

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



***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

November 10, 2015

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

**Committee Room 4
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Introduction of New Members
- III. Approval of Minutes for the July 28, 2015, meeting (Bob Brannon – Committee Chairman)
- IV. New Business
 - Office of Internal Audit Issued Audit Reports (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of the Citywork Interim System Development Report audit report issued August 30, 2015
 - Discussion on Audit of the Circuit Court Clerk' Funds Held in Trust audit report issued September 3, 2015
 - Discussion on Audit of Finance General Reserve Funding and Capital Asset Process audit report issued September 4, 2015
 - Discussion on Audit of General Services Department Radio Communication Division audit report issued November 2, 2015
 - Discussion on Audit of Parks and Recreation Maintenance Division audit report issued November 5, 2015
 - Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review (Bob Brannon – Committee Chairman)
 - Annual confirmation of responsibilities outlined in the Metropolitan Nashville Audit Committee Bylaws (Bob Brannon – Committee Chairman, Mark Swann – Metropolitan Auditor)
 - Annual assessment of Metropolitan Auditor's performance (Bob Brannon – Committee Chairman)
- V. Old Business
 - Follow-up on CAFR, Single Audit and Management Letter (Bob Brannon – Committee Chairman)
 - Discussion on proposed supporting internal audit legislation (Mark Swann – Metropolitan Auditor)
- VI. Metro Hotline Status and Investigation Reports (Mark Swann – Metropolitan Auditor)
- VII. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
- VIII. Other Administrative Matters (Mark Swann – Metropolitan Auditor)

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

- FY2016 Budget Status
 - Staff Changes
 - Audit Committee
 - Frequency of Meetings
 - Boards and Commission Member Training
- IX. Consideration of Items for Future Meetings (Bob Brannon - Committee Chairman)
- X. Adjournment of public meeting – Next meeting December 8, 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**

July 28, 2015

DRAFT MINUTES

On Tuesday, July 28, 2015, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 4. The following people attended the meeting:

Committee Members

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

Others

Mark Swann, Metropolitan Auditor
Theresa Costonis, Department of Law
Kim McDoniel, Metro Finance
David Hunt, Crosslin and Associates
Dan Miller, Crosslin and Associates
Ben Nichols, Crosslin and Associates
Dell Crosslin, Crosslin and Associates

Committee Member Absent

Diane Neighbors, Vice-Mayor

Quorum present? Yes

Call Meeting to Order

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

Approval of Minutes

The minutes of the meeting on February 10, 2015, were approved, with a few corrections.

New Business

External auditor presentation fiscal year 2014 Single Audit and Management Letter (Crosslin & Associates, P.C.)

David Hunt from Crosslin and Associates began by stating that no material weaknesses or significant deficiencies were found for fiscal year 2014. He noted that if no weaknesses are found in fiscal year 2015 as well, they can drop the A-133 Single Audit from high-risk to low-risk auditing. This will reduce the number of programs that have to be tested. Mr. Hunt then discussed the less serious findings listed in the management letter. The areas they made recommendations were the timeliness of reconciliations, outstanding items more than one year and using a modified approach for infrastructure reporting.

Dan Miller from Crosslin and Associates discussed the A-133 Single Audit compliance requirements. Mr. Miller reminded everyone that there were no material weaknesses in the financial reporting. He also noted there were no material findings with compliance for federal grant programs. This is also the first year for A-133 purposes that there were no findings. The \$57 million decrease in total federal expenditures over the past two years was because mainly

the American Recovery and Reinvestment Act programs were discontinued, and the Flood Recovery money has decreased significantly. About \$100 million, or about 60 percent, of the federal programs, relate to Metropolitan Nashville Public Schools, which is consistent with the past several years.

Mr. Miller then discussed the programs they tested during their audit, which totaled about 55.5 percent of total federal expenditures for the year. Mr. Reed asked if that percentage will drop below 50 percent if Metro moves from high risk to low risk auditing. Mr. Miller stated that the low-risk percentage is currently at 25 percent, but new guidelines will change that low-risk figure to 20 percent in 2016.

External auditor presentation fiscal year 2015 Audit Communication (Crosslin & Associates, P.C.)

Mr. Hunt talked about the audit plan for fiscal year 2015. He noted there will be no changes in team members from fiscal year 2014 to fiscal year 2015, and he gave a brief explanation of the responsibilities of the auditors and management, independence, fraud risk, and audit methodology. He reminded everyone that there were no material weaknesses found for fiscal year 2014, but the other recommendations from the management letter will be looked at again.

Mr. Hunt discussed upcoming Government Accounting Standards Board (GASB) statements, three of which will have to be adopted in fiscal year 2015: GASB Statement No. 68, 69, and 71. *GASB Statement No. 68 - Accounting and Financial Reporting for Pensions* will require the pension obligation to be reported as a liability in the books, and will show a significant effect on equity in the balance sheet. *GASB Statement No. 69 - Government Combinations and Disposals of Government Operations* is not anticipated to show a major effect. *GASB Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date* will be implemented with GASB Statement No. 68 and will not have a separate effect in itself. *GASB Statement No. 75 – Accounting and Financial Reporting for Other Post-Employment Benefits*, which will not be in effect until 2018, is similar to GASB Statement No. 67 and 68, but deals with other post-employment benefits, rather than pension benefits, and will result in a much larger liability being added to the books.

Mr. Hunt discussed the deadlines for the audit and planned to report the results of the audit to the Committee by December 8, 2015.

Presentation on Metropolitan Nashville Airport Authority Internal Audit (Mark Swann – Metropolitan Auditor)

Mr. Swann gave a brief explanation of the request by the Committee to look into the Metropolitan Nashville Airport Authority's internal audit function and report his findings. The Metropolitan Nashville Airport Authority has an audit group consisting of two internal auditors who report to the president and chief executive officer, as well as to their audit committee. They are professional internal auditors, practice continuing education, and follow the Institute of Internal Auditors International Professional Practices Framework standards. A peer review has yet to be completed but is planned for this year. The Metropolitan Nashville Airport Authority's audit plan for 2015 includes audits of technology risks, concession agreements, and passenger fees. All reports are available on the website. Mr. Brannon asked who conducted their external audit. Mr. Hunt answered with Dixon Hughes Goodman LLP. Mr. Reibeling noted that it appears the Metropolitan Nashville Airport Authority's audit group does a thorough job with their audits and Mr. Swann agreed.

Discussion on Audit of Davidson County Clerk's Cash Collection audit report issued March 24, 2015

Mr. Swann discussed the audit of the Davidson County Clerk's Cash Collection process. Approximately 97 percent of the Davidson County Clerk's revenue is motor vehicle related. The audit found that proper controls are in place, and there are written policies and procedures related to cash collection. Recommendations were made for improvement in internal controls, specifically with cash handling segregation of duties and implementing a way to track birth certificate forms inventory.

Discussion on Audit of Medical Examiner's Office audit report issued April 14, 2015

Mr. Swann gave a description of the medical examiner's office, which is outsourced to Forensic Medical Management Services, and discussed the internal audit findings. Recommendations were made for improvements that included creating and executing a contract monitoring plan, and looking at per capita cost associated with the office. The per capita cost for Davidson County is more than three times the state average, and two times the national average. Mr. Glover asked why the cost was so high. Mr. Swann said that it could be due to only one bidder responding when the proposal came out, lack of competition, and previous issues with professionalism in the medical examiner's office. Knox County was outsourced but has since brought it in-house, with estimated savings between \$1 and \$1.5 million per year. Mr. Swann stated that the Metro Public Health Department, on behalf of the Metropolitan Nashville Government, preferred to delay any efforts to review contract terms until the renewal of the existing contract in 2018.

Discussion on Audit of Metro Public Works Parking Management audit report issued June 29, 2015

Mr. Swann briefly explained the scope of the audit, focusing on the collection of parking meters and oversight of downtown garages. The collection of coins seemed to be well controlled. However, the collection of bill currency was not as controlled. Tickets were not being written on rainy days because the tickets would deteriorate. The audit recommended Metro Public Works buy sleeves for the tickets to increase revenue on rainy days. Recommendations were made for handicapped parking abuse with ideas for better controlling who can use the handicapped parking tags for free parking. Ms. Dowell asked if that was the State's responsibility. Mr. Swann stated the audit report recommended Metro Public Works coordinate with the State in reviewing legislation for this issue. There were also a few issues with miscellaneous fees where Metro Public Works was unable to provide documentation for the auditors to ensure completeness, such as not billing any valet parking fees in the past year.

Mr. Swann also mentioned that the Nashville Downtown Partnership showed a few problems where they were not providing detailed documentation for all their checks written for the behalf of Metropolitan Nashville Government owned garages. Mr. Brannon asked who the Downtown Partnership is. Mr. Reibeling explained it is a nonprofit association that oversees certain projects in the downtown area, the city funds them, and they get a share of the parking profits that they use for downtown betterment. Mr. Swann added that they manage two Metropolitan Nashville Government owned garages along with day to day operations for the Central Business Improvement District and the Gulch Improvement District. Mr. Reibeling asked if Mr. Swann has looked into an audit of the Downtown Partnership, and Mr. Swann responded that the Office of Internal Audit has audited the Central Business Improvement District and the Gulch Improvement District within the past few years.

Discussion on Audit of Metropolitan Nashville Police Department Secondary Employment audit report issued July 8, 2015

Mr. Swann stated that Metropolitan Nashville Police Department is performing proper maintenance of files, scheduling officers in a fair manner, and satisfying customers with the provided services. There were a few issues with segregation of duties with collecting money, which was corrected immediately by management when it was brought to their attention. Mr. Swann then informed the Committee that the Chief of Police has yet to respond to the audit report. Mr. Glover asked about the budget and what this group is used for. Mr. Reibeling explained it is outside contracted organizations that need a uniformed officer for different functions, other than general police work.

Discussion on Audit of Hotel Occupancy Taxes Fiscal Year 2015 audit report issued July 9, 2015

Mr. Swann discussed the annual report for hotel occupancy tax audits. He stated that in fiscal year 2015 about \$126,000 was the net audit claim, and \$109,456 of that amount has been collected. The number of hotel audits completed in 2015 was less than in 2014. This is due to trying to identify hotels where the number of rooms rented did not align with the estimated 70 to 80 percent occupancy rate for the hotel property. Mr. Brannon asked how this revenue was used. Mr. Reibeling explained that it went to the convention center, the Metropolitan Nashville Government general fund, and to tourist promotion.

Discussion on Audit of Metropolitan Office of Trustee Cash Collections Process audit report issued July 24, 2015

Mr. Swann discussed the Metropolitan Office of Trustee cash collection process. The audit covered the past three years, with about \$2.5 billion in cash collection during that time. He noted there were good controls around the cash collection process, but there were a few areas such as transferring custody on tills that could be improved. Some problems were found with reversals of tax payments, which will be better controlled with the new TaxMan system that is being implemented. Mr. Glover asked why in fiscal year 2014 only about 95 percent of budgeted property taxes had been collected. Mr. Swann said that they were still working on collecting outstanding property tax balances.

Discussion on Audit of Metropolitan Nashville Fire Department Payroll Process audit report issued July 24, 2015

Mr. Swann mentioned that 63 percent of the Metropolitan Nashville Fire Department's expenditures were payroll related. It was found that the Department had reasonable controls in the payroll process, but they use a scheduling system that uses an Excel spreadsheet to export time records to the EnterpriseOne Payroll system. There were some issues found with this system, including too many employees with administrative privileges, and the risks associated with using an Excel spreadsheet, such as making changes without documentation. Recommendations were made to improve the documentation of changes made to the Excel spreadsheet interface. Mr. Brannon asked if the Metropolitan Nashville Fire Department employees work extra hours, as the police do with secondary employment. Mr. Reibling said that they did not have a secondary employment function like the police. Mr. Glover commented that he believes the Metropolitan Nashville Fire Department scheduling process needs to be reviewed.

Old Business

Follow-up on FY2014 CAFR external auditor presentation (Bob Brannon – Committee Chairman)

Mr. Brannon asked if there were any comments or questions on the CAFR. The Committee members expressed no concerns.

Discussion on proposed supporting internal audit legislation (Mark Swann – Metropolitan Auditor)

Mr. Swann suggested delaying the discussion until the next audit committee meeting, as there may be changes made to the Committee membership, but asked to be made aware of any concerns from the Committee members. Motion to defer was accepted.

Internal Audit Project Status (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that internal audit completed 7 of the 14 planned projects for the year. Three audits are in process, the Radio Shop, Parks and Recreation Maintenance, and the Metropolitan Nashville Government Revenue Forecasting. The Office of Internal Audit is waiting on Comcast to provide requested audit information for the Comcast Franchise Fee audit to start. The draft report for the Metropolitan Nashville Government Fixed Assets Process is pending.

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

There was one call to the hotline in calendar year 2015 and one request for investigation that was completed.

Other Administrative Matters (Mark Swann – Metropolitan Auditor)

Mr. Swann mentioned that mainly due to employee turnover, the FY2015 budget for Internal Audit will be \$200,000 under budget for the fiscal year. The FY2016 budget has been approved. Staff changes for Internal Audit were announced.

Mr. Swann thanked the Committee members for their service and support.

Meeting adjourned after 60 minutes.

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

February 10, 2015

FINAL MINUTES

On Tuesday, February 10, 2015, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 4. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman
Steve Glover, Councilmember
Richard Riebeling, Director of Finance
Jacobia Dowell, Councilmember

Others

Mark Swann, Metropolitan Auditor
Carlos Holt, Internal Audit Manager
Theresa Costonis, Department of Law
Tony Neumaier, Metro Water Services

Committee Members Absent

Diane Neighbors, Vice-Mayor
Brack Reed, Vice-Chairman

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 December 9, 2014, were approved.

New Business

Election of Chairman and Vice-Chairman

Mr. Riebeling nominated Mr. Brannon for Chairman. Nomination was seconded and there were no other nominations. Voting carried the nomination. Mr. Riebeling nominated Councilmember Dowell for Vice-Chairman. The nomination was seconded and there were no other nominations. Voting carried the nomination.

Audit of the Metro Water Services Cash Collection

Mr. Swann discussed the audit of the Metro Water Services cash collections. The audit reviewed the \$200 million in cash collections for water services except for storm water collections. Mr. Potter, Director of Metro Water Services, had requested the audit include miscellaneous income, such as cell tower revenue, income from biosolid sales, etc. There were several recommendations to strengthen controls and procedures. Metro Water Services is already taking action.

Audit of the Historical Zoning Commission

Mr. Swann reminded everyone that the audit was requested by the Metropolitan Nashville Council Budget and Finance Committee and the purpose was to ascertain if increased staffing

levels were needed. The audit was performed using contractors from Experis. The simple answer was yes, they could use another staff member as of the next fiscal year. Additionally, there were other opportunities for improvement. The key driver was the increased number of homes in the historic overlays. There were about six percent of the homes in an historic overlay that require a permit or other request each year. When more homes are added to historic overlays, this increases the amount of work required by Historic Zoning Commission employees. Thus, if the Metropolitan Nashville Government wants to be responsive to constituent's needs, we need to provide the resources to take care of their requests.

Audit of the Active Directory Services of the Metropolitan Nashville Police Department

Mr. Swann stated that the audit was part of a continuous series of the five active directory service domains within the Metropolitan Nashville Government. The Office of Internal Audit has now completed audits of three domains. The audit determined that the Metropolitan Nashville Police Department is managing directory services well. The Metropolitan Nashville Police Department domain is unique because it helps protect the regional Criminal Justice Information System portal used by many public safety agencies in Middle Tennessee. There are many user accounts that are not Metropolitan Nashville Government employees. Mr. Brannon inquired as to why the report was confidential. Mr. Swann replied that his staff is required to obtain Criminal Justice Information System clearance to audit public safety related information systems and the same clearance is required to review the content of this confidential audit report.

Presentation for Approval of the Annual Audit Work Plan

Mr. Swann described the process of risk prioritization and scoring each area within the Metropolitan Nashville Government. Two of the key drivers are people and expenditures with the Metropolitan Nashville Police Department and Health Department finishing as the top two audit area priorities. The recommended plan includes eight audit projects currently in progress, eleven new audit projects, and two investigations. Also, the plan allocates resources to complete approximately 15 to 18 hotel occupancy tax audits.

Mr. Swann reviewed the organizational map showing departments and functions which have not been audited in the past seven years, including the Metropolitan Nashville Airport Authority and Nashville Electric Services component units. An audit of Nashville Electric Services was performed by the Tennessee Comptroller's Local Government Audit Division in the past.

The recommended audit plan includes two management requested audit projects. These audit projects are the Metropolitan Nashville Cable Franchise Agreement and General Services Fleet Operations. Information technology related audit projects included the Microsoft Exchange email system and PCI Data Security Standards compliance audits.

Mr. Riebeling brought up a discussion of the Metropolitan Nashville Airport Authority stating they have their own internal audit group. Mr. Riebeling recommended that Mr. Swann assess what the internal audit staff at the Metropolitan Nashville Airport Authority is doing and report back to the Metropolitan Nashville Audit Committee.

The Office of Internal Audit Work Plan with the proposed audit of the Metropolitan Nashville Airport Authority as a last priority was recommended for approval and carried.

Old Business

Proposed Legislation for the Metropolitan Nashville Office of Internal Audit

Ms. Costonis brought up one item asking if there were any periodic training on the confidentiality of information for the Metropolitan Nashville Office of Internal Audit staff. She advised to alter the second paragraph in that section to include the Criminal Justice Information System clearance information and only use "confidential" when describing the information rather than "proprietary and confidential". Further, in the first paragraph, second page, she stated reporting to the Metropolitan Nashville Office of Internal Audit might lead people to believe they have fulfilled the requirement to report fraud to the Tennessee State Comptroller's Office. She recommended clarification of that section so as not to be misleading. She further noted that some description of the sections required slight revisions that she agreed to draft.

Mr. Brannon inquired about periodic training on confidentiality matters for the staff to which Mr. Swann reported that the office did do so periodically.

Ms. Costonis agreed to re-draft the legislation in ordinance form.

Discussion of the Comprehensive Annual Financial Report

Mr. Brannon inquired if everyone had read the Comprehensive Annual Financial Report and stated that this was an item the committee usually kept on the agenda for a few months until he was sure there were no questions of pending items. Ms. Dowell brought up the idea of presenting a short brief overview to the entire Metropolitan Nashville Council on the Comprehensive Annual Financial Report. Ms. Dowell expressed the need to enhance education on this issue with council members. Mr. Glover and Mr. Brannon inquired how many people might show up for a special meeting of this sort. Mr. Brannon stated that for maximum attendance this would have to be presented quickly at a regular council meeting.

Hotel Occupancy Tax Audit Status

Mr. Swann noted that the hotel audits have resulted in approximately \$500,000 in claims and about \$400,000 in collections so far. Hotel owners have increasingly stated they were aware of the audits and have discussed them with fellow owners. Mr. Glover inquired if bed and breakfasts were being audited, to which Mr. Swann stated that a few have already been audited. Others discussed the recent articles on the increase in the number of house and condo rentals.

Office of Internal Audit Annual Report to Metropolitan Nashville Audit Committee

A copy of the Office of Internal Audit 2014 Annual Performance Report was distributed to the committee members. Mr. Swann directed the committee to the letter that would serve as the Metropolitan Nashville Audit Committee's annual report to the Metropolitan Nashville Council along with the distributed Metropolitan Nashville Office of Internal Audit Annual Performance Report highlighting activities and accomplishments of the Metropolitan Nashville Office of Internal Audit. The transmittal letter representing the annual report to the Metropolitan Nashville Council from the Metropolitan Nashville Audit Committee was voted on and carried.

Office of Internal Audit Budget for Fiscal Year 2016

Mr. Swann described the proposed three percent budget cut scenario and that the cut if taken, would have to come out of consulting resources in the amount of \$33,700 leaving approximately

\$10,000. He also recommended an improvement of \$54,600 in order to bring the consulting resources back up to \$100,000.

Comprehensive Performance Audit of Metropolitan Nashville Public Schools

Mr. Swann had previously set up a phone conversation between the contractor McConnell Jones Lanier and Murphy LLP on the Metropolitan Nashville Public Schools audit report. Online were Sharon Murphy, Gilbert Hopkins, and Odysseus Lanier.

Ms. Murphy discussed the initial engagement process and what was reviewed. She noted that there were 129 recommendations which including three outsourcing recommendations. The fiscal impact was \$272,463 net investment requirement over five years. With the outsourcing (child nutrition, transportation, facilities/energy management) included it would be a savings of \$54,129,373 over the same five year period. Mr. Glover inquired with a few questions and believed the biggest savings would be in facilities. Mr. Swann noted that the report was actually ten separate reports that were approximately the same as ten separate audits that would have cost about the same as this project so the cost/value of the audit (\$550,000) was reasonable.

A discussion of having a meeting to review the Metropolitan Nashville Public Schools audit report with members of the Metropolitan Nashville Council members was held. Mr. Glover stated he would take the lead in scheduling this with the Metropolitan Nashville Public Schools Board of Education and the Metropolitan Nashville Council Education Committee. A proposed date of March 5th was discussed. Mr. Swann noted that McConnell Jones Lanier and Murphy LLP was willing to make adjustments as needed to the draft audit report and spend additional time correcting misunderstandings of information communicated to them during the audit process. Also, the Metropolitan Nashville Public Schools staff worked very hard to verify information. Lastly, the Metropolitan Nashville Office of Internal Audit staff worked hard and put in over 1,000 hours of work. Mr. Swann noted that he had communicated to the Metropolitan Nashville Council members that more copies of the report could be ordered for \$59 each.

Proposed Future Meeting Dates of the Audit Committee

Mr. Brannon discussed the need for a special meeting of the committee to discuss the audit of the Metropolitan Nashville Public Schools in late February or early March, such as March 5th. All agreed and adjourned.

Meeting adjourned after 87 minutes.

Approved by the Metropolitan Nashville Audit Committee at the July 28, 2015, meeting.

EXECUTIVE SUMMARY

August 31, 2015



Why We Did This Audit

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

What We Recommended

The project team should help user departments create or improve testing plans. Testing results should lead to conclusion whether the Work Process Documents agreed upon were implemented successfully.

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

BACKGROUND

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

OBJECTIVES AND SCOPE

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

This report covers the project testing phase at the time of the audit.

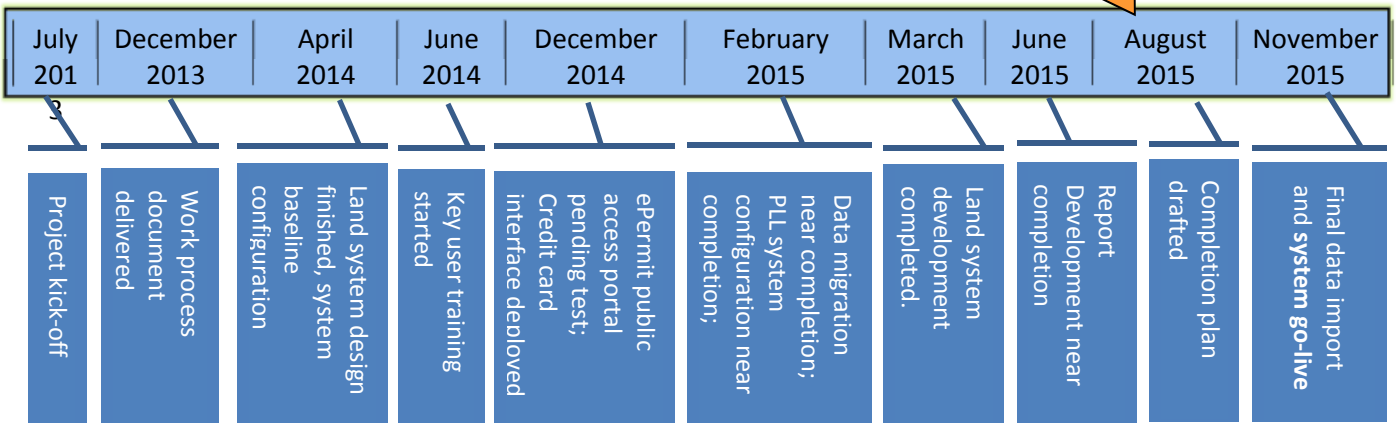
WHAT WE FOUND

As of August 17, 2015, the project go-live date was postpone three times and no fixed date was determined as this point. The delay was mainly due to the initial aggressive estimation, complexity in interfaces with other systems, and delayed development of testing plans, among other things.

The project team could help user departments to develop and/or improve testing plans to ensure that requirements in the Work Process Documents for each department were implemented successfully.

PROJECT STATUS AS OF AUGUST 17, 2015

Budget: \$5 million
Estimated: \$4 million
Actual: \$1.1 million



EXECUTIVE SUMMARY

September 3, 2015



Why We Did This Audit

The audit was performed due to the large dollar amounts, associated risks, and public trust associated with managing funds held in trust. Additionally, this function has not been audited within the past five years.

What We Recommend

Enhance accountability and controls of cash custody transfers.

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

AUDIT OF THE CIRCUIT COURT CLERK FUNDS HELD IN TRUST

BACKGROUND

The Circuit Court Clerk is responsible for the management of court ordered funds to be held in trust on behalf of third parties. The management and security of these funds are integral to the Circuit and Probate Court mission. In the past two fiscal years the closing balance of the funds held in trust has been:

Tax Year	Opening Balance	Additions	Deductions	Closing Balance
FY2014	29,717,047	2,935,631	24,105,506	8,547,172
FY2013	29,302,880	4,583,360	4,169,193	29,717,047

Source: Metro Nashville's Comprehensive Annual Financial Reports, fiscal years 2013 and 2014

The closing balance may vary from year to year due to the number and size of transaction generated from court orders. The basis of all transactions associated with any funds held in trust is a court order.

OBJECTIVES AND SCOPE

The objectives of the Circuit Court Clerk Funds Held in Trust audit were:

- Did the Circuit Court Clerk's office administer funds held in trust in accordance with Davidson County Local Rule 34, Tennessee Code Annotated §§ 8-21-401, 34-1-104, and applicable court orders?
- Has the Circuit Court Clerk's office created general and application controls over the VIADUCT System to support the achievement of objectives?

The audit scope included all work performed for fiscal years 2013, 2014 and 2015 (July 2014 to May 2015).

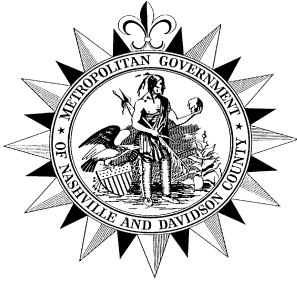
WHAT WE FOUND

Funds administered by the Circuit Court Clerk were properly recorded, safeguarded, monitored, and deposited in accordance with Tennessee Code, applicable court orders, and Metropolitan Nashville Government financial policies.

The Circuit Court Clerk should enhance controls related to cash custody transfers.

EXECUTIVE SUMMARY

September 4, 2015



Why We Did This Audit

The audit was initiated based on issues identified with capital assets in previous audits.

What We Recommend

Departments should communicate capital asset acquisitions to the Finance Department and conduct triennial physical inventories. Additionally, the Finance Department Administration should consider increasing the capitalization threshold for fixed assets.

AUDIT OF THE GENERAL RESERVE FUNDING PROCESS AND THE CAPITAL ASSET ACCOUNTING PROCESS

BACKGROUND

Capital assets for the Metropolitan Nashville Government totaled \$5.3 billion in fiscal year 2014 which represents 72 percent of the government's assets. The capital asset accounting process includes the timely and accurate recording of acquisitions, depreciation, transfers, and dispositions, as well as the inventory and protection of capital assets.

The General Reserve Fund (4% Reserve Fund) is derived from four percent of revenues from the General Services District. The Charter specifies that expenditures from the General Reserve Fund be used for the purchase of building repairs and/or equipment. While there is no designation about the number of times appropriations can be made, there are generally between three and four appropriations made each year.

OBJECTIVES AND SCOPE

The objectives of the audit were to determine:

- If controls were in place to ensure the General Reserve Fund was operating in accordance with the Charter of the Metropolitan Nashville and Davidson County Government.
- If controls were in place to ensure fixed assets were safeguarded.
- If the capitalization process was efficient.

The audit scope included January 1, 2013, through December 31, 2014.

WHAT WE FOUND

Controls were in place to ensure the approval process was followed for expenditures from the General Reserve Fund. Expenditures from the fund were for equipment and building repairs as specified by the Metropolitan Nashville Charter.

Communication is lacking between the departments and the Division of Accounts regarding capital asset acquisitions. Additionally, controls should be strengthened around the inventory and disposition of capital assets. The capitalization threshold could potentially be raised without have a material effect on the government's financial statements and prevent additional accounting efforts required for capital assets.

EXECUTIVE SUMMARY

November 2, 2015



Why We Did This Audit

The audit was initiated due to the critical impact radio communication is to public safety services.

What We Recommend

- Enhance radio network security monitoring activities.
- Establish formal inventory procedure.
- Improve billing and collection procedures.

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

AUDIT OF GENERAL SERVICES RADIO COMMUNICATION DIVISION

BACKGROUND

The Metropolitan Nashville General Services Radio Communication Division is in charge of the daily operation and maintenance for the 800 MHz trunked radio system. About 39 Metro Nashville departments and other organizations benefit from this communication system.

The division supports eight tower sites, 6,307 radios in the “A” system for public safety, and 2,823 radios in a “B” system for other agencies. In 2015 the \$22.5 million upgrade project for the “A” system was completed. The “B” system will be upgraded starting in 2015 at an estimated cost of \$18.9 million.

Exhibit 1 – Radio Shop Operational and Maintenance Expense Recovery

	FY 2013	FY 2014
Operational and Maintenance Expense ¹	\$2,099,605	\$2,365,673
- Infrastructure Maintenance	835,176	1,361,284
- Shop Maintenance	1,264,429	1,004,389
Operating Revenue	1,615,578	2,011,761
Expense Recovery Percentage	77%	85%
Expense in Excess of Operating Revenue	\$ 484,027	\$ 353,912

Source: Metro Nashville’s EnterpriseOne Financial System

John Johnson, with 35 years of experience in radio communications, was hired to assist with the technical aspects of this engagement.

OBJECTIVES AND SCOPE

The audit scope includes transactions between June 1, 2013, and May 31, 2015. The objectives of the audit are to determine if:

- Effective internal controls are in place to keep the radio communication system available for use 99.999 percent of every day.
- Radio shop operational costs are fully recovered from system users.
- Radio communication assets and equipment are safeguarded.

WHAT WE FOUND

We found that Radio Communication Division was effectively managing the 800 MHz trunked radio system. However, information system controls should be tightened, asset management procedures should be established, and billing and collection processes should be improved.

¹ Expenditures do not include depreciation or communication equipment expenses (object accounts 505901 and 503853).

EXECUTIVE SUMMARY

November 5, 2015



Why We Did This Audit

The audit was initiated because well maintained parks and safe playgrounds improve the quality of life for Metropolitan Nashville citizens and visitors.

What We Recommend

- Formalize maintenance standards.
- The Work Order System should be replaced.
- Safety training documentation should be maintained.
- Assets should be safeguarded when on location at Metro Nashville parks.

AUDIT OF METRO PARKS AND RECREATION MAINTENANCE DIVISION

BACKGROUND

The mowing and maintenance of open spaces, athletic fields, greenways, playgrounds, and recreational areas is a top priority of Metro Parks and Recreation. The Consolidated Maintenance Division within Metro Parks and Recreation maintain over 15,000 acres of open space within parks and greenways and 740,000 square feet within Metro Parks and Recreation facilities. Consolidated Maintenance consists of approximately 134 employees among four divisions: grounds, facilities, horticulture, and custodial and safety.

The budget for Consolidated Maintenance totaled \$11,608,900 for fiscal year 2015 which represents 29 percent of Metro Parks and Recreation total budget.

OBJECTIVES AND SCOPE

The objectives of the audit were to:

- Determine if a maintenance plan is in place to help management maintain Metro Nashville parks.
- Determine if supervisory controls are in place to ensure the successful management of Metro Nashville parks.
- Determine if controls are in place to ensure employee safety.
- Determine if equipment and assets are safeguarded.

The audit scope included all maintenance activities between June 1, 2013, and May 31, 2015.

WHAT WE FOUND

We found that Metro Parks and Recreation was successfully maintaining park areas, playgrounds, and facilities with limited resources. However, the Consolidated Maintenance Division should develop written standards for parks and facilities. The work order system should be replaced as it is outdated and does not provide valuable information for management decision making. Documentation should be maintained for safety training for equipment used on the job as well job hazard analysis. The Consolidated Maintenance Division had controls in place to safeguard assets, but more care is needed in safeguarding assets while on location at Metro Nashville parks.

Annual Review

Metropolitan Nashville Audit Committee Bylaws

Metropolitan Nashville Office of Internal Audit Bylaws

FY 2015 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Financial Statements	1. Review the results of audits, including any difficulties encountered, and follow up as appropriate.	√			FY2014 CAFR Discussed with Crosslin & Associates December 9, 2014; Management Letter and Single Audit discussed July 28, 2015.
	2. Review with Metro Nashville management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.	√			FY2015 Crosslin & Associates audit plan presentation on July 28, 2015.
Risk Management and Internal Control	3. Understand the scope of internal and external auditors' reviews of internal controls over financial reporting and government service activities, and obtain reports on significant observations and recommendations, together with department, board, commission, officer or agency management's responses.	√			Crosslin & Associates FY2014 Management Letter discussed July 28, 2015. Office of Internal Audit reports concerning internal control environment routinely discussed during committee meetings.
	4. Engage with Metropolitan Auditor in performing a Metro Nashville entity-wide risk assessment to form an audit work plan.	√			Internal Audit Annual Work Plan recommendations and risk prioritization reviewed by Committee on February 10, 2015.
	5. Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Hold follow-up to monitor corrective actions implemented by auditee.	√			Status of audit recommendations implementation follow-up included in the Office of Internal Audit <i>Annual Report November 2013 to October 2014</i> issued to Metropolitan Nashville Council on February 24, 2015. Meeting with Register of Deeds October 14, 2014.
Internal Audit	6. Review and approve the audit plan and all major changes to the plan.	√			Annual Internal Audit Work Plan Approved on February 10, 2015.

FY 2015 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
	7. Review and approve the Division of Metropolitan Audit Bylaws annually.	√			Bylaws last reviewed October 14, 2014.
	8. Assure continued independence of Metropolitan Auditor. Ensure there are no unjustified restrictions or limitations to the discharge of internal audit responsibilities.	√			Confirmation included in the Office of Internal Audit <i>Annual Report November 2013 to October 2014</i> issued to Metropolitan Nashville Council on February 24, 2015.
	9. Review annually the activities, staffing and organizational structure of the internal audit function.	√			Administration of Internal Audit Office reviewed as a standing Audit Committee meeting agenda item.
	10. Review the effectiveness of the internal audit function, including compliance with generally accepted government auditing standards.	√			Last peer review completed July 10, 2014, with an opinion the Metropolitan Nashville Office of Internal Audit quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.
	11. Recommend the appointment of the Metropolitan Auditor.	√			Recruitment and interviews conducted in Spring 2014 with recommendation made to Metropolitan Nashville Council on May 20, 2014.
	12. For cause remove the Metropolitan Auditor.	√			Not applicable.
	13. At least once per year, review the performance of the Metropolitan Auditor and concur with the annual compensation and salary adjustment.	√			Committee reviewed as part of 2014 Metropolitan Auditor recruitment for recommendation to the Metropolitan Nashville Council.
Reporting	14. Issue annual report to the Council and Mayor regarding Committee activities, issues and related recommendations.	√			Confirmation included in the Office of Internal Audit Annual Report November 2013 to October 2014 issued to Metropolitan Nashville Council on February 24, 2015.

FY 2015 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
	15. Provide an open avenue of communication between internal audit, the external auditors, and department, board, commission, officer or agency management.	√			Meetings with internal and external auditors. Management corrective action plans included in final internal audit reports and external auditors management letter.
	16. Review any other Government issued reports related to committee responsibilities.	√			Crosslin & Associates' review of the Metro Water Services Clean Water Abatement Program was discussed at the December 9, 2014 committee meeting. Register of Deeds corrective action plan discussed October 14, 2014
Other	17. Ensure committee members undergo appropriate orientation upon appointment.	√			Orientation meetings for new council member appointments conducted in October and November 2015.
	18. Review and assess the adequacy of the committee bylaws annually, requesting approval for proposed changes, and ensuring appropriate disclosure as may be required by law or regulation.	√			Bylaws last reviewed October 14, 2015.
	19. Confirm annually that all responsibilities outlined in these bylaws have been carried out.	√			Last reviewed and confirmed October 14, 2015.
Meetings	20. The Committee will meet at least once per quarter	√			FY 2014 - Meeting held July 8, 2014, October 14, 2014, December 9, 2014, February 10, 2015, March 12, 2015 (MNPS Report to Council). FY2015 - July 28, 2015.
	21. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor.	√			Agenda, internal audit reports and other selected material provided by e-mail prior to Audit Committee meetings by the Metropolitan Auditor.
	22. Minutes will be prepared by the Metropolitan Auditor.	√			Minutes were prepared and posted on Office of Internal Audit web site after approval.

FY 2015 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Composition	23. Follow the provisions provided in Metropolitan Code of Law, Section 2.23.300(E) Division of Metropolitan Audit.	√			Audit Committee membership is consistent with Metropolitan Code of Laws requirements.

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

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

Robert C. Brannon
Committee Chairman



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

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

November 10, 2015

Metropolitan Nashville Audit Committee Members,

Subject: Fiscal Year 2016 Metropolitan Auditor Annual Assessment and Work Agreement

The Metropolitan Nashville Audit Committee recommended, and the Metropolitan Nashville Council elected Mark Swann to serve as Metropolitan Auditor for a second eight-year term commencing July 1, 2014. The Committee is satisfied with the performance of the Metropolitan Auditor and concurs with the current \$142,119 annual base salary for the Metropolitan Auditor.

Also, the Committee concurs that the Metropolitan Auditor, Mark Swann, will earn and accrue vacation leave on a monthly basis at 20 work days or 160 hours annually, and will earn and accrue sick leave on a monthly basis at 12 days or 96 hours annually.

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

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

Respectfully submitted,

Robert C. Brannon

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FY 2014 CAFR PRESENTATION



FY2014 Management Letter

FY2014 Single Audit

ORDINANCE NO. BL2015-___

An ordinance amending section 2.24.300 of the Metropolitan Code.

Whereas, it would facilitate the ability of the Division of Metropolitan Audit to perform its functions as contemplated in Section 8.121 of the Charter and Section 2.24.300 of the Metropolitan Code, to require all metropolitan departments and agencies to fully cooperate with the audits and investigations of that office; and,

Whereas, it is also desirable to establish a process by which suspected illegal, improper, wasteful, or fraudulent activity can be reported and investigated; and,

Whereas, it is further beneficial to ensure that certain additional information is communicated in a timely manner to the Division of Metropolitan Audit; and,

Whereas, it is also desirable to establish that the Division of Metropolitan Audit scope of service encompasses any departments, boards, commissions, officers, or agencies of the Metropolitan Government; and,

Whereas, the citizens of Nashville and Davidson County will benefit through the actions contemplated herein.

NOW, THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. Section 2.24.300 of the Metropolitan Code is hereby amended by adding the following new subsections H. through L. to the end of Section 2.24.300:

H. Access to Records.

1. The 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.

2. The Division of Metropolitan Audit and its personnel are individually responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work and complying with any other regulatory requirements necessitated by their being granted such access. Division of Metropolitan Audit personnel shall not publicly disclose any information received that is considered confidential in nature by any local, state, or federal law or regulation.

3. 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.

I. 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.

J. 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. Such reports shall also be communicated to the office of the Comptroller of the Treasury if so required by state law.

K. 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.

L. Scope of Services.

The Division of Metropolitan Audit is authorized to conduct financial audits, performance audits or other audit services, including disposition of fraud incidents, concerning any departments, boards, commissions, officers, or agencies 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.

Section 2. This ordinance shall take effect from and after its final passage, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

RECOMMENDED BY:

Robert Brannon, Chair
Audit Committee

INTRODUCED BY:

Council Member(s)

APPROVED AS TO THE AVAILABILITY
OF FUNDS:

Talia Lomax-O'dneal, Director
Department of Finance

APPROVED AS TO FORM AND
LEGALITY:

Assistant Metropolitan Attorney

**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

Use Organization Name: Metro Nashville

We Can't Do It Without You

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

Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
01) Permitting Upgrade (City Works) System Development Audit			✓		Aug-15
02) Hotel Motel Tax Summary FY 2015			✓		Jul-15
03) County Clerk- Cash Collections			✓		Mar-15
04) Health Department Medical Examiner			✓		Apr-15
05) Public Works Parking			✓		Jun-15
06) Police Department Secondary Employment			✓		Jul-15
07) Fire Department Payroll			✓		Jul-15
08) Trustee Office Cash Collections			✓		Jul-15
09) Finance Department Asset Accounting & 4% Funding			✓		Sep-15
10) Circuit Court Clerk Funds Held in Trust			✓		Sep-15
11) Parks & Recreation Maintenance			✓		Nov-15
12) Metro-Wide Revenue Forecasting			✓	Nov-15	
13) General Services 800 MHz Radio Shop			✓		Nov-15
14) Comcast Franchise Fee		✓			
15) Health Department Immunization Program		✓			
16) Juvenile Court		✓			
17) ITS Microsoft Exchange Email	✓				
Anticipated to Start Next 3 weeks					
HR Hiring Process					
Farmers Market					
Metro IntegrityLine Alerts Calendar Year 2015 - New Hotline Just Opened			Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse)			1	1	0
Cases Reported to State of TN			0	0	0
Cases Tasked to OIA by State of TN			0	0	0
Cases Tasked to OIA by Metro Entities			0	0	0

Note: Goal to complete 19 audit projects for Plan Year 2015. Currently 12 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 November 5, 2015**

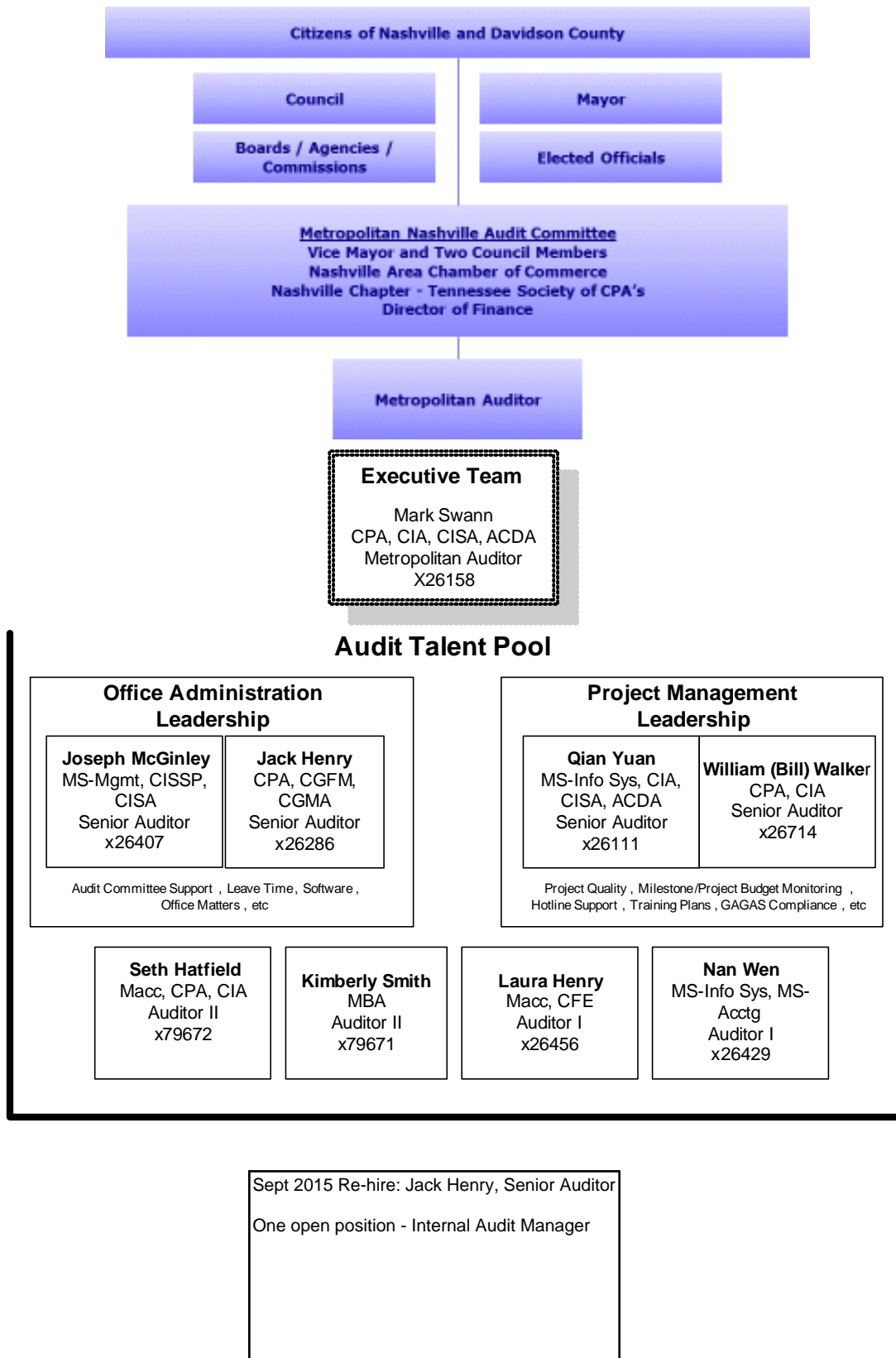
FY 2016 Approved Budget

	FY 2016 Budget	Actual As of Nov 5, 2015	Difference	Notes
Total Salaries & Fringe	\$ 1,049,900	\$ 266,043	\$ 783,857	
Other Expenses				
Professional & Purchased Services	75,100	11500	63,600	
Building Rent Parkway Towers	55,500	18321	37,179	
Other Expenses	71,700	9,021	62,679	
Internal Service Fees	38,200	38,200	-	Information Technology
TOTAL EXPENSES	\$ 1,290,400	\$ 343,085	\$ 947,315	

30003 General Fund 4% Reserve

\$ 11,689	\$ -	\$ 11,689	AX Core Server Software & Training; Office Furniture
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Metropolitan Nashville Office of Internal Audit



**METROPOLITAN NASHVILLE AUDIT COMMITTEE
2015 MEETING PLAN**

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

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CY 2015 Approved Audit Plan As of November 10, 2015

*Co-source	CY 2014 Audits In Progress	Hours	Total Hours	Status
1	Police Department - Secondary Employment	80	80	Completed
2	County Clerk's Office - Cash Collections	80	160	Completed
3	Metro Land Computer System Project	100	260	Completed
4	Office of the Medical Examiner	80	340	Completed
5	Metropolitan Nashville Public Schools	100	440	Completed
6	Fire Department – Payroll	500	940	Completed
7	Trustee's Office - Cash Collections	600	1,540	Completed
8	Finance Department and Other Functions - Asset Accounting Process / 4% Funding Process	500	2,040	Completed
CY 2015 New Audit Areas				
1	Hotel Occupancy Tax Audits	1,000	3,040	In-Progress
2	Airport Authority - Accounts Payable Process	800	3,840	
3	Juvenile Court	800	4,640	In-Progress
4	Metro General Government Annual Budget Revenue Estimates	800	5,440	In-Progress
5	Comcast Franchise Fee Audit	800	6,240	In-Progress
6	Metro Owned Parking Facilities Management and Public Works Parking Enforcement	800	5,440	Completed
7*	General Services - Fleet Operations	800	6,240	
8	General Services - Radio Shop Operations	800	6,640	Completed
9	Health Department - Immunization Programs	800	7,040	In-Progress
10	Parks & Recreation - Maintenance Operations	800	7,840	Completed
11	Farmers Market	800	8,640	
12	Circuit Court Clerk Funds Held In Trust	800	9,440	Completed
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	In-Progress
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	Completed

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Metropolitan Audit Committee

Metropolitan Code of Laws Section 2.24.300

Term-varied

6 Members

	<u>Date of Appt.</u>	<u>Term Exp.</u>
Mr. Robert C. Brannon 173 Jefferson Square Nashville, TN 37215- (615) 385-2491 bbrannon@associatedpackaging.com Representing: TSCPA, Nashville Chapter	2/2/2013	3/20/2017
Vice Mayor David Briley One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357 david.briley@nashville.gov Representing:	9/1/2015	8/31/2019
Mr. John Cooper 3925 Woodlawn Drive Nashville, TN 37205- (615) 969-4444 john.cooper@nashville.gov Representing: Metro Council	10/20/2015	9/30/2017
Ms. Talia Lomax-O'dneal One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151 talia.lomaxodneal@nashville.gov Representing: Director of Finance	10/1/2015	
Mr. Bob Mendes 416 Fairfax Avenue Nashville, TN 37212- (615) 756-3510 bob.mendes@nashville.gov Representing: Metro Council	10/20/2015	9/30/2017
Mr. Brack Reed 511 Union Street, Suite 1400 Nashville, TN 37219- (615) 770-8494 brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce	2/20/2015	3/20/2019

Printed 21-Oct-15

Metropolitan Clerk's Office

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

PURPOSE

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

SCOPE

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

RESPONSIBILITIES

Financial Statements

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

Risk Management and Internal Control

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

Internal Audit

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

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

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

Reporting Responsibilities

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

Other Responsibilities

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

COMPOSITION

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

MEETINGS

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

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

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

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

PURPOSE

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

SCOPE

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

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

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

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

The Metropolitan Auditor shall have authority to:

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

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

AUDIT SCHEDULE

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

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

REPORT OF IRREGULARITIES

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

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

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

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

AGENCY RESPONSE

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

AUDIT FOLLOW-UP

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

REPORTS TO METROPOLITAN AUDIT COMMITTEE

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

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

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

ANNUAL REPORT

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

CONTRACT AUDITORS, CONSULTANTS AND EXPERTS

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

INDEPENDENCE

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

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

STANDARDS OF AUDIT PRACTICE

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

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

FUNDING

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

RECORDS

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

REASSESSMENT

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

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

Article IV. - Division of Metropolitan Audit

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

2.24.300 - Division of metropolitan audit.

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

(Ord. BL2007-1318 § 2, 2007)

Sec. 8.121. - Division of metropolitan audit.

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Council

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

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

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

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

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

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

Metro Code 2.04.033 – Metropolitan Council

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

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

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

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

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

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

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

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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,** ...”

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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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