuit Court Clerk                 | 1.55     |            | 10/9/2013  | 3,699,722      | 47    | 8,775,767          | 1,831,760      | 2                     | 200,103         | -           |
| 04-Mayor's Office                      | 1.46     |            | 4/4/2014   | 4,588,578      | 38    | 314,975            | 1,803,733      | 7                     | 1,455,782       | 1,505,058   |
| 09-Register of Deeds                   | 1.46     |            | 4/17/2012  | 40,137,911     | 27    | 40,971,157         | -              | -                     | -               | -           |
| 17-Trustee                             | 1.46     | √          | 3/17/2010  | 2,263,619      | 25    | 911,660,516        | -              | -                     | -               | -           |
| 37-Social Services                     | 1.46     |            | 8/20/2014  | 7,528,805      | 81    | 57,143             | 3,497,259      | 13                    | 2,412,078       | 1,471,693   |
| 08-Human Resources                     | 1.36     | √          | 9/23/2009  | 3,915,097      | 53    | -                  | 2,017,768      | 21                    | 793,892         | -           |
| 15-Finance                             | 1.36     | √√√√       | 9/22/2014  | 8,242,093      | 103   | 768,047            | 5,192,066      | 17                    | 265,936         | -           |
| 22-Juvenile Court Clerk                | 1.36     |            | 8/9/2012   | 1,602,909      | 29    | 580,151            | 1,031,056      | 16                    | 58,289          | -           |
| 41-Arts Commission                     | 1.36     |            | 2/24/2010  | 2,602,466      | 8     | 5,254              | 346,878        | 1                     | 1,959,537       | -           |

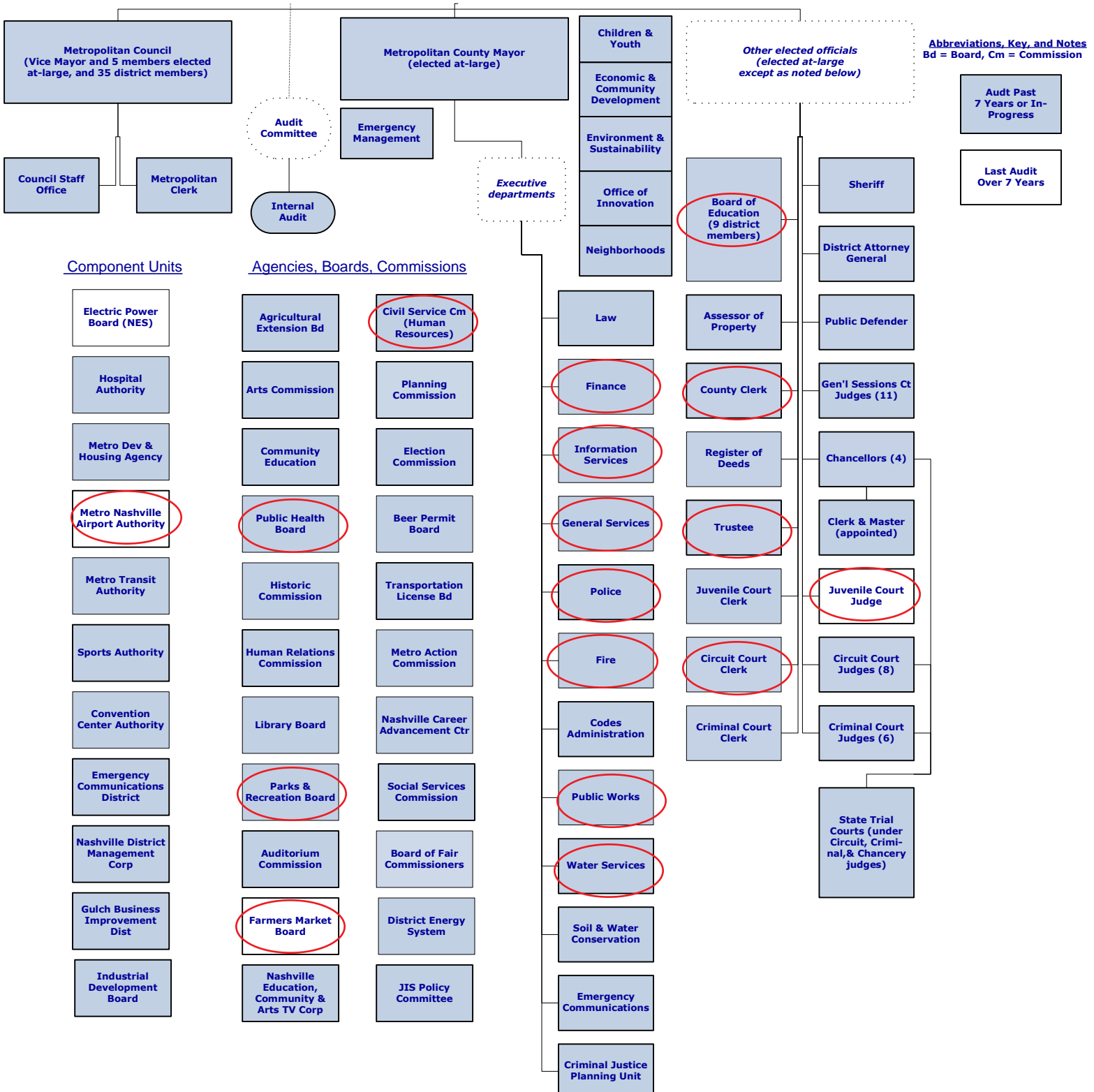
## Attachment C - CY2015 Metro-wide Inherent Risk Priorization Worksheet

| Entity                                          | Inherent | Audit Plan | Last Audit | Total Expenses | FTEs | Fees & Collections | Payroll Amount | Payroll % Not Regular | Vendor Payments     | Grants    |
|-------------------------------------------------|----------|------------|------------|----------------|------|--------------------|----------------|-----------------------|---------------------|-----------|
| 61-Municipal Auditorium                         | 1.36     |            | 9/15/2010  | 1,826,137      | 9    | 1,922,981          | 471,941        | 18                    | 1,128,864           | -         |
| 62-State Fair                                   | 1.36     |            | 5/3/2013   | 3,313,353      | 24   | 3,397,274          | 921,180        | 7                     | 2,006,156           | -         |
| 07-Planning Commission                          | 1.27     |            | 2/14/2014  | 5,988,373      | 49   | 753,258            | 2,785,305      | 13                    | 1,497,727           | 1,874,232 |
| 29-Justice Integration Services                 | 1.27     |            | 10/22/2014 | 2,230,905      | 19   | (2,976)            | 1,223,037      | 12                    | 368,807             | (21,482)  |
| 60-Farmers Market                               | 1.27     | √          | 8/16/2005  | 1,676,673      | 7    | 1,675,952          | 191,897        | 13                    | 1,374,146           | 4,877     |
| 70-Community Education Commission               | 1.27     |            | 10/31/2014 | 374,424        | 3    | 406,372            | 155,796        | 6                     | 147,949             | -         |
| 02-Council Staff                                | 1.18     |            | 10/19/2010 | 1,780,102      | 48   | -                  | 1,097,264      | 1                     | 21,537              | -         |
| 03-Metropolitan Clerk                           | 1.18     |            | 8/3/2012   | 936,987        | 7    | 1,237,845          | 333,835        | 16                    | 137,546             | -         |
| 06-Law                                          | 1.18     |            | 9/9/2014   | 5,314,417      | 48   | 2,636,538          | 3,228,570      | 12                    | 708,212             | -         |
| 25-Clerk and Master of the Chancery Court       | 1.18     |            | 8/28/2013  | 1,437,376      | 19   | 1,754,513          | 849,458        | 14                    | 34,487              | -         |
| 34-Beer Board                                   | 1.18     |            | 9/6/2013   | 346,130        | 4    | 455,070            | 179,642        | 14                    | 8,652               | -         |
| 45-Transportation Licensing Commission          | 1.18     |            | 9/30/2010  | -              | 6    | -                  | -              | -                     | -                   | -         |
| 11-Historical Commission                        | 1.09     |            | 1/25/2015  | 718,868        | 9    | -                  | 457,887        | 10                    | 52,756              | -         |
| 35-Agricultural Extension Serv                  | 1.09     |            | 6/15/2010  | 275,688        | 7    | -                  | 202,999        | 1                     | 19,173              | -         |
| 36-Soil and Water Conservation                  | 1.09     |            | 10/30/2013 | 81,970         | 1    | -                  | 46,072         | 4                     | 7,036               | -         |
| 44-Human Relations Commission                   | 1.09     |            | 6/20/2011  | 415,603        | 3    | 535                | 191,891        | 8                     | 61,402              | -         |
| 48-Office of Internal Audit                     | 1.09     |            | 7/10/2014  | 1,073,769      | 10   | -                  | 681,629        | 14                    | 101,090             | -         |
| 47-Criminal Justice Planning                    | 1.00     |            | 5/8/2014   | 431,928        | 4    | -                  | 285,949        | 14                    | 3,038               | -         |
| F34100- Public, Education, & Government         | 1.00     |            | 10/29/2013 | -              | -    | -                  | -              | -                     | -                   | -         |
| 01-Office of Medical Examiner (011010614)       | 1.00     | √          |            | 4,573,500      |      |                    |                |                       |                     |           |
|                                                 |          |            |            |                |      |                    |                |                       |                     |           |
| <u>Component Units</u>                          |          |            |            |                |      |                    |                |                       |                     |           |
| CU Electric Power Board (NES)                   | 2.09     |            |            | 1,180,822,000  | 948  | 1,241,434,000      | -              | -                     | -                   | -         |
| CU Metropolitan Nashville Airport Authority     | 2.00     | √          |            | 85,344,240     | 270  | 14,376,140         | -              | -                     | -                   | -         |
| CU Metropolitan Nashville Hospital Authority    | 1.82     |            | 6/28/2012  | 130,027,930    | 658  | 79,914,763         | -              | -                     | -                   | -         |
| CU Metropolitan Transit Authority               | 1.82     |            | 8/10/2012  | 118,688,696    | 589  | 136,779,715        | -              | -                     | -                   | -         |
| CU Nashville Convention Center Authority        | 1.82     |            | 4/30/2013  | 64,931,188     | 135  | 13,816,731         | -              | -                     | -                   | -         |
| CU Metropolitan Development & Housing Authority | 1.73     |            | 8/2/2013   | 111,407,611    | 300  | 22,570,111         | -              | -                     | -                   | -         |
| CU Emergency Communication District             | 1.46     |            |            | 6,571,556      | -    | 6,214,037          | -              | -                     | -                   | -         |
| CU Sports Authority                             | 1.36     |            | 5/16/2011  | 45,646,174     | 2    | 3,981,300          | 149,305        | 9                     | 423,345             | 674,100   |
| CU Nashville District Management Corp           | 1.18     |            | 10/13/2011 | 1,519,871      | 1    | 1,452,279          | -              | -                     | -                   | 65,785    |
| CU Industrial Development Board                 | 1.09     |            | 12/16/2013 | 1,451,699      | 1    | 4,100              | -              | -                     | -                   | -         |
| CU Gulch Business Improvement District          | 1.09     |            | 10/13/2011 | 185,330        | 1    | 218,976            | -              | -                     | -                   | -         |
|                                                 |          |            |            |                |      |                    |                |                       |                     |           |
|                                                 |          |            |            |                |      |                    |                |                       |                     |           |
| <u>Fiduciary Funds</u>                          |          |            |            |                |      |                    |                |                       | <u>Net Position</u> |           |
| Metro Employees' Benefit Trust                  | 1.36     |            |            | 143,076,791    | -    | 87,849,401         | -              | -                     | 2,697,364,111       | -         |

### Attachment C - CY2015 Metro-wide Inherent Risk Priorization Worksheet

| Entity                                       | Inherent | Audit Plan | Last Audit | Total Expenses | FTEs | Fees & Collections | Payroll Amount | Payroll % Not Regular | Vendor Payments | Grants |
|----------------------------------------------|----------|------------|------------|----------------|------|--------------------|----------------|-----------------------|-----------------|--------|
| Teachers' Retirement Plan                    | 1.36     |            |            | 34,593,913     | -    | 31,444,084         | -              | -                     | 79,280,996      | -      |
| Employees' Pension and Insurance             | 1.27     |            | 7/29/2009  | 6,958,917      | -    | 6,959,832          | -              | -                     | -               | -      |
| Closed City Plan                             | 1.27     |            |            | 7,223,686      | -    | 7,223,872          | -              | -                     | -               | -      |
| Metro Employees' Flex Benefits               | 1.18     |            |            | 3,303,415      | -    | 3,314,260          | -              | -                     | 1,639,172       | -      |
| Teachers' Civil Services and Pension         | 1.18     |            |            | 3,908,042      | -    | 3,907,386          | -              | -                     | -               | -      |
| Davidson County Employees' Retirement        | 1.09     |            |            | 1,571,730      | -    | 1,571,730          | -              | -                     | -               | -      |
|                                              |          |            |            |                |      |                    |                |                       |                 |        |
| <b>Funds Held In Trust</b>                   |          |            |            | -              | -    | -                  | -              | -                     | -               | -      |
| Circuit Court Clerk                          | 1.36     | √          |            | 106,434,392    | -    | 82,829,545         | -              | -                     | 14,291,249      | -      |
| Sold Property Tax Recv                       | 1.36     |            |            | 35,661,419     | -    | 34,158,798         | -              | -                     | 1,879,090       | -      |
| Clerk and Master                             | 1.36     |            | 8/28/2013  | 19,371,298     | -    | 20,307,885         | -              | -                     | 6,007,236       | -      |
| Criminal Court Clerk                         | 1.27     |            | 12/20/2011 | 14,258,325     | -    | 149,432,140        | -              | -                     | 11,711,592      | -      |
| Sheriff Work Release & Inmate Trust          | 1.18     |            | 6/12/2009  | 2,798,582      | -    | 2,797,183          | -              | -                     | 365,931         | -      |
| Juvenile Court Clerk                         | 1.00     |            | 8/9/2012   | 940,690        | -    | 796,347            | -              | -                     | 1,938,679       | -      |
| Planning Performance Bonds                   | 1.00     |            | 2/14/2014  | 755,747        | -    | 154,134            | -              | -                     | 1,704,048       | -      |
|                                              |          |            |            |                |      |                    |                |                       |                 |        |
| <b>Other Audit Entities</b>                  |          |            |            |                |      |                    |                |                       |                 |        |
| 90-Debt Services                             |          | √          |            | 202,044,045    | -    | -                  | -              | -                     | -               | -      |
| 99-Capital Projects                          |          |            | 3/16/2010  | 201,595,888    | -    | -                  | -              | -                     | -               | -      |
| 01-Employee Benefits Plans(Various)          |          |            | 9/23/2009  | 114,755,700    |      |                    |                |                       |                 |        |
| F30042-30046 Hotel Tax Funds                 |          | √          | 4/29/2014  | -              | -    | 59,650,618         | -              | -                     | -               | -      |
| F30003 4% Reserve Fund (01101499)            |          | √          |            | 27,683,200     | -    | -                  | -              | -                     | -               | -      |
| 01-Econmic Development(Various)              |          |            |            | 21,643,400     |      |                    |                |                       |                 |        |
| 01- Correctional Healthcare                  |          |            |            | 12,619,700     |      |                    |                |                       |                 |        |
| 01-Community Support                         |          |            |            | 12,470,800     |      |                    |                |                       |                 |        |
| F30706 Regional Transportation Planning      |          |            |            | 4,238,300      | -    | 4,238,300          | -              | -                     | -               | -      |
| 01-Commuter Rail(01101237)                   |          |            |            | 1,500,000      |      |                    |                |                       |                 |        |
| 01-Regional Transportation Authority Subsidy |          |            |            | 155,700        |      |                    |                |                       |                 |        |
| 01-Insurance Reserve (01101301)              |          |            | 9/9/2014   | 1,770,700      | -    | -                  | -              | -                     | -               | -      |
| 01-Judgement and Losses (01101308)           |          |            | 9/9/2014   | 1,424,600      | -    | -                  | -              | -                     | -               | -      |
| Police Secondary Employment                  |          | √          |            | 1,127,231      | -    | 938,328            | -              | -                     | -               | -      |
| 01-Post Audit (01101412)                     |          |            |            | 1,027,200      | -    | -                  | -              | -                     | -               | -      |
| F61200-Surplus Property Auction              |          |            |            | 931,900        | -    | 931,900            | -              | -                     | -               | -      |
| 01-Victim Resource Center (01101659)         |          |            |            | 535,900        | -    | -                  | -              | -                     | -               | -      |
| F61200-Police Impound                        |          |            | 12/18/2008 | 375,000        | -    | 475,000            | -              | -                     | -               | -      |
| F30114-Barnes Fund for Affordable Housing    |          |            |            | 277,900        |      | 2,779,000          |                |                       |                 |        |

# Office of Internal Audit Seven Year Audit Coverage Map



## Funds Held In Trust

|                            |                               |                            |                      |
|----------------------------|-------------------------------|----------------------------|----------------------|
| <b>Circuit Court Clerk</b> | Clerk & Master                | Criminal Court Clerk       | Juvenile Court Clerk |
| Sold Property Tax Recv     | Sheriff Work Release & Inmate | Planning Performance Bonds |                      |

## Fiduciary Funds

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

## Other Audit Areas

|                                  |                                  |
|----------------------------------|----------------------------------|
| <b>4% Reserve Fund</b>           | <b>Hotel Tax Fund</b>            |
| <b>Debt Services</b>             | Capital Projects                 |
| Regional Transportation Planning | <b>Medical Examiner's Office</b> |
| Correctional Health Care         |                                  |

## Advisory/Appeal Boards

|                       |                             |                               |                           |                            |                           |                                         |
|-----------------------|-----------------------------|-------------------------------|---------------------------|----------------------------|---------------------------|-----------------------------------------|
| Tourist Commission    | Beautification Bureau       | <b>CATV Special Committee</b> | Public Records Commission | Charter Revision Committee | Safety Advisory Board     | Health & Higher Education Facilities Bd |
| Board of Equalization | Fire & Building Codes Board | Plumbing Examiners Bd         | Electrical Examiners Bd   | Housing Code Appeals Board | 30 Planning Appeals Board | Historical Zoning Commission            |

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## **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.



## FY 2014 CAFR PRESENTATION

| Fiscal Year | Number of Audits            | Total Hotel Revenue | Total Tax Reported | Tax Underpaid | Penalty & Interest | Tax Overpaid |
|-------------|-----------------------------|---------------------|--------------------|---------------|--------------------|--------------|
| 2013        | 18                          | \$ 63,740,705       | \$ 5,385,583       | \$ 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                          | \$ 259,533,979      | \$ 20,416,028      | \$ 443,638    | \$ 159,479         | \$ 91,523    |
|             |                             |                     |                    |               |                    |              |
| Fiscal Year | Percent of Tax Underpayment | Net Claims          |                    |               |                    |              |
| 2013        | -0.7%                       | \$ 22,058           |                    |               |                    |              |
| 2014        | -2.5%                       | \$ 415,061          |                    |               |                    |              |
| 2015        | -6.9%                       | \$ 74,475           |                    |               |                    |              |
| Total       | -2.2%                       | \$ 511,594          |                    |               |                    |              |
|             |                             |                     |                    |               |                    |              |

**Metro Nashville Government  
Waste and Abuse Hotline**

**Waste?  
Fraud?  
Abuse?**



---

**Your Call Matters**

---

**Report Any Problems Toll-Free**

**You Don't Have To Give Your Name**

**1-855-252-7606 or**

**[www.hotline-services.com](http://www.hotline-services.com)**

**Use Organization Name: Metro Nashville**

**We Can't Do It Without You**



**Metropolitan Nashville Office of Internal Audit**  
**Audit Project Status**  
**As of February 10, 2015**

| 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) Permitting Upgrade (City Works) System Development Audit                    |          | ✓         | ✓            |               | Nov-14         |
| 6) Assessor of Property                                                        |          |           | ✓            |               | Jun-14         |
| 7) Metropolitan Nashville Public Schools                                       |          |           | ✓            |               | Feb-15         |
| 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                                    |          |           | ✓            |               | Dec-14         |
| 14) Finance Department Suspicious Transactions                                 |          |           | ✓            |               | Sep-14         |
| 15) Hotel Motel Tax Summary 2014                                               |          |           | ✓            |               | Sep-14         |
| 16) County Clerk- Cash Collections                                             |          |           | ✓            | Feb-14        |                |
| 17) Justice Intergration Services Active Directory                             |          |           | ✓            |               | Oct-14         |
| 18) Sheriff Department Firearms and Inventory Management                       |          |           | ✓            |               | Nov-14         |
| 19) Health Department Medical Examiner                                         |          |           | ✓            | Feb-15        |                |
| 20) Historic Commission Staffing Review                                        |          |           | ✓            |               | Jan-15         |
| 21) Police Department Secondary Employment                                     |          |           | ✓            | Feb-15        |                |
| 22) Police Department Active Directory Services                                |          |           | ✓            |               | Feb-14         |
| 23) Fire Department Payroll                                                    | ✓        |           |              |               |                |
| 24) Trustee Office Cash Collections                                            | ✓        |           |              |               |                |
| 25) Finance Department Asset Accounting & 4% Funding                           | ✓        |           |              |               |                |
| <b>Anticipated to Start Next 3 weeks</b>                                       |          |           |              |               |                |
| <b>Metro IntegrityLine Alerts Calendar Year 2014 - New Hotline Just Opened</b> |          |           |              |               |                |
|                                                                                |          |           | <b>Total</b> | <b>Closed</b> | <b>Pending</b> |
| 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            | 2             | 0              |

**Note:** Goal to complete 19 audit projects for Plan Year 2014. Currently 19 audit projects are completed, and 4 audit projects are in field work or draft report phase.





**Office of Internal Audit Budget versus Actual  
GSD General Fund as of February 6, 2015**

**FY 2015 Approved Budget**

|                                   | <b>Approved<br/>FY 2015<br/>Budget</b> | <b>Actual As of<br/>Feb 6, 2015</b> | <b>Difference</b> | <b>Notes</b>           |
|-----------------------------------|----------------------------------------|-------------------------------------|-------------------|------------------------|
| Total Salaries & Fringe           | \$ 1,015,900                           | \$ 513,103                          | \$ 502,797        |                        |
|                                   |                                        |                                     |                   |                        |
| Other Expenses                    |                                        |                                     |                   |                        |
| Professional & Purchased Services | 45,100                                 | 39,794                              | 5,306             |                        |
| Building Rent Parkway Towers      | 55,500                                 | 22,606                              | 32,894            |                        |
| Other Expenses                    | 66,500                                 | 17,778                              | 48,722            |                        |
| Internal Service Fees             | 31,900                                 | 31,900                              | -                 | Information Technology |
| <b>TOTAL EXPENSES</b>             | <b>\$ 1,214,900</b>                    | <b>\$ 625,181</b>                   | <b>\$ 589,719</b> |                        |

30003 General Fund 4% Reserve

|                  |             |                  |                                                      |
|------------------|-------------|------------------|------------------------------------------------------|
| <b>\$ 13,227</b> | <b>\$ -</b> | <b>\$ 13,227</b> | AX Core Server Software & Training; Office Furniture |
|------------------|-------------|------------------|------------------------------------------------------|



Toolbox    Reports    Budget Year 2016    February 3, 2015

Home > Internal Audit > Budget Modification List

Carlos Holt  
Department

|                          |             |                                                  |              | Proposed FTE | Proposed Expense  | Proposed Revenue |        |
|--------------------------|-------------|--------------------------------------------------|--------------|--------------|-------------------|------------------|--------|
| Totals                   |             |                                                  |              | 0.00         | 20,900            | 0                |        |
| <input type="checkbox"/> | Priority    | Modification                                     | Scenario(s)  | Proposed FTE | Proposed Expenses | Proposed Revenue | Status |
| <input type="checkbox"/> | Delete Edit | 1 3% Budget Reduction in Misc Operating Accounts | 3% Reduction | 0.00         | -33,700           | 0                | Ready  |
| <input type="checkbox"/> | Delete Edit | 2 Professional Services - Consultant Enhancement | Improvements | 0.00         | 54,600            | 0                | Ready  |
| Totals                   |             |                                                  |              | 0.00         | 20,900            | 0                |        |

delete

set all status to ready

set all status to not ready

add

change order

Budget Process Status: In Progress

save

generate extract

generate list report

For assistance, please call 862-6120.

WEBudget (FY 2016)

# METROPOLITAN NASHVILLE OFFICE OF INTERNAL AUDIT



## INTERNAL AUDIT PERFORMANCE REPORT November 1, 2013 through October 31, 2014

# Report to Metropolitan Nashville Audit Committee

February 10, 2015

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

Members of the Metropolitan Nashville Audit Committee:

The Metropolitan Nashville Office of Internal Audit is pleased to present its performance report highlighting accomplishments and audit work completed between November 1, 2013 and October 31, 2014.

The office completed 18 operational audits, 18 hotel tax audits, and one investigation during this period.

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

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

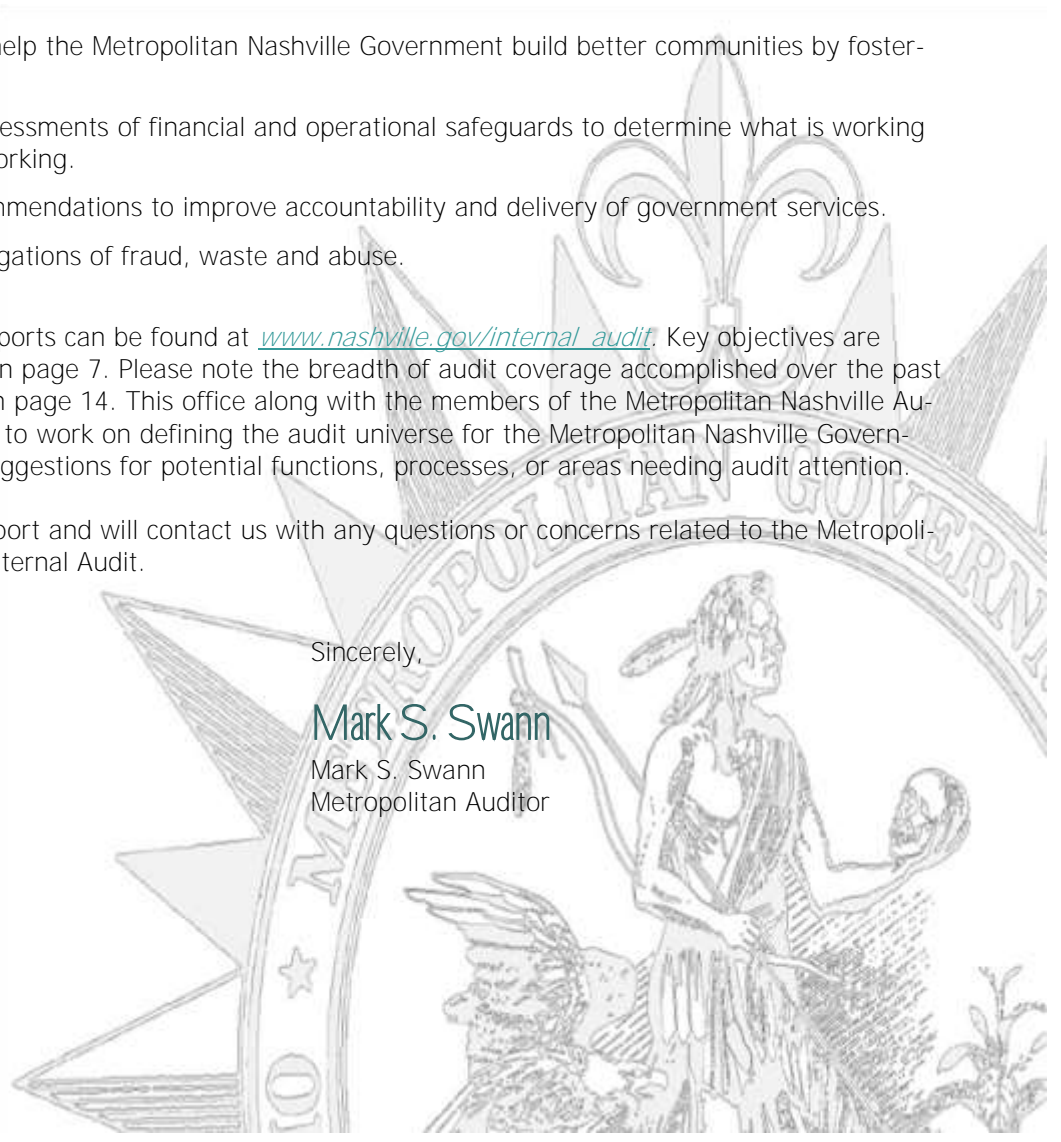
The content for these reports can be found at [www.nashville.gov/internal\\_audit](http://www.nashville.gov/internal_audit). Key objectives are summarized beginning on page 7. Please note the breadth of audit coverage accomplished over the past seven years as shown on page 14. This office along with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

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

Sincerely,

**Mark S. Swann**

Mark S. Swann  
Metropolitan Auditor





## Our Accomplishments

- Conducted 18 audits where 150 recommendations were identified with a 82 percent acceptance rate.
- Selected 28 hotels representing \$12.6 million in hotel occupancy taxes for audit. Determined from revenue and room night data that over \$215 thousand had been underpaid and was referred to the Metropolitan Treasurer for collection.
- **Provided analysis and recommendations to improve administration of the Metropolitan Assessor's Office** over \$12.8 billion in property appraisals.
- Completed one requests for investigation of fraud, waste, and abuse issues.
- Accommodated Metropolitan Nashville Council and management requests pertaining to:
 

|                                       |                                           |
|---------------------------------------|-------------------------------------------|
| Metropolitan Nashville Public Schools | Animal Control                            |
| Hotel Occupancy Tax                   | Historical Zoning and Historic Commission |
| Metro Water Services Home Buyout      |                                           |
- Successfully underwent a peer review by the Association of Local Auditors. The review concluded that audits conducted by the Metropolitan Office of Internal Audit were done in accordance with Governmental Auditing Standards.
- Staff members continued to participate in a variety of professional organizations such as the Institute of Internal Auditors, American Institute of Certified Public Accountants, Tennessee Society of Certified Public Accountants, Information Security Systems Association, and Association of Certified Fraud Examiners. Staff members participated on committees and gave presentations related to the auditing profession within some of these organizations.
- Provided a critical analysis of unusual financial transactions pertaining to payroll, procurement cards, fuel purchases, and travel.
- Provided additional assurance services for oversight of processes and controls that pertained to revenues and/or expenditures of:
  - \$636 million in tax-exempt bonds at the Industrial Development Board
  - \$48.2 million in expenditures for the Metro Water Services Home Buyout program
  - \$16.7 million in revenue and \$17.5 million in expenditures at the District Energy System
  - \$16.5 million fund balance for self-insurance and claims in the Law Department
  - \$15 million in expenditures and \$3 million in revenue for Social Services
  - \$12.2 million in expenditures at the Planning Department
  - \$9.8 million in expenditures at the Mayor's Office of Emergency Management**
  - \$5 million Permitting and Licensing Center software development project
  - \$4.7 million in expenditures at the Mayor's Office**
  - \$4.4 million in procurement card transactions
  - \$4.2 million in revenues and \$3.5 million in expenditures at the Centennial Sportsplex
  - \$3.9 million in payments and \$2.6 million in receipts related to claims
  - \$1.2 million in expenditures at Criminal Justice Planning
  - \$750 thousand in revenue and expenses at the Community Education Commission



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

February 10, 2015

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

### **Annual Report to Council**

The Metropolitan Nashville Audit Committee is presenting its annual report to the Metropolitan Council highlighting some of the audit work completed between November 2013 and October 2014 as well the implementation status of previously completed internal audit projects.

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

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

### **Crossland and Associates P.C. External Audit**

The Metropolitan Nashville Audit Committee received and reviewed the Metropolitan Government of Nashville and Davidson County Comprehensive Annual Financial Report for the year ended June 30, 2014, without any exceptions noted.

### **Office of Internal Audit Projects Completed**

The Office of Internal Audit issued 18 audit reports providing 150 recommendations for improving Metro Nashville processes during this period. A summary of the audit reports begins on page seven of the enclosed report. All of these reports, along with other reports issued in previous years, can be found at the Office of Internal Audit's web site at <http://www.nashville.gov/internal-audit>.

### **Office of Internal Audit Accomplishments**

- Conducted 18 audits where 150 recommendations were identified with a 82 percent acceptance rate.

- Accommodated Metropolitan Nashville Council and management requests pertaining to:  
Metropolitan Nashville Public Schools      Animal Control  
Hotel Occupancy Tax                              Historical Zoning and Historic Commission  
Metro Water Services Home Buyout
- Selected 28 hotels representing \$12.6 million in hotel occupancy taxes for audit. Determined from revenue and room night data that over \$215 thousand had been underpaid and was referred to the Metropolitan Treasurer for collection.
- Provided analysis and recommendations to improve administration of the Metropolitan Assessor's Office over \$12.8 billion in property appraisals.
- Completed one requests for investigation of fraud, waste, and abuse issues.
- Successfully underwent a peer review by the Association of Local Auditors. The review concluded that audits conducted by the Metropolitan Office of Internal Audit were done in accordance with Governmental Auditing Standards.
- Provided a critical analysis of unusual financial transactions pertaining to payroll, procurement cards, fuel purchases, and travel.
- Provided additional assurance services for oversight of process and controls that pertained to expenditures of \$779 million at various agencies.

**Summary of Office of Internal Audit Recommendations Implementation Status  
Audits Issued Between April 2007 and October 2014**

Audit entities were asked to provide implementation status for accepted audit recommendations for 111 reports issued since March 2007. Out of the 888 accepted recommendations, 748 (82%) were reported as implemented.

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

Sincerely,

Robert C. Brannon

Enclosure

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



**METROPOLITAN NASHVILLE AUDIT COMMITTEE  
2015 MEETING PLAN**

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

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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       |
| <b>CY 2014 New Audit Areas</b> |                                                                                                                                                               |       |             |
| *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 |
| <b>Approved Work Plan Additions</b> |                                                                                        |     |        |
| 24*                                 | Historic Commission Work Staff Review <sup>1</sup>                                     | 80  | 15,820 |
| 25                                  | Health Department – Medical Examiner's Office <sup>2</sup>                             | 800 | 16,620 |

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<sup>1</sup> Approved on July 8, 2014

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

Printed 18-Sep-13

**Metropolitan Clerk's Office**





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

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**PURPOSE**

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

**SCOPE**

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

**RESPONSIBILITIES**

Financial Statements

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

Risk Management and Internal Control

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

Internal Audit

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

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

Reporting Responsibilities

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

Other Responsibilities

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

## **COMPOSITION**

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

## **MEETINGS**

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

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



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**PURPOSE**

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

**SCOPE**

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

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

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

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The Metropolitan Auditor shall have authority to:

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

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

## **AUDIT SCHEDULE**

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

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

## **REPORT OF IRREGULARITIES**

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

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**ACCESS TO EMPLOYEES, RECORDS AND PROPERTY**

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

**AGENCY RESPONSE**

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

**AUDIT FOLLOW-UP**

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

**REPORTS TO METROPOLITAN AUDIT COMMITTEE**

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

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



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**ANNUAL REPORT**

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

**CONTRACT AUDITORS, CONSULTANTS AND EXPERTS**

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

**INDEPENDENCE**

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

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

**STANDARDS OF AUDIT PRACTICE**

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

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**FUNDING**

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

**RECORDS**

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

**REASSESSMENT**

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



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

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

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

**2.24.300 - Division of metropolitan audit.**

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

*(Ord. BL2007-1318 § 2, 2007)*



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

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

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

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**METROPOLITAN GOVERNMENT OF NASHVILLE  
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**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.”



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**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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**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.

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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,** ...”

**METROPOLITAN GOVERNMENT OF NASHVILLE  
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**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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